NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
Fitch: "AAA"
Moody's: "Aaa"
Standard & Poor's: "AAA"
See "Ratings" herein.

In the opinion of Squire, Sanders & Dempsey L.L.P., Los Angeles, California, Bond Counsel, under existing law and assuming continuing compliance with certain covenants and the accuracy of certain representations, (i) interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "Tax Matters" herein.

$38,475,000
Los Angeles County Public Works Financing Authority
Lease Revenue Bonds
(Calabasas Landfill Project), Series 2005

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

The Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project), Series 2005 (the "Bonds"), are being issued pursuant to an Indenture (the "Indenture"), dated as of December 1, 2005, by and between the Los Angeles County Public Works Financing Authority (the "Authority") and Deutsche Bank National Trust Company, as Trustee (the "Trustee"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County of Los Angeles, California (the "County") pursuant to a Sublease and Option to Purchase, dated as of December 1, 2005 (the "Sublease"), by and between the County and the Authority, relating to that certain refuse disposal facility located between Calabasas and Agoura, California and the real property on which it is located, as more particularly described herein (collectively, the "Calabasas Landfill"). Pursuant to the Sublease, Base Rental payments will be made first from Net Revenues (herein defined) of the Calabasas Landfill and, to the extent that Net Revenues are expected to be insufficient in any fiscal year, from any legally available funds of the County. See "Security and Sources of Payment for the Bonds" herein. The proceeds of the Bonds will be used to finance and refinance certain public improvement projects, equipment and furnishings at the Calabasas Landfill, fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the Bonds. See "Plan of Finance" and "Estimated Sources and Uses of Funds" herein.

The Bonds will be issued in authorized denominations of $5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on June 1, 2006. See "The Bonds" herein. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of, redemption premium, if any, and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See Appendix E – "Book-Entry Only System" attached hereto.

The Bonds are subject to optional redemption and extraordinary redemption prior to maturity, as described herein. See "The Bonds – Redemption" herein.

The payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation. See "Bond Insurance" herein and Appendix H – "Form of Financial Guaranty Insurance Policy" attached hereto.

Ambac

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES AS PROVIDED IN THE INDENTURE, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS AS PROVIDED IN THE INDENTURE. THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

The Bonds will be offered when, as and if issued, subject to the approval as to their legality by Squire, Sanders & Dempsey L.L.P., Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Authority and the County by County Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York on or about January 5, 2006.

UBS Financial Services Inc.

Dated: December 20, 2005

MATURITY SCHEDULE

$38,475,000
Los Angeles County Public Works Financing Authority
Lease Revenue Bonds
(Calabasas Landfill Project), Series 2005
Base CUSIP*: 54473E

Due (June 1)	Principal Amount	Interest Rate	Price	CUSIP*
2006	$1,100,000	3.50%	2.98%	KC7
2007	1,265,000	3.50	3.10	KD5
2008	1,365,000	4.50	3.25	KE3
2009	1,000,000	4.50	3.37	KG8
2009	490,000	3.50	3.37	KF0
2010	1,610,000	3.75	3.45	KH6
2011	1,735,000	3.75	3.59	KJ2
2012	1,860,000	4.50	3.67	KK9
2013	1,000,000	5.00	3.79	KM5
2013	1,010,000	4.25	3.79	KL7
2014	2,165,000	4.25	3.88	KN3
2015	2,325,000	4.50	3.95	KP8
2016[(1)]	2,500,000	4.25	4.06	KQ6
2017	2,675,000	4.10	4.17	KR4
2018	600,000	4.25	4.26	KT0
2018	2,255,000	4.125	4.26	KS2
2019	3,045,000	4.20	4.34	KU7
2020[(2)]	3,250,000	5.00	4.26	KV5
2021[(2)]	3,485,000	5.00	4.30	KW3
2022[(2)]	3,740,000	5.00	4.35	KX1

(1) Priced to June 1, 2015 at par.
(2) Priced to June 1, 2012 at par.

* CUSIP data, copyright 2005, American Bankers Association. CUSIP data are set forth herein for convenience of reference only. Neither the Authority, the County nor the Underwriter assume any responsibility for the accuracy of such data.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS
(Calabasas Landfill Project), Series 2005

Board of Supervisors

Michael D. Antonovich
Fifth District, Mayor

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Violet Varona-Lukens
Executive Officer-Clerk
Board of Supervisors

County Officials

David E. Janssen
Chief Administrative Officer

Raymond G. Fortner, Jr.
County Counsel

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Montague DeRose and Associates, LLC
Financial Advisor

Deutsche Bank National Trust Company
Trustee

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

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

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

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

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

TABLE OF CONTENTS

Page

INTRODUCTION **1**
- General Description 1
- Terms of the Bonds 1
- Security and Sources of Payment for the Bonds 2
- Limited Obligation 2
- Bond Insurance 3
- The County 3
- The Authority 3
- The Calabasas Landfill 3
- Continuing Disclosure 4
- Forward-Looking Statements 4

PLAN OF FINANCE AND THE PROJECT **4**

ESTIMATED SOURCES AND USES OF FUNDS **5**

THE BONDS **5**
- General Provisions 5
- Redemption 6

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS **7**
- Pledge of Revenues 7
- Base Rental and Additional Rental 7
- Reserve Fund 10
- Refuse Rate Setting under the Calabasas Agreement 10
- Abatement 11
- Insurance 11
- Additional Bonds 11

BOND INSURANCE **12**
- Payment Pursuant to Financial Guaranty Insurance Policy 12
- Ambac Assurance Corporation 13
- Available Information 13
- Incorporation of Certain Documents by Reference 14

THE CALABASAS LANDFILL **15**
- General 15
- Operation and Maintenance of the Calabasas Landfill 15
- Capacity of the Calabasas Landfill 16
- Revenues of the Calabasas Landfill 16
- Regulatory Matters 17
- Sources of Solid Waste 17

RISK FACTORS **18**
- Not a Pledge of Taxes 18
- Additional Obligations of the County 18
- Default; Remedies Upon Default; No Right of Relet 19
- Limitations on Remedies 19
- Adequacy of County Insurance Reserves or Insurance Proceeds 20
- Abatement 20
- Flow Control Considerations 20
- Regulation 21
- Seismic Events 21

TAX MATTERS **22**
- General 22
- Original Issue Premium 23

CONTINUING DISCLOSURE **23**

CERTAIN LEGAL MATTERS **24**

FINANCIAL ADVISOR **24**

LITIGATION **24**

RATINGS **24**

UNDERWRITING **25**

ADDITIONAL INFORMATION **25**

Appendix A – The County of Los Angeles Information Statement A-1
Appendix B – The County of Los Angeles Audited Financial Statements for the Fiscal Year Ended June 30, 2004 ..... B-1
Appendix C – Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report C-1
Appendix D – Summary of Certain Provisions of the Principal Legal Documents D-1
Appendix E – Book-Entry Only System E-1
Appendix F – Proposed Form of Approving Opinion F-1
Appendix G – Form of Continuing Disclosure Agreement G-1
Appendix H – Form of Financial Guaranty Insurance Policy H-1

$38,475,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Bonds
(Calabasas Landfill Project), Series 2005

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein will have the meanings set forth in the Indenture and the Sublease. See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – Definitions."

General Description

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority (Calabasas Landfill Project), Series 2005 (the "Bonds") in the aggregate principal amount of $38,475,000 (the "Bonds") pursuant to an Indenture (the "Indenture"), dated as of December 1, 2005, by and between the Los Angeles County Public Works Financing Authority (the "Authority") and Deutsche Bank National Trust Company, as Trustee (the "Trustee"). The proceeds of the Bonds will be used to finance certain public improvement projects, equipment and furnishings at the Calabasas Landfill (herein defined), fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the Bonds. See "The Calabasas Landfill" and "Estimated Sources and Uses of Funds" herein.

The County of Los Angeles, California (the "County") will lease that certain refuse disposal facility located near Agoura, California and the real property on which it is located, as more particularly described herein (collectively, the "Calabasas Landfill"), to the Authority pursuant to a Site Lease, dated as of December 1, 2005 (the "Site Lease"), by and between the County and the Authority. The County will lease the Calabasas Landfill from the Authority pursuant to a Sublease and Option to Purchase, dated as of December 1, 2005 (the "Sublease"), by and between the County and the Authority. Base Rental payments to be made by the County under the Sublease will be used to pay principal of and interest on the Bonds when due. Pursuant to the Sublease, Base Rental payments will be made first from Net Revenues (herein defined) of the Calabasas Landfill and, to the extent that Net Revenues are expected to be insufficient in any fiscal year, from any legally available funds of the County. See "Security and Sources of Payment for the Bonds" herein.

Terms of the Bonds

The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Bonds will be dated their date of delivery and are payable semiannually each June 1 and December 1, commencing on June 1, 2006 (each such date being an "Interest Payment Date"). The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of, redemption premium, if any, and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for

subsequent disbursement to the Owners of the Bonds. See Appendix E – "Book-Entry Only System" attached hereto.

The Bonds are subject to optional redemption and extraordinary redemption prior to maturity as described herein. See "The Bonds – Redemption" herein.

Security and Sources of Payment for the Bonds

Principal of, redemption premium, if any, and interest on the Bonds are payable from Base Rental ("Base Rental") payments to be made by the County under the Sublease, as consideration for the use and occupancy of the Calabasas Landfill by the County. See "Security and Sources of Payment for the Bonds – Base Rental" herein. The County has covenanted in the Sublease to make Base Rental payments and certain other payments ("Additional Rental") first from Net Revenues. To the extent that Net Revenues are expected to be insufficient to make Base Rental or Additional Rental payments in any fiscal year, the County has covenanted in the Sublease to pay the Base Rental due thereunder from any source of legally available funds, to take such action as may be necessary to include all Base Rental and Additional Rental (less the amounts of such Base Rental and Additional Rental reasonably expected to be paid from Net Revenues) in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental (except to the extent such payments are abated as described herein). Base Rental payments under the Sublease are scheduled to be sufficient to pay principal of and interest on the Bonds when due. See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Indenture" and "– The Sublease" attached hereto.

Subject to certain exceptions, payments under the Sublease will be abated during any period in which, by reason of material damage, destruction, condemnation, theft or defects in the title to the Calabasas Landfill or a portion thereof, there is substantial interference with the County's right to use or possession of the Calabasas Landfill or any material portion thereof. Any such abatement will continue for the period commencing with the date on which any interference with the County's right to use or possession of the Calabasas Landfill, or a material portion thereof, as a result of such damage, destruction, condemnation, theft or title defect commences and ending with the restoration of the Calabasas Landfill, or the affected portion thereof, to tenantable condition. See "Security and Sources of Payment for the Bonds – Abatement" herein.

Limited Obligation

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Indenture. The Bonds are not a debt of the Authority, the State or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

The obligation of the County to make Base Rental or Additional Rental payments under the Sublease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to make Base Rental or Additional Rental payments

constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Bond Insurance

The payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation (the "Bond Insurer"). See "Bond Insurance" herein and Appendix H – "Form of Financial Guaranty Insurance Policy" attached hereto.

The County

The County was established in 1850. The economy of the County is diversified and includes manufacturing, world trade, financial services, motion picture and television production, agriculture and tourism. For certain economic, demographic and financial information with respect to the County, see Appendix A – "The County of Los Angeles Information Statement" and Appendix B – "The County of Los Angeles Audited Financial Statements for the Fiscal Year Ended June 30, 2004" attached hereto. The County's audited financial statements for the fiscal year ended June 30, 2005 are expected to be released by the end of December 2005 and provided to each repository pursuant to the County's Continuing Disclosure Agreement (herein defined).

The Authority

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

The Calabasas Landfill

The Calabasas Landfill is the portion of the County's solid waste management system that provides disposal capacity for the communities of Agoura Hills, Calabasas, Hidden Hills, Malibu, and Westlake Village, the north-western portion of the City of Los Angeles, the western portion of the unincorporated County and the southern portion of Ventura County (the "Service Area"). The Calabasas Landfill is located between Calabasas and Agoura, California, north of the Ventura Freeway (U.S. 101) in unincorporated Los Angeles County, within the Santa Monica Mountains National Recreation Area and near the County border with Ventura County. The Calabasas Landfill has been operated and maintained since 1961 on County property by County Sanitation District No. 2 of Los Angeles County (the "District"), one of 22 active county sanitation districts in the County, pursuant to an Amended Joint Powers Agreement – Calabasas Landfill, dated April 1, 1966 (as amended, the "Calabasas Agreement"), by and between the County and the District. The Calabasas Agreement also provides for, among other things, the rates applicable to the disposal of refuse at the Calabasas Landfill, the closure and post-closure conditions of the Calabasas Landfill, and certain site development and project implementation by the District. See "The Calabasas Landfill – Operation and Maintenance of the Calabasas Landfill" herein.

Continuing Disclosure

Pursuant to the Continuing Disclosure Agreement, dated as of December 1, 2005 (the "Continuing Disclosure Agreement"), the County has covenanted to provide, or cause to be provided, by not later than February 1 of each fiscal year, commencing on February 1, 2006, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriter of the Bonds in complying with the Rule. See "Continuing Disclosure" herein and Appendix G – "Form of Continuing Disclosure Agreement" attached hereto.

Forward-Looking Statements

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

PLAN OF FINANCE AND THE PROJECT

The proceeds of the Bonds will be used to finance certain public improvement projects, equipment and furnishings at the Calabasas Landfill (the "Project"), fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the Bonds. See "The Calabasas Landfill" and "Estimated Sources and Uses of Proceeds of Funds" herein.

The Project consists of capital improvements to the Calabasas Landfill to access the remaining capacity within the permitted disposal footprint of the Calabasas Landfill, which was approximately 9.72 million tons as of July 1, 2005, including the installation of new landfill liners and liquids collection and removal systems in the undeveloped areas of the Calabasas Landfill. The Project will involve the excavation of approximately 8.1 million cubic yards of soil and the installation of 52.3 acres of liner and 0.5 million cubic yards of engineered fill. Once the new liner is in place, operators of the Calabasas Landfill will have access to the vertical airspace capacity in the existing developed area, as well as horizontal capacity in the newly developed areas. After Project completion, the Calabasas Landfill is expected to provide disposal capacity through fiscal year 2023, based on estimated annual waste deliveries. Since the Calabasas Landfill capacity is based on volume, the expected disposal capacity will vary depending on the actual annual waste deliveries. See Appendix C – "Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report" attached hereto.

The Project is being designed by the District's engineering staff in three phases. Phase I generally consists of the excavation of approximately 4 million cubic yards of soil and the construction of approximately 16 acres of liner and is estimated to cost approximately $11.3 million. Phase I has been constructed under a construction agreement (the "Construction Contract") with Sukut Construction, Inc. with the use of certain monies advanced by the County on an interim basis. Phase IIA generally consists

of the excavation of approximately 2.5 million cubic yards of soil and the construction of approximately 10.6 acres of liner and is estimated to cost approximately $13.9 million. Phase IIA has been designed and is expected to be completed in August 2006, approximately 6 months following the issuance of the notice to proceed. Phase IIB generally consists of the excavation of approximately 1.6 million cubic yards of soil and the construction of approximately 25.7 acres of liner and is estimated to cost approximately $16.3 million. Phase IIB is scheduled to be designed in 2007, with construction to begin in 2008 and completion of construction by August 2008. Upon completion of this last phase, operators of the Calabasas Landfill will have access to the vertical airspace capacity to reach the final permitted fill contours of the Calabasas Landfill.

ESTIMATED SOURCES AND USES OF FUNDS

The Bond proceeds and other funds are expected to be applied approximately as set forth below:

SOURCES:	
Principal Amount of Bonds	$38,475,000.00
Original Issue Premium	820,270.55
TOTAL	$39,295,270.55
USES:	
Project Fund	$34,727,540.35
Reserve Fund	3,847,500.00
Costs of Issuance Fund[(1)]	720,230.20
TOTAL	$39,295,270.55

(1) Includes underwriter's discount, bond insurance premium, financial advisor fees, rating agency fees, bond counsel fees, printing costs and other miscellaneous expenses.

THE BONDS

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

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on each Interest Payment Date. The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in each case in the denominations of $5,000 or any integral multiple thereof. See Appendix E – "Book-Entry Only System" attached hereto.

Redemption

Optional Redemption. The Bonds maturing between June 1, 2016 and June 1, 2019, inclusive, are subject to redemption prior to their respective stated maturities, as a whole or in part (in such order of maturity as designated in writing by the County to the Trustee) on any date on or after June 1, 2015, at a redemption price equal to the sum of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on and after June 1, 2020 are subject to redemption prior to their respective stated maturities, as a whole or in part (in such order of maturity as designated in writing by the County to the Trustee) on any date on or after June 1, 2010, at the following redemption prices (expressed as percentages of the principal amount of the Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

Redemption Date (dates inclusive)	Redemption Price
June 1, 2010 through May 31, 2011	102%
June 1, 2011 through May 31, 2012	101
June 1, 2012 and thereafter	100

Extraordinary Redemption. The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, as a whole, or in part by lot within each stated maturity in integral multiples of $5,000, from prepayments made by the County from insurance proceeds or eminent domain awards pursuant the Sublease and deposited by the Trustee in the Principal Account, at a prepayment price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date. See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – Sublease" attached hereto.

Selection of Bonds for Redemption. If less than all Outstanding Bonds are to be redeemed at any one time, a representative of the Authority, at the direction of the County, shall direct the Trustee to redeem the Bonds in such order of maturity as specified in writing and within a maturity the Trustee shall select the Bonds by lot in any manner that it deems appropriate, and the Trustee will promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds will be deemed to be composed of $5,000 multiples of principal, and any such multiple may be separately redeemed. So long as a book-entry system is used for the Bonds, selection of Bonds for redemption will be made according to DTC's practices. See Appendix E – "Book-Entry Only System" attached hereto.

Notice of Redemption. Notice of redemption will be mailed by first-class mail, postage prepaid, by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption will state, among other things, the redemption date, the redemption price, the name and appropriate address of the Trustee and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. With regard to an optional redemption, in the event that the funds required to pay the redemption price are not on deposit with the Trustee at the time the notice of redemption is to be sent, the notice of redemption will include a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Bonds will cease to accrue, and the Holders of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the Indenture will be cancelled by the Trustee and will be destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues

Under the Indenture, all Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Project Fund and the Rebate Fund) are irrevocably pledged to the payment of the principal of and interest on the Bonds as provided in the Indenture. "Revenues" means (i) all rents, receipts, installment payments, and other income derived by the Authority or the Trustee pursuant to or otherwise under or in respect of the Sublease, and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to this Indenture (other than the Project Fund), but not including amounts, including investment income, received for or on deposit in the Rebate Fund; provided that such term will not include certain amounts payable by the County to the Authority or to the Trustee or any other person as Additional Payments pursuant to the Sublease.

Base Rental and Additional Rental

The Sublease requires the County to pay Base Rental for the use and possession of the Calabasas Landfill and to pay, as Additional Rental, any taxes, assessments and insurance premiums with respect to the Calabasas Landfill and to the extent not paid out of proceeds of the Bonds, the fees and expenses of the Trustee and any other fees, costs or expenses incurred by the County or the Authority in connection with the execution, performance or enforcement of the Sublease or any assignment thereof or the Indenture or any of the transactions contemplated thereby or related to the Calabasas Landfill. The County has agreed to deposit with the Trustee the Base Rental payable under the Sublease due on or prior to each such Base Rental Payment Date. The County's obligation to pay Base Rental under the Sublease will commence on the date of issuance of the Bonds. Base Rental payments under the Sublease are scheduled to be sufficient to pay principal of and interest on the Bonds when due.

The County has covenanted in the Sublease to pay, first from Net Revenues and then from any legally available funds, Base Rental, and, to the extent that Net Revenues are expected to be insufficient to make Base Rental in any fiscal year, to take such action as may be necessary to include all Base Rental and Additional Rental payments for the Calabasas Landfill (less the amounts of such Base Rental and Additional Rental reasonably expected to be paid from Net Revenues) in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Sublease). See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Sublease" attached hereto.

"Net Revenues" means, for purposes of the Sublease, Net Revenues produced by the operation of the Calabasas Landfill pursuant to the Calabasas Agreement. "Net Revenues" under the Calabasas Agreement, are for any Bond Year (as defined in the Indenture), the Revenues during such Bond Year

less the Maintenance and Operation Costs of the Project during such Bond Year. Under the Calabasas Agreement, "Revenues" means all gross income and revenue received or receivable by the County or the District from the ownership or operation of the Calabasas Landfill, determined in accordance with generally accepted accounting principles, including all payments received by the County or the District from the sale of gas and the other services of the Calabasas Landfill, tip fee revenues, all proceeds of business interruption insurance or extra expense insurance relating to the Calabasas Landfill, proceeds of other insurance relating to the Calabasas Landfill and proceeds of eminent domain proceedings, in each case to the extent such proceeds are to be treated as revenues under the Indenture, investment income (to the extent generally available to pay costs of the Calabasas Landfill), and all other money howsoever derived by the County or the District from the ownership or operation of the Calabasas Landfill or otherwise arising from the Calabasas Landfill; and "Maintenance and Operation Costs" means, for any period, the reasonable and necessary costs paid or incurred by the County or the District for maintaining and operating the Calabasas Landfill, determined in accordance with generally accepted accounting principles, including (among other things) all required closure and post-closure maintenance funding, all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Calabasas Landfill in good repair and working order, and including all administrative costs of the County or the District that are charged directly or apportioned to the operation of the Calabasas Landfill, salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other necessary and reasonable costs of the County or the District or charges required to be paid by it to comply with the terms of the law, the Indenture or the Bonds, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of independent engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, costs of capital additions, replacements, betterments, extensions, or improvements to the Calabasas Landfill, which under generally accepted accounting principles are charged to a capital account or to a reserve for depreciation, and excluding any payment of debt service on the Bonds. The definitions of Revenues and Maintenance and Operation Costs under the Calabasas Agreement exclude all revenues and costs of any future methane gas facility to be developed or financed at the Calabasas Landfill if, at the time of such development or financing, the County and the District approve such exclusion. Base Rental and Additional Rental payments are expected to be paid from Net Revenues in the Calabasas Working Capital Fund described in the Calabasas Agreement. Net Revenues are not pledged to the Trustee for the benefit of the Bondholders.

Subject to the provisions of the Sublease relating to abatement, the County's obligation to make rental payments in the amounts and on the terms and conditions specified in the Sublease will be absolute and unconditional without any right of setoff or counterclaim. To the extent that Net Revenues are expected to be insufficient to make Base Rental in any fiscal year, the County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental payments for the Calabasas Landfill (less the amounts of such Base Rental and Additional Rental reasonably expected to be paid from Net Revenues) in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Sublease). The Sublease provides that the covenants on the part of the County contained therein, will be deemed to be and will be construed to be ministerial duties imposed by law and it will be the ministerial duty of each and every public official of the County to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Sublease. See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Sublease" attached hereto.

Notwithstanding any other provision of the Sublease or the Indenture, in no event will the Authority or the Trustee have the right to accelerate the payment of any Base Rental under the Sublease and there is no remedy to relet the Calabasas Landfill upon the occurrence of an Event of Default under the Sublease.

Base Rental payments are scheduled to be paid as set forth below:

Lease Payment Date[1]	Principal Component	Interest Component	Base Rental Payment
June 1, 2006	$1,100,000.00	$685,848.69	$1,785,848.69
December 1, 2006	--	826,316.88	--
June 1, 2007	1,265,000.00	826,316.88	2,917,633.76
December 1, 2007	--	804,179.38	--
June 1, 2008	1,365,000.00	804,179.38	2,973,358.76
December 1, 2008	--	773,466.88	--
June 1, 2009	1,490,000.00	773,466.88	3,036,933.76
December 1, 2009	--	742,391.88	--
June 1, 2010	1,610,000.00	742,391.88	3,094,783.76
December 1, 2010	--	712,204.38	--
June 1, 2011	1,735,000.00	712,204.38	3,159,408.76
December 1, 2011	--	679,673.13	--
June 1, 2012	1,860,000.00	679,673.13	3,219,346.26
December 1, 2012	--	637,823.13	--
June 1, 2013	2,010,000.00	637,823.13	3,285,646.26
December 1, 2013	--	591,360.63	--
June 1, 2014	2,165,000.00	591,360.63	3,347,721.26
December 1, 2014	--	545,354.38	--
June 1, 2015	2,325,000.00	545,354.38	3,415,708.76
December 1, 2015	--	493,041.88	--
June 1, 2016	2,500,000.00	493,041.88	3,486,083.76
December 1, 2016	--	439,916.88	--
June 1, 2017	2,675,000.00	439,916.88	3,554,833.76
December 1, 2017	--	385,079.38	--
June 1, 2018	2,855,000.00	385,079.38	3,625,158.76
December 1, 2018	--	325,820.00	--
June 1, 2019	3,045,000.00	325,820.00	3,696,640.00
December 1, 2019	--	261,875.00	--
June 1, 2020	3,250,000.00	261,875.00	3,773,750.00
December 1, 2020	--	180,625.00	--
June 1, 2021	3,485,000.00	180,625.00	3,846,250.00
December 1, 2021	--	93,500.00	--
June 1, 2022	3,740,000.00	93,500.00	3,927,000.00

[1] Due on June 1 and December 1 of each year, commencing on June 1, 2006.

Pursuant to the Indenture, the Authority has assigned to the Trustee all of its rights and remedies under the Sublease (other than rights to receive additional payments and certain rights to indemnifications therein), including, without limitation, proceeds of insurance policies as specified in the Sublease. See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents –The Indenture" attached hereto.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay them except from the Revenues. All the Bonds

are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Indenture. The Bonds are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

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

Reserve Fund

The Reserve Fund will be held by the Trustee and maintained by the Trustee in the amount of the Reserve Fund Requirement, as provided in the Indenture. All money in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, except that so long as the Authority is not in default under the Indenture, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement will be transferred, if permitted by the Indenture, to the Rebate Fund, if necessary, or to the Revenue Fund to pay principal of the Bonds. Amounts on deposit in the Reserve Fund will be applied by the Trustee to the final payment of the Bonds when such amount equals the principal of and interest on the Bonds Outstanding. “Reserve Fund Requirement” means, at any time of calculation, with respect to all Outstanding Bonds, an amount equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) 125% of the average annual Debt Service for the Bonds, and (iii) ten percent (10%) of the stated principal amount of the Bonds. “Maximum Annual Debt Service” means, as of any date, with respect to Bonds, the maximum amount of Debt Service coming due on such Bonds in the then current or any future Fiscal Year. “Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all Outstanding Bonds, assuming that all Outstanding Bonds are redeemed or paid from sinking account payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), and (2) that portion of the principal amount of all Outstanding Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be. See Appendix D – “Summary of Certain Provisions of the Principal Legal Documents – The Indenture” attached hereto.

Refuse Rate Setting under the Calabasas Agreement

The Bonds are payable from Revenues, which consist of Base Rental and Additional Rental payments. Base Rental and Additional Rental are payable first from Net Revenues. The County and the District have agreed in the Calabasas Agreement that the prices to be charged for the disposal of refuse at the Calabasas Landfill will be fixed from time to time as determined by the County, after consultation with and advisement by the District, to effectuate the purposes of the Calabasas Agreement; provided, however, that it is understood and agreed that prices will be established at such level as will be sufficient to produce revenues which are adequate to fund the District's immediate requirements for the Calabasas Landfill site, including (1) to provide and pay for the District’s cost of site development and

implementation, operation and maintenance, site beautification, closure, postclosure maintenance including financial assurances therefor as required by law, and, if necessary, liabilities and obligations assumed in agreements with others of the rights and powers granted to the District in the Calabasas Agreement, (2) to fund the Net Economic Benefits Account as provided in the Calabasas Agreement, and (3) to produce Net Revenues sufficient to pay debt service on the Bonds for each Bond Year, including provision for payment of the next succeeding installment of payments on the Bonds. Net Revenues are not pledged to the Trustee for the benefit of the Bondholders and the Trustee and the Bondholders are not entitled to enforce the terms of the Calabasas Agreement. In addition, the Calabasas Agreement may be amended from time to time by the County and the District without the prior consent of the Holders of the Bonds.

Abatement

A proportionate amount of Base Rental will be abated during any period in which, by reason of material damage, destruction, condemnation, theft or defects in the title to the Calabasas Landfill or a portion thereof, there is substantial interference with the use and possession of any material portion of the Calabasas Landfill by the County. There will be no abatement of Base Rental to the extent that moneys are (a) on deposit with the Trustee in the Revenue Fund and the Reserve Fund, (b) amounts received in respect of rental interruption insurance, title insurance, condemnation awards and liquidated damages, if any, relating to the Calabasas Landfill, and (c) amounts, if any, otherwise legally available to the County and deposited with the Trustee for the purpose of making payments in respect of the Bonds, including Net Revenues. The amount of any abatement will be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, does not exceed the total fair rental value of the remaining portions of the Calabasas Landfill as to which such damage, destruction, condemnation, theft or title defect do not substantially interfere with the County's right of use or possession. Any such abatement will continue for the period commencing with the date on which any interference with the County's right to use or possession of the Calabasas Landfill, or a material portion thereof, as a result of such damage, destruction, condemnation, theft or title defect commences and ending with the restoration of the Calabasas Landfill, or the affected portion thereof, to tenantable condition. See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Sublease – Abatement" attached hereto.

Insurance

The County has covenanted in the Sublease to obtain certain types of insurance, including rental interruption insurance, all-risk insurance, general liability coverage, workers' compensation insurance and title insurance policies, from outside insurers, so long as such insurance, except for rental interruption insurance, is offered by reputable insurers at a reasonable cost in the open market. If the County determines that any such insurance, except for all-risk and rental interruption insurance, is not offered by reputable insurers at a reasonable cost on the open market, or for any other reason the County elects, the County will self-insure those risks for which insurance is otherwise required. The County has agreed not to self-insure for rental interruption insurance. No assurance can be given that such insurance will be offered by reputable insurers at a reasonable cost on the open market during the entire term of the Sublease. See "Risk Factors – Abatement" herein.

Additional Bonds

Subject to compliance with the conditions set forth in the Indenture, the Trustee, the Authority and the County may by execution of a supplemental indenture, without the consent of the Owners, provide for the issuance and sale of Additional Bonds payable on a parity with the Bonds from Revenues.

See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Indenture" attached hereto.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix H attached hereto for a form of the Insurance Policy.

Payment Pursuant to Financial Guaranty Insurance Policy

The Bond Insurer has made a commitment to issue a Financial Guaranty Insurance Policy relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Bond Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee/Paying Agent/Bond Registrar. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Deutsche Bank National Trust Company has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee , Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that the Bond Insurer were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Ambac Assurance Corporation

The Bond Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$8,645,000,000** (unaudited) and statutory capital of approximately **$5,403,000,000** (unaudited) as of **September 30, 2005**. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a bond by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such bond and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds. **No representation is made by the Bond Insurer regarding the federal income tax treatment of payments that are made by the Bond Insurer under the terms of the Policy due to nonappropriation of funds by the Lessee.**

The Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under the heading "Bond Insurance".

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company . These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;

2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;

3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;

4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005;

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;

6. The Company's Current Report on Form 8-K dated and filed on July 20, 2005;

7. The Company's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;

8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005;

9. The information furnished and deemed to be filed under Item 2.02 contained in the Company's Current Report on Form 8-K dated and filed on October 19, 2005;

10. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2005 and filed on November 9, 2005; and

11. The Company's Current Report on Form 8-K dated November 29, 2005 and filed on December 5, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Bond Insurance – Available Information".

THE CALABASAS LANDFILL

General

The County's solid waste management system includes the Calabasas Landfill, transfer stations, recycling operations and other related programs and administration activities. The Calabasas Landfill provides disposal capacity for the communities of Agoura Hills, Calabasas, Hidden Hills, Malibu, and Westlake Village, the north-western portion of the City of Los Angeles, the western portion of the unincorporated County and the southern portion of Ventura County (the "Service Area"). See "The Calabasas Landfill – Sources of Solid Waste" herein. The Calabasas Landfill is located between the cites of Agoura and Calabasas, California, north of the Ventura Freeway (U.S. 101) in unincorporated Los Angeles County, within the Santa Monica Mountains National Recreation Area and near the County border with Ventura County. The Calabasas Landfill is located on 505 acres, of which 416 acres are designated for landfill operations, and has been operated since 1961 on County property by the District. The Calabasas Landfill site consists of an internal roadway system, a scale facility, a field office, an equipment service and storage facility, a temporary hazardous waste storage yard, a paved, white goods storage area, a fuel tank facility and a flare station.

The Calabasas Landfill is currently operated as a Class III sanitary landfill in compliance with federal, state and local standards and accepts only non-hazardous municipal solid waste. All refuse loads are weighed at the scale facility, where they are also screened for the presence of any radioactive wastes and data regarding the quantity of waste received and its jurisdiction of origin are also collected. Thereafter, the trucks proceed to the appropriate disposal area. Green waste, including brush, grass clippings and larger wood waste material, refrigerants from refrigerators and air conditioners, and large, recoverable metallic items and appliances are separated from the refuse loads and processed at their respective facilities. Compactors are used to compact the remaining waste. A daily cover, consisting of both excavated soil and green waste, is applied to the waste at the end of each day of operation to control disease, vectors, fires, odors, blowing litter and scavenging. Additional covers, consisting of materials with specified hydraulic conductivity, are placed over the surfaces pursuant to applicable law.

Operation and Maintenance of the Calabasas Landfill

The Calabasas Landfill is operated and maintained by the District pursuant to the Calabasas Agreement. The District's rights and obligations under the Calabasas Agreement extend until December 31, 2012 and will continue annually thereafter until terminated by mutual agreement of the County and the District, subject to certain limitations. The Calabasas Agreement provides for, among other things, the rates applicable to the disposal of refuse at the Calabasas Landfill, the closure and post-closure conditions of the Calabasas Landfill, and certain site development and project implementation by the District. The District employs approximately 40 individuals at the Calabasas Landfill who are responsible for most of the design, permitting, reporting and all operations at the Calabasas Landfill. The District's staff includes administration personnel, engineers, equipment operators, ground maintenance workers, site attendants, mechanics and scale operators. Although the District periodically solicits services from private companies to execute various services, such as consulting, engineering, water and soil testing and other site maintenance activities, much of the design and construction activities are performed by the District. The District also provides comprehensive employee training, with the primary purpose being to improve and protect the health and safety of site workers. The Calabasas Landfill is financially distinct from the other solid waste operations of the District, and the District is not responsible for payment of debt service on the Bonds.

Capacity of the Calabasas Landfill

The Calabasas Landfill has a permitted daily operating capacity of 3,500 tons per day ("tpd") and an estimated remaining tonnage capacity of approximately 21.1 million cubic yards and 9.7 million tons of waste as of June 30, 2005. Over the past five years, the amount disposed has ranged from 343,500 tons per year to 549,600 tons per year. The Project is required in order for the Calabasas Landfill to continue operations in 2005. Depending on the actual future waste delivery rate, the Calabasas Landfill is expected to have between 15 to 25 years of remaining life. Factors that could affect the life of the site will include major shifts in waste flow to another landfill, reductions in waste due to increased material recovery, improvements in the use of daily or intermediate cover usage, increased waste deliveries as a result of increased waste generation in the Service Area due to more rapid population growth or generation rates, or changes in the allowed Service Area, and catastrophic events such as major earthquakes. See Appendix C – "Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report – Project and Landfill Description" attached hereto.

Revenues of the Calabasas Landfill

The County expects that Net Revenues of the Calabasas Landfill will be the primary source of funds for Base Rental payments under the Sublease. See "Security and Sources of Payment for the Bonds – Base Rental and Additional Rental" herein. Net Revenues are derived from revenues of the Calabasas Landfill, which consist of tip fee revenues (which include all customer gate fees for disposal services), interest and other revenues (which include revenues from the sale of recovered metals and interest on fund balances) and other sources, including transfers from the Los Angeles County Refuse Disposal Trust Fund to fund certain Calabasas Landfill development projects. The following table sets forth the revenues of the Calabasas Landfill for fiscal year 2001 through fiscal year 2005.

Historical Revenues
Fiscal Years 2001 through 2005
(in thousands)

	2001	2002	2003	2004	2005
Tip Fees	$ 9,357	$ 9,944	$11,377	$14,518	$15,850
Interest & Other Revenue	212	103	116	93	82
Joint Administrative Office Liability Reserve[(1)]	84	141	-40	-40	-40
Other Sources	710	2,433	7,271	2,579	5,550
	$10,363	$12,621	$18,724	$17,150	$21,442

Source: Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report. See Appendix C attached hereto.

(1) Established to fund, upon the occurrence of a catastrophic event such as an earthquake, the costs of replacement of contents and the costs of continuing to conduct business.

The County intends to establish the tip fee for municipal solid waste disposal at the Calabasas Landfill each fiscal year, based on the anticipated budgetary requirements for waste disposal in the region. Corollary increases in the tip fees for the other waste categories, including green waste, would also be established annually. The disposal fees are charged to all solid waste delivered to the Calabasas Landfill from Service Area sources. Private haulers, municipalities and other credit customers are billed on a monthly basis for the waste deliveries. See Appendix C – "Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report – Project and Landfill Description" attached hereto.

Regulatory Matters

The Calabasas Landfill is designed to operate in a manner consistent with, among other things, federal Subtitle D regulations and the California Code of Regulations for landfills under Title 27 Division 2. Compliance with these regulations require satisfaction of specific operating criteria, including the control of contaminated water, gas management, application of appropriate quantities of daily and intermediate cover and surface water protection. The Calabasas Landfill is currently in compliance with all permits and all applicable federal and State laws and regulations. See "Risk Factors – Regulatory Risk" herein and Appendix C – "Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report – Regulatory Status" attached hereto.

The District filed an application with the South Coast Air Quality Management District (the "Air Quality Management District") on March 23, 1998 to obtain the necessary permits for the construction and operation of the landfill gas control systems at the Calabasas Landfill. Preparation of a draft Title V permit by the Air Quality Management District is currently pending. After the Air Quality Management District has prepared the draft Title V permit, it will be made available for public review and comment and will be sent to the U.S. Environmental Protection Agency (the "EPA") for review and comment. A final Title V permit incorporating all pertinent public and EPA comments will then be issued. Once issued, the Title V permit will replace all of the individual Permits to Operate in force at that time. No significant changes are currently anticipated. The District holds current individual Air Quality Management District permits for each potential emission source, including its condensate\leachate storage tanks, landfill gas system, fuel storage and dispensing system, and ten microturbines.

In 1990, in response to a statistically significant increase in water quality indicator parameters in excess of water quality protection standards, the District developed a verification monitoring program and submitted the work plan to the Regional Water Quality Control Board – Los Angeles Region (the "Regional Board").

In 2002, the State Water Resources Control Board (the "State Water Board") required several landfills throughout the State, including the Facility, to analyze for radioactive constituents in background and down-gradient ground waters and in liquid collection and removal system liquids. The results of the required sampling program were submitted to the State Water Board and the District has further investigated the sources of uranium and gross beta results at the Facility. The follow-up reports indicate that background uranium occurs in Facility bedrock at elevated levels and that uranium daughter products and naturally occurring potassium40 account for the measured gross beta levels. Discussions with the Regional Board indicate that the Regional Board does not currently intend to require any further action.

Sources of Solid Waste

The Calabasas Landfill's Service Area consists of approximately 300 square miles in western Los Angeles County and southeastern Ventura County. Municipal solid waste from portions of the County and Ventura County is disposed at the Calabasas Landfill. Pursuant to Title 12 of the County Code, no person will dispose of or tender for disposal at the Calabasas Landfill any solid waste which has its origin outside a certain wasteshed area that includes the incorporated cities of Hidden Hills, Agoura Hills, Westlake Village and Thousand Oaks, a certain portion of the City of Los Angeles bordering Interstate Highway 405 and certain unincorporated areas in the County and the County of Ventura.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds.

Not a Pledge of Taxes

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Indenture. The Bonds are not a debt of the Authority, the State or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

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

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay, to the extent that Net Revenues are expected to be insufficient to make Base Rental or Additional Rental payments in any fiscal year, Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Sublease that, for as long as the Calabasas Landfill is available for its use and possession, the County will take such action as may be necessary to include all Base Rental and Additional Rental payments (less the amounts of such Base Rental and Additional Rental reasonably expected to be paid from Net Revenues) due under the Sublease in any Fiscal Year during the term of the Sublease in its annual budgets for the Fiscal Year and to make the necessary annual appropriations for all such Base Rental and Additional Rental payments (except to the extent such payments are abated as described herein). The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

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

To the extent that Net Revenues are expected to be insufficient to make Base Rental or Additional Rental payments in any fiscal year, the Base Rental payments and other payments due under the Sublease (including payment of costs of repair and maintenance of the Calabasas Landfill, taxes and other governmental charges levied against the Calabasas Landfill) will be payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the

County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due.

Default; Remedies Upon Default; No Right of Relet

Upon the occurrence of an Event of Default under the Sublease, the Trustee must thereafter maintain the Sublease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Calabasas Landfill regardless of whether or not the County has abandoned the Calabasas Landfill. This is the sole and exclusive remedy available against the County under the Sublease or otherwise in the event of a default under the Sublease. There is no remedy of acceleration of the total Base Rental payments due over the term of the Sublease, nor is the Trustee empowered to sell the Calabasas Landfill and use the proceeds of such sale to redeem the Bonds or pay debt service thereon. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and, to pay the rent to the end of the term of the Sublease and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Sublease for the payment of rent thereunder (without acceleration). The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Sublease and the Trustee is not empowered to sell the Calabasas Landfill and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Calabasas Landfill in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Calabasas Landfill; (ii) to enter upon the premises where the Calabasas Landfill is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Sublease and sell the Calabasas Landfill or otherwise dispose of, hold, use, operate, lease to others or keep idle the Calabasas Landfill; or (iv) to retake possession of the Calabasas Landfill in any manner.

Under the terms of the Sublease, the Trustee has the right to recover Base Rental payments as they become due under the Sublease. The County will be liable only for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

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

interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See "Security and Sources of Payment for the Bonds – Insurance" herein. The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Calabasas Landfill. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. If the County's self-insurance reserves are inadequate or if the County receives insufficient commercial insurance proceeds to repair or replace any portion of the Calabasas Landfill which is damaged or destroyed, the amount of Base Rental payable under the Sublease could be abated. See "Security and Sources of Payment for the Bonds – Abatement" and "Risk Factors – Abatement" herein.

Abatement

Except to the extent of (i) amounts held by the Trustee in the Revenue Fund and the Reserve Fund, (ii) amounts received in respect of rental interruption insurance, title insurance, condemnation awards and liquidated damages, if any, relating to the Calabasas Landfill and (iii) amounts, if any, otherwise legally available to the County and deposited with the Trustee for the purpose of making payments in respect of the Bonds, including Net Revenues, rental payments under the Sublease will be abated in whole in part during any period in which, by reason of material damage, destruction, condemnation, theft or defects in the title to the Calabasas Landfill or a portion thereof, there is substantial interference with the County's right of use or possession of the Calabasas Landfill or any material portion thereof. In the event of an abatement, the amount of rental abatement will be such that the resulting total Base Rental in any Fiscal Year during which such interference continues excluding any amounts described in clauses (a) through (c) above, do not exceed the total fair rental value of the remaining portions of the Calabasas Landfill as to which such damage, destruction, condemnation, theft or title defect do not substantially interfere with the County's right of use or possession. Any such abatement will continue for the period commencing with the date on which any interference with the County's right to use or possession of the Calabasas Landfill, or a material portion thereof, as a result of such material damage, destruction, condemnation, theft or title defect commences and ending with the restoration of the Calabasas Landfill, or the affected portion thereof, to tenantable condition.

Flow Control Considerations

The Bonds are payable from Revenues, which consists of Base Rental and Additional Rental payments. Net Revenues are not pledged to the Trustee for the benefit of the Holders of the Bonds. Base Rental and Additional Rental are payable from Net Revenues. The County has agreed in the Calabasas Agreement to fix from time to time the prices to be charged for the disposal of refuse at the Calabasas Landfill as will be sufficient to produce revenues which are adequate to fund the District's immediate requirements for the Calabasas Landfill site, including producing Net Revenues sufficient to pay debt service on the Bonds for each Bond Year, including provision for payment of the next succeeding installment of payments on the Bonds. See "Security and Sources of Payment for the Bonds – Refuse Rate Setting under the Calabasas Agreement" herein.

The ability of the Calabasas Landfill to generate Net Revenues in an amount sufficient to comply with this requirement in the Calabasas Agreement depends on the continuing ability of the Calabasas Landfill to attract waste for disposal as tip fees. Haulers of solid waste generally have no legal or contractual obligation to utilize the Calabasas Landfill. In the event that, for any reason (including those

reasons described herein) the tip fees charged at the Calabasas Landfill are no longer competitive with available alternate waste disposal locations (whether due to increases in tip fees at the Calabasas Landfill or to decreases in the prevailing costs at alternate locations, or a combination of the foregoing), such circumstances could result in significant decreases in the amount of waste delivered to the Calabasas Landfill. There can be no assurances that such circumstances will not have a material adverse impact on the ability of the Calabasas Landfill to generate Net Revenues in the amounts contemplated by the Calabasas Agreement. To the extent that Net Revenues are expected to be insufficient to make Base Rental in any fiscal year, the County has covenanted in the Sublease to pay Base Rental from any legally available funds and to take such action as may be necessary to include all Base Rental and Additional Rental payments for the Calabasas Landfill (less the amounts of such Base Rental and Additional Rental reasonably expected to be paid from Net Revenues) in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Sublease). See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Sublease" attached hereto.

Regulation

Laws and regulations governing solid waste management are enacted and promulgated by government agencies on the federal, state and local levels. These laws and regulations address air quality requirements; the design, construction, operation, maintenance, closure and post–closure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Laws and regulations at both the State and federal levels impose retroactive liability, particularly with respect to cleanup activities, relating to landfill sites. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. The cost of complying with current or future regulations may be significant. Such costs are payable from Net Revenues or from other legally available sources. The County has covenanted in the Calabasas Agreement to establish prices for the disposal of refuse at a level sufficient to produce revenues which are adequate to fund District's immediate requirements for the Calabasas Landfill, including to produce Net Revenues sufficient to pay debt service on the Bonds for each Bond Year, including provision for payment of the next succeeding installment of payments on the Bonds. See "Security and Sources of Payment for the Bonds – Refuse Rate Setting under the Calabasas Agreement" herein. No assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the Calabasas Landfill to generate Net Revenues in the amounts required by the Calabasas Agreement. To the extent that Net Revenues are expected to be insufficient to make Base Rental in any fiscal year, the County has covenanted in the Sublease to pay Base Rental from any legally available funds and to take such action as may be necessary to include all Base Rental and Additional Rental payments for the Calabasas Landfill (less the amounts of such Base Rental and Additional Rental reasonably expected to be paid from Net Revenues) in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Sublease). See Appendix D – "Summary of Certain Provisions of the Principal Legal Documents – The Sublease" attached hereto.

Seismic Events

The Calabasas Landfill is located within a seismically active area, and damage from an earthquake could be substantial. If the proceeds of any earthquake insurance were insufficient to replace or repair the damage caused to the Calabasas Landfill, the County would be limited to its general fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, and except to the extent of amounts held by the Trustee for the purpose of making payments in respect of the Bonds, including Net Revenues, the County's obligation to make Base Rental payments would be subject to abatement. See "Risk Factors – Abatement" herein.

TAX MATTERS

General

In the opinion of Squire, Sanders & Dempsey L.L.P., Los Angeles, California, Bond Counsel, under existing law, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from State of California personal income taxes. An opinion to those effects will be included in the legal opinion of Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

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

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Authority or the County may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Bonds. The Authority and the County have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount or premium.

Original Issue Premium

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

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

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement, the County has agreed to provide, or cause to be provided, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2005, to each nationally recognized municipal securities information repository and each Respository (as defined in the Continuing Disclosure Agreement) certain annual report, including the County's financial statements and certain updated information for the prior fiscal year, as set forth in the form of Continuing Disclosure Agreement attached hereto as Appendix G. In addition, the County has agreed to give, or cause to be given, to each Repository in a timely manner notice of the following listed events if determined by the County to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on the debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of any credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls other than mandatory sinking fund redemptions; (9) defeasances; (10) release, substitutions, or sale of property, if any, securing repayment of the respective series of the Bonds; and (11) rating changes. These covenants have been made in order to assist the Underwriter in complying with the Rule. The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The County may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied: (a) if the amendment or waiver relates to the provisions in connection with the content and provisions of the Annual Reports or Significant Events (each as defined in the Continuing Disclosure Agreement), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect

to the Bonds, or the type of business conducted; (b) the undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders of the Bonds, or (ii) does not, in the opinion of the Authority or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Los Angeles, California, Bond Counsel. The proposed form of opinion of Bond Counsel is contained in Appendix F hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the County and the Authority by County Counsel.

FINANCIAL ADVISOR

Montague DeRose and Associates, LLC served as Financial Advisor in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

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

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make Base Rental payments. See Appendix A – "The County of Los Angeles Information Statement – Litigation" attached hereto.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") have assigned the Bonds ratings of "AAA," " Aaa" and "AAA," respectively, based on the understanding that the Bond Insurer will issue its Financial Guaranty Insurance Policy concurrently with the issuance of the Bonds. Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch Ratings, 33 Whitehall Street, 27th Floor, New York, New York 10004; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007-2796 and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., 55 Water Street,

New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the County and the Authority at an aggregate purchase price of $39,116,051.98 (consisting of the aggregate principal amount thereof plus net original issue premium of $820,270.55 and less underwriter's discount of $179,218.57), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriter is subject to certain conditions precedent and that the Underwriter will be obligated to purchase all of the Bonds offered under the Bond Purchase Agreement if any of the Bonds offered thereunder are purchased.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Site Lease and the Sublease may be obtained upon request from the Trustee at: Deutsche Bank National Trust Company, 101 California Street, 46th Floor, Mail Stop: SFR03-4601, San Francisco, California 94111, Attention: Trust and Securities Services. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the Bonds.

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

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

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

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles 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 10.2 million in 2005, the County is the largest of 58 counties in California and is more populous than 43 states. As required by the County Charter, County ordinances, and State or federal mandate, the County is responsible for providing government services at the local level for activities involving 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 areas.

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors that is elected by residents from five 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 eight elected officials of the County. As a result, each is now limited to serving three consecutive terms commencing as of December 2002.

Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries under the Contract Services Plan. Established in 1954, the Plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Plan, the County will provide any or all such municipal services within 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.

County Services

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

Health and Welfare

Under State law, the County is required to administer federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Over one million people in the County receive benefits and services from these programs. Health services are provided through a network of County hospitals and comprehensive health centers. Each year, these health facilities treat more than 8,000 trauma patients, provide services to nearly 3 million outpatients, and conduct over 300,000 immunizations and tests for communicable diseases.

The County also has the responsibility to provide and partially fund mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contracted providers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes three 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 provides quality care to the entire community. Through its affiliation with three 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 coordinates an entire network of disaster recovery services responsible for responding to floods, fires, storms, earthquakes, and hazardous waste incidents. 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 coastline and make over 9,000 rescues a year. County rescue boats patrol 70 miles of coastline and the Catalina Channel.

Public Safety

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

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. A second major general government service is the County's voter registration and election system, which provides 5,000 polling places throughout the County for over 4.1 million registered voters.

Culture and Recreation

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

The County's botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, provide County residents with a valuable recreational and educational resource. The County also manages over 63,000 acres of parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 7 major regional parks, 76 local and community regional parks, 8 natural areas, and 17 golf courses.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 89% of the County workforce is represented by certified employee organizations. Under labor relations policy direction from the Board of Supervisors and Chief Administrative Officer, the CAO/Employee Relations Division negotiates fifty-two (52) individual Collective Bargaining Agreements and two (2) Fringe Benefit Agreements.

Fringe Benefit Agreements reached with the Coalition of County Unions and SEIU Local 660 have a term of three (3) years and will expire on September 30, 2006.

As of November 1, 2005, the Board of Supervisors had approved agreements with forty-nine (49) collective bargaining units, which are represented by Local 660 and either the Coalition of County Unions or an independent association. The County also reached tentative agreement with two (2) bargaining units and is only awaiting ratification elections and/or final processing for submission to the Board for approval. With the one (1) remaining unsettled bargaining unit, the County is currently in mediation.

Most of the bargaining contracts approved by the Board contain a Financial Crisis Provision, which provides that the Board may declare, under certain circumstances, a financial emergency and cancel negotiated compensation adjustments (5% over the three year term). If this were to occur, the County would have to re-open bargaining contracts and re-negotiate economic issues.

Litigation by Contract Workers

In November 2000, three employees of contractors providing technical services to the County's Internal Services Department filed litigation (*Holmgren et al v. County of Los Angeles*) as a class action, alleging that they were improperly hired and treated as non-County employees even though the County directed and controlled their services. The plaintiffs seek County employee status and damages for alleged differentials in compensation and benefits. Two lawsuits (*Hall et al v. County of Los Angeles and Shiell et al v. County of Los Angeles*) filed earlier by employees of a contractor providing legal services to County Counsel make similar claims and seek similar remedies. The *Holmgren* and *Shiell* cases are still in the pre-trial stages of litigation. In the *Hall* case, summary judgment has been granted in favor of the County, and plaintiffs have filed an appeal. The potential financial impact of these cases on the County has not yet been determined.

Litigation by County Safety Police Officers

A class action lawsuit (*Frank, et al. v. County of Los Angeles, et al.*), filed on behalf of approximately 500 past and current members of the County's Safety Police, resulted in a California Superior Court jury finding of liability against the County on June 6, 2002. The suit alleged that County safety police officers have been denied equal pay and benefits in comparison to County deputy sheriffs due to racial discrimination because County safety police officers are predominately minorities.

Final judgment was entered June 6, 2003. Both the County and the plaintiffs have filed notices of appeal. Briefing schedules have been set, but oral argument has not been calendared. The County's special counsel advises that there are significant meritorious grounds to overturn the judgment on appeal.

RETIREMENT PROGRAM

General

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

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

LACERA's membership total as of June 30, 2005 was 143,217. This membership consisted of 61,382 active vested members, 25,002 nonvested active members, 49,853 retired members and 6,980 terminated vested (deferred) members.

Actuarial Valuation

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

Fund's portfolio. The next such valuation is scheduled for completion in mid-December 2005 and will provide a funding estimate as of June 30, 2005.

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

On January 26, 2005, the Board of Investments approved a package of economic and non-economic assumptions for the actuarial year ending July 1, 2004 that differ from those of prior years. Important changes to the economic assumptions include a reduction in the Investment Return Rate from 8.0% to 7.75%, a reduction in Price Inflation from 4.0% to 3.5%, and a reduction to Payroll Increases from 4.0% to 3.75%. Changes to the non-economic assumptions include smaller merit salary increases for members with 10 or more years of service, a decrease in disability retirement rates and lower mortality rates. These new actuarial assumptions directly impact the actuary's valuation of the system, and determine the amount needed to fund the normal retirement cost and calculate any UAAL for the Retirement Program.

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 (presently 7.75%), then the shortfall or excess is smoothed, or spread, over a 3-year period. The impact of this will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

UAAL and Deferred Investment Returns

On September 2, 2005, the Executive Office of LACERA released a preliminary funding estimate for the Retirement Program as of June 30, 2005. Based on the actuary's preliminary projections, the funded ratio is forecasted to increase from 82.8% on June 30, 2004 to 85.4% on June 30, 2005. This increase is primarily the result of investment gains in the fiscal years ending June 30, 2004 and June 30, 2005. A final actuarial valuation is scheduled for completion in mid-December 2005.

The most recent annual valuation approved by the Board of Investments was for the fiscal year ending June 30, 2004. This valuation reported that the actuarial accrued liability ("AAL") had increased by 7.3% to $32.7 billion. As a result, the funded ratio decreased from 87.2% as of June 30, 2003 to 82.8% as of June 30, 2004. The UAAL itself was calculated to be $5.6 billion at the close of the 2003-04 actuarial year. The increase from $3.9 billion as of June 30, 2003 was primarily due to lower than assumed investment returns, which occurred in two of the three years used to calculate the investment return on Plan assets. 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 actuary's recommended contribution rate for the County to fund its portion of the UAAL for fiscal year 2005-06 is 6.41% of covered payroll. This rate represents the amount necessary to finance the UAAL over the 30 years beginning July 1, 2004 and is in addition to the County's normal cost contribution rate of 9.60% of covered payroll. The total County contribution rate of 16.01% has been included in the budget for fiscal year 2005-06 and is forecasted to be $839 million. Looking beyond the current fiscal year, the preliminary funded ratio of 85.4% for June 30, 2005 is projected to decrease the total County contribution rate to approximately 15.01% for fiscal year 2006-07.

The valuation as of June 30, 2004 also identified $1.0 billion in deferred investment gains that will be "smoothed" into the UAAL calculation over the next two actuarial years. These gains are attributable to a 16.5% return on Plan investments for the year ending June 30, 2004 offset by the more modest 3.6% investment gain for the fiscal year 2002-03. Investment returns for the year ending June 30, 2005 were recently provided to the Board of Investments and were reported at 11.0%. Final information regarding the dollar amount of these gains is not currently available and will be published along with the actuarial valuation scheduled for completion in mid-December 2005. 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.

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. The actual asset allocation percentages for LACERA's assets as of June 30, 2005 are 33% domestic equity, 21% international equity, 26% fixed income, 11% real estate, 6% alternative investments and 3% cash.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal 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 prefunded contributions at actuarially determined rates.

The County has funded 100% or more of its employer contributions to LACERA in each of the last seven years. In fiscal year 2003-04, the County's total contribution to the Retirement Fund was $522 million. Of this amount, approximately $127 million was funded from excess earnings. In fiscal year 2004-05, the County's total contribution was $750 million, which included $222.5 million in excess eanings. Total contributions of the County for fiscal year 2005-06 are forecasted to be $839 million. Towards this latter amount, the County expects to apply

approximately $232 million of excess earnings to help fund its employer contribution to LACERA for retirement costs. A summary of employer contributions for the six years ending on June 30, 2005 is presented in Table 3 ("County Pension Related Payments") on page A-7.

As part of a multi-year plan to lessen its reliance on excess earnings, the County will reduce its use of the excess earnings credit by $50 million in fiscal year 2005-06 and increase the net cost to the County ("NCC") by this same $50 million amount. The 2005-06 County Budget represents the eighth consecutive year of increased NCC contributions to LACERA. Total increases in NCC resulting from this multi-year plan are expected to reach approximately $285 million by June 30, 2006.

Pension Obligations

A number of California public agencies, including the County, have issued pension obligations and transferred the proceeds to their respective pension plans so as to reduce their UAAL. In California, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by State law. The effect of issuing pension related debt is to refinance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds or certificates, which are sold to the public. As of October 1, 2005, the County had outstanding pension obligations in the aggregate principal amount of approximately $737 million. The final payment on these pension bonds and certificates will be in fiscal year 2010-11. A more complete summary of the County's pension obligations can be found in the "Debt Summary" portion of this Appendix A; a 6-year history of the County's debt service payments on its pension obligations is presented in Table 3 on page A-7.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") currently provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. The STAR Program funded approximately $310 million for the vesting of the 2001-2004 STAR Program benefits. As of June 30, 2004, there was $657 million available in the STAR Program Reserve to fund future benefits. Future *ad hoc* increases to the current STAR Program will be subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the Board of Investments. Of the $657 million in STAR Program reserves, $645 million were included as valuation assets and used in the determination of the June 30, 2004 UAAL. Were this $645 million not included among the Retirement Plan's valuation assets, the recommended County contribution rate would have increased by 0.79% to 16.80%, and the funded ratio of the Retirement Program would have decreased to 81.2%.

Post Retirement Health Care Benefits

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP includes medical, dental and vision plans for over 69,000 retirees or survivors and their eligible dependents. Retirement plan net assets are not held in trust for post employment health care benefits and the Board of Retirement reserves the right to amend or revise the medical plans and programs under the HBP at any time. The County has included $282.3 million in its fiscal year 2005-06 County Budget for HBP-related payments. In fiscal year 2004-05, the County had total HBP-related payments of $233.4 million, which represented an increase of $32 million over the fiscal year 2003-04 amount of $201.4 million.

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits (OPEB), which are defined to include post retirement health care benefits.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes financial reporting standards for OPEB in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (currently LACERA), requires an actuarial valuation to determine the funded status of benefits accrued, and must be implemented no later than the year ending June 30, 2007.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes financial reporting standards designed to measure, recognize, and display OPEB costs. GASB 45 is focused on the County's financial statements and related note disclosures. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The County's financial statements must comply with provisions of GASB 45 no later than the year ending June 30, 2008.

The UAAL of OPEB benefits has not been determined, nor have actuarial contribution rates been established to fund any such UAAL. GASB 45, when implemented, will require the recognition of a liability in the County's financial statements in the event that OPEB costs are not funded on an accrual basis (as determined actuarially). The County's ability to fund OPEB benefits on an accrual basis in the future is unknown, but the liability is expected to be substantial. At this time, the County does not intend to implement GASB 45 prior to the issuance of financial statements for the year ending June 30, 2008.

Retirement System Litigation

On October 1, 1997, the California Supreme Court issued a final ruling in *Ventura County Deputy Sheriffs' Association v. Board of Retirement*. The Court established a new rule for determining which items of remuneration constituted "compensation earnable" and should be included in the calculation of final compensation for pension purposes.

Under the *Ventura* ruling, the Court determined that certain payments made by a county to its employees in excess of basic salary are included in the definition of compensation for purposes of the Retirement Law. Consequently, the County was required to increase the amount of payments to LACERA for the benefit of County employees. The *Ventura* Court, however, did not determine if its decision should be given retroactive effect.

On July 11, 2003 the Court of Appeal, First District, held in *In Re Retirement Cases* (2003) 110 Cal.App.4th 426, that *Ventura* applied retroactively within a 3-year statute of limitations. The Court further held that certain items of remuneration, such as vacation pay and sick pay, which employees are allowed to "cash out" upon termination did not involve cash payments to the employee *prior* to his or her retirement and should not be included in calculations of "final compensation." The California Supreme Court denied review. The matter was thereafter remanded to the various trial courts of the affected counties for implementation of judgment.

On December 7, 2004, the Board of Supervisors authorized the County to enter into an agreement with all parties to the litigation for joint submission of a proposed judgment to the trial court which, if adopted by the court, would establish the County's actuarial liability at $176.9 million, amortized over thirty years. Objections to the terms of the proposed settlement were heard by the San Francisco Superior Court on May 31, 2005. A final judgment is still pending.

Litigation Regarding Pension Contributions

In *Cecil E. Bugh v. Board of Retirement, Los Angeles County Employees' Retirement Association, et al*. ("*Bugh*"), the petitioners, who retired prior to January of 1991, sought to require LACERA to include County cafeteria plan contributions within the calculations of their final pensionable compensation. These cases were coordinated in the County of San Francisco Superior Court with similar cases involving other counties and retirement systems throughout the state. In 2004, the Superior Court in San Francisco agreed, in part, with petitioners in the Bugh case, and entered judgment requiring those cafeteria contributions actually received by petitioners in cash prior to 1991 (as opposed to being spent on benefits) be included within the calculations of their final compensation. The Board of Supervisors authorized an appeal, which was denied on July 28, 2005. The County's total liability will be amortized over 30 years and is estimated to be between $12 million and $18 million.

In January 2002, the County was served as a defendant in *American Federation of State, County and Municipal Employees, et al*. v. *Board of Retirement, et al*. ("*Federation*"), brought by the unions which make up the Coalition of County Unions challenging the validity of a 1994 Retirement System Funding Agreement between the County and LACERA.

In 1994, the County and LACERA entered into the Agreement in which the County agreed to issue nearly $2.0 billion in Pension Obligation Bonds and use the proceeds to pay off the unfunded liability of the retirement system as reflected in the most recent actuarial valuation. In return, LACERA agreed to transfer $265 million in surplus earnings of the system as of June 30, 1994 to County Advance Reserves as an offset against future County Retirement Fund payments due LACERA, and to similarly transfer 75% of surplus earnings for the next four years for the same purpose. As a consequence of these transfers, the County has received $2.8 billion as an offset against retirement fund payments.

In early 2005, the County settled with the plaintiffs in *Federation* by agreeing to meet and consult with the unions prior to entering into any future agreements with LACERA. The County estimates that as of June 30, 2005, approximately $700 million of the reserve amount remained to be offset against future retirement fund payments.

In *LACERA v. Local 1014*, LACERA brought a declaratory relief action against Local 1014 and the County over the claims of 118 firefighters that they should have been classified as permanent not temporary employees and thereby qualified for either Safety Retirement Plan A and/or more time as members of LACERA in either Safety Plan A or Plan B. The firefighters assert that they were originally misclassified as fire control laborers, a non-permanent position, rather than in the permanent position of firefighters.

The Superior Court in Los Angeles granted the County's motion for summary judgment, but only against LACERA (the firefighters had previously dismissed their Cross-Complaint against the County leaving Local 1014 only as a co-defendant to LACERA's declaratory relief action and not a claimant). However, the firefighters filed a notice of appeal to the summary judgment granted the County (even though it was not granted against them), and the firefighters also filed a separate action, *Talbot v. County of Los Angeles*, seeking similar relief. The firefighters have since dismissed the County from the *Talbot* case, leaving LACERA as the only defendant. The Court of Appeal has stayed the firefighters' appeal in *LACERA v. Local 1014* until the underlying case is decided.

LACERA v. Local 1014 and the *Talbot* cases were consolidated by the trial court and certified as a class action. The class has about 580 members. Independent of the County, LACERA negotiated a settlement with the firefighters' legal counsel to terminate the lawsuits. The essence of the settlement is that LACERA will recognize the firefighters' hired date when they became temporary employees or one year thereafter. LACERA's actuary estimates that the net increase in annual cost to the County would be about $1.6 million if the hire date is the initial hire as a temporary employee or about $1.2 million if one year thereafter. The County Board of Supervisors agreed to this settlement on May 24, 2005.

Finally, in September of 2003, plaintiffs in *Cramer, et al. v. Superior Court, et al.,* filed a class action to compel LACERA and the Superior Courts of Los Angeles to recalculate their pensions to include income from the preparation of certain transcripts. The County's demurrer was sustained, and judgment dismissing the case was entered on April 21, 2004. Plaintiffs' appeal was denied and the case is completed.

GENERAL LITIGATION

Litigation Regarding Reductions 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. Specifically, *Rodde, et al. v. Bonta, et al. ("Rodde")* challenges the closure of Rancho Los Amigos National Rehabilitation Center ("Rancho"). *Harris, et al. v. County of Los Angeles, et al*. *("Harris")* challenges the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC"). In both cases, plaintiffs have filed a motion for preliminary injunction. On May 6, 2003, the court issued a preliminary injunction in the *Rodde* case, enjoining the County from closing Rancho or making reductions at Rancho to any services that are covered by Medicaid. In the Harris case, the court issued a preliminary injunction precluding the closure of Rancho and the reduction of beds at LAC+USC. The County filed a notice of appeal in both cases. On February 5, 2004, the United States Court of Appeals for the Ninth Circuit issued a ruling in the *Rodde* case, affirming the preliminary injunction based on a finding that closure of Rancho would violate the Americans with Disabilities Act. The County requested rehearing in that case which was denied. On April 27, 2004, the Ninth Circuit issued a ruling in the *Harris* case affirming the preliminary injunction. The Ninth Circuit found that the District Court did not abuse its discretion in concluding that the closure of Rancho and reduction of beds at LAC+USC would violate the County's obligation to provide indigent health care under Welfare and Institutions Code Section 17000.

Settlements in the *Rodde* and *Harris* cases were approved by the Board of Supervisors in August 2005. Settlement of the *Rodde* case was preliminarily approved by the Court in October 2005; however, as this case is a class action lawsuit, notice to the class members and final approval by the Court is necessary. A hearing regarding final approval is scheduled for January

2006. Settlement of the *Harris* case is anticipated to be final in November 2005.

Pursuant to the settlement agreements, the County agreed to keep Rancho open for 3 years at a specified level of service, during which time the County will seek to identify and negotiate with an organization to assume the future operation of Rancho. With respect to LAC+USC, the settlement allows for the graduated reduction of beds at the facility 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 facility.

On June 3, 2003, a lawsuit was filed in the federal District Court requesting a temporary restraining order enjoining the closure of High Desert Hospital. The County filed pleadings in opposition to that request on June 5, 2003. The Court denied the request for a temporary restraining order on June 10, 2003. Shortly thereafter, plaintiffs dismissed the lawsuit.

Effective July 1, 2003, the County no longer provides acute inpatient services at High Desert Hospital and has implemented, instead, a program of expanded outpatient services.

Other 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
06/30/2000	$31,565,348	$25,426,507	$24,720,380	($706,127)	102.86%
06/30/2001	28,353,262	26,490,000	26,489,976	(24)	100.00%
06/30/2002	26,047,240	28,262,129	28,437,493	175,364	99.38%
06/30/2003	26,247,806	26,564,328	30,474,025	3,909,697	87.17%
06/30/2004	29,481,183	27,089,440	32,700,505	5,611,065	82.84%
06/30/2005[1]	32,026,105	--	--	--	85.40%

[1] June 30, 2005 Funded Ratio is a preliminary actuarial estimate prepared by Milliman on September 1, 2005. Additional actuarial data is not currently available.
Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2004 and Brown Armstrong Report on LACERA 2005 Audited Financial Statements.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
1999-2000	$31,565,348	15.2%
2000-2001	28,353,262	-5.2%
2001-2002	26,047,240	-5.6%
2002-2003	26,247,806	3.6%
2003-2004	29,481,183	16.5%
2004-2005[1]	32,026,105	11.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2004 and Brown Armstrong Report on LACERA 2005 Audited Financial Statements.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year[1]	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
1999-00	$130,319	$211,832	$249,587	$591,738	--
2000-01	193,650	197,029	264,984	655,663	10.8%
2001-02	258,884	155,824	281,326	696,034	6.2%
2002-03	324,709	194,213	298,704	817,626	17.5%
2003-04	395,062	126,916	316,115	838,093	2.5%
2004-05	527,810	222,542	336,329	1,086,681	29.7%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2004 and County of Los Angeles Chief Administrative Office.

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 Budget in January, the Chief Administrative Office (the "CAO") 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 CAO 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 a 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.

Upon adoption of the final State budget, the CAO recommends revisions to the Proposed 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 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 LIMITATIONS ON 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 above that level required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment."

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

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2004-05 is $11,840,643,138. The 2004-05 County Budget reflects proceeds of taxes at $4,768,370,000, which is well below the allowable limit.

Proposition 62

On September 28, 1995, the California Supreme Court upheld the constitutionality of Proposition 62, a 1986 initiative which requires voter approval of all new or increased local taxes. As a result, certain taxes first imposed or increased without voter approval after the effective date of Proposition 62 may be invalidated.

Following this decision of the California Supreme Court, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection.

In reaching this conclusion, the court reversed the Court of Appeals decision which had held that the statute of limitations commences with the enactment of the original ordinance imposing the tax. The California Supreme Court held that, unless another statute or constitutional rule provides differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Therefore, a challenge to taxes subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought.

No litigation is currently pending against the imposition or collection of taxes imposed by the County which may be subject to the requirements of Proposition 62. It is estimated that the County collects approximately $195.0 million in such taxes during the course of three years. The County has reserved in excess of $195.0 million that could be applied to the repayment of such taxes. Accordingly, the County does not believe that the impoundment of existing taxes or a judicial order to refund such previously collected taxes would adversely affect its ability to pay the principal of, and interest on, its debt obligations as and when they become due.

There are currently two critical issues yet to be determined by the courts regarding Proposition 62. Those issues are: 1) whether a current challenge brought as to the validity of non-voter-approved taxes is barred because of the delay in bringing a lawsuit to the attention of the local government; and 2) whether the decision holding the Proposition 62 voter-approved requirement for local taxes to be constitutional

should only apply to taxes that are adopted after that decision. It is anticipated that it may take several years before a final decision is rendered by the courts on these issues.

Proposition 218

On November 5, 1996, California voters passed Proposition 218 which 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;
- required that any existing general tax that was imposed, extended or increased by a local government on or after January 1, 1995 without voter approval be submitted to the voters for consideration by the November 1998 general election; and
- ensured that voters may reduce or repeal any local taxes, assessments, fees or changes through the initiative process.

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

Proposition 218 also limits the use of benefit assessments, and imposes new landowner approval requirements for assessments. The Proposition does not apply to any existing assessment that was approved by a majority of voters, or assessments that were imposed exclusively to finance the capital costs or maintenance and operation of sidewalks, streets, sewers, water, flood control, or drainage systems. Existing assessments that are used to repay bonded indebtedness, of which failure to pay would violate the Contract Impairment Clause of the United State Constitution, are also exempted.

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. In September 1998, the Board of Supervisors approved ordinance amendments that brought the County's general purpose taxes into conformance with Proposition 218 requirements.

PROGRAM FUNDING BY FEDERAL/STATE GOVERNMENTS

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated on the table "Historical Funding Requirements and Revenue Sources" on page A-12 of this Appendix, $4.0 billion of the $15.7 billion Final Adopted 2005-06 General County Budget is received from the federal government and $4.4 billion is funded by the State. The balance of $7.3 billion in County financing is generated from property taxes and a variety of other sources. The fact that 54% of General County financing is provided by the federal and State governments underscores the County's high reliance on those outside funding sources.

The President's Federal Fiscal Year (FFY) 2006 Budget proposed $20 billion in Medicaid cuts over 5 years, including a cap on Medicaid payments to public hospitals. The impact of these cuts cannot be determined at this time due to the recently implemented 1115 hospital financing waiver. The FFY 2006 Budget Resolution adopted by Congress, however, instructed the Senate and House committees with jurisdiction over Medicaid to cut expenditures for entitlement programs, such as Medicaid, by a total of $10 billion over 5 years. The President's proposal to cap Medicaid payments was not included in the budget reconciliation package approved by the Senate Finance Committee on October 25, 2005 and the package currently under consideration by the House Energy and Commerce Committee as of the same date. Neither package would affect Medicaid revenue for the County's public hospitals.

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 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 four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities.

The settlement 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.

The California Legislative Analyst's Office has identified several factors that could impact the amount of actual funding available to the State, including actions of the federal government that could offset payments, declines in cigarette sales, lawsuits by nonparticipating local governments, tobacco company bankruptcies, and inflationary adjustments. There have been numerous legal challenges to the national settlement agreement under a variety of claims, including a claim on anti-trust grounds. To date, none of these challenges has been successful or have resulted in the termination of the national settlement agreement.

Neither the national settlement agreement nor the Memorandum of Understanding restricts the use of the County's settlement monies for any specific purpose. In December, 1998, the County Board of Supervisors initiated the preparation of a needs assessment and recommended spending plan.

The Board of Supervisors ordered that priority be given to certain health related activities, including the expansion of outpatient services, indigent health care, treatment of tobacco related diseases, and tobacco education and prevention programs. 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. To date, the County has received $711.7 million in tobacco settlement proceeds and accrued interest. As of June 30, 2005, approximately $411.0 million of the collected proceeds have been expended.

STATE BUDGET

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to an uncertain and volatile economy. Over the past ten years, the State budget has experienced broad fluctuations as the State has responded to the economic recession of the early 1990's, the economic recovery later in that decade, and the most recent recession and emergent 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 reduces 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.

Public Safety/Justice Programs

In 2002, the State reappropriated $92.0 million in grant funding for the construction of a new crime laboratory in Los Angeles County, and authorized the issuance of lease revenue bonds for construction of the facility. The crime laboratory is currently under construction and is scheduled to be completed in October 2006.

Trial Courts

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

In November 2002, the State enacted SB1732 which establishes a governance structure and procedures for the transfer of court facilities from counties to the State. The legislation became effective January 1, 2003 and requires a phased approach during a three-year transition period that commences in 2004. Any facility transfer requires county payment for operations and maintenance costs. The county payment level will remain fixed under a maintenance of effort agreement to be negotiated between the State and the affected county. As of November 2005, no facility transfers have occurred.

Disproportionate Share Hospitals / Health Programs

Under State law, the Disproportionate Share Hospital (DSH) program matches federal resources with public hospitals' Certified Public Expenditures and Intergovernmental Transfers for allocation to public hospitals that provide a disproportionate share of services to patients eligible for Medicaid assistance.

STATE-LOCAL GOVERNMENT FINANCES

Local Government Agreement

The 2004-05 State adopted budget reflects 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 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 incorporated into the State's Final 2004-05 budget and was reinforced by the passage of Proposition 1A in the November 2, 2004 election.

Proposition 1A

On November 2, 2004, California voters approved the passage of Proposition 1A, which will restrict the State's authority over local government finances. This proposition provided for an amendment to the State Constitution that will limit 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 Vehicle License Fee revenues without providing replacement funding.

Proposition 1A further amends 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.

2005-06 STATE BUDGET

On July 10, 2005, the Governor signed the 2005-06 State budget. The most significant impact to the County of Los Angeles was the two-year suspension of the Property Tax Administration Program. The impact to the County is estimated to be $13.5 million. The Board of Supervisors, however, had previously allocated $10.0 million in the Adopted Budget to mitigate potential State budget impacts. The remaining balance of $3.5 million is expected to be offset by other County revenues.

THE COUNTY BUDGET

The County Budget is comprised of eight (8) fund groups through which the County's resources are allocated and controlled. These groups include the General, Hospital Enterprise, and Debt Service Funds (which represent the General County Budget), Special Funds, Special District Funds, Other Enterprise Funds and Other Funds.

The General County Budget accounts for approximately 79.0% of the 2005-06 Final Adopted 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 10.4% of the 2005-06 Final Adopted 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 Districts account for approximately 7.6 % of the 2005-06 Final Adopted County Budget and are separate legal entities funded by specific taxes and assessments, which provide public improvements and/or services benefiting targeted properties and residents. These Districts 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 reflect only 0.7% of the 2005-06 Final Adopted County Budget and are distinct fiscal entities that fund the operations of certain governmental units which, 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 and the Transit Fund.

Other Funds include approximately 1.9% of the 2005-06 Final Adopted 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 2001-02	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06
General Fund	$ 11,875,704	$ 12,129,125	$ 12,104,810	$ 12,616,794	$ 13,723,601
Hospital Enterprise Fund	1,598,811	1,746,353	1,640,514	1,745,137	1,963,466
Debt Service Fund	46,463	44,489	43,521	44,362	10,290
Total General County Budget	$ 13,520,978	$ 13,919,967	$ 13,788,845	$ 14,406,293	$ 15,697,357

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

	Final 2001-02	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06
Requirements					
Social Services	$ 4,821,194	$ 4,647,236	$ 4,696,224	$ 4,711,572	$ 4,651,813
Health	3,852,644	4,253,006	4,216,053	4,318,251	4,638,706
Justice	3,263,325	3,361,320	3,401,501	3,550,049	3,826,565
Other	1,583,815	1,658,405	1,475,067	1,826,421	2,580,273
Total	**$ 13,520,978**	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**
Revenue Sources					
Property Taxes	$ 1,512,281	$ 1,637,300	$ 1,756,796	$ 2,532,415	$ 2,744,055
State Assistance	4,930,784	4,684,729	4,260,158	4,252,927	4,417,274
Federal Assistance	4,537,960	4,284,553	4,510,919	4,070,743	3,986,571
Other	2,539,953	3,313,385	3,260,972	3,550,208	4,549,457
Total	**$ 13,520,978**	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**

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

	Final 2001-02	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06
Financing Requirements					
Salaries & Employee Benefits	$ 5,790,267	$ 6,091,773	$ 6,245,540	$ 6,607,111	$ 7,101,154
Services & Supplies	4,420,085	4,532,836	4,539,358	4,619,687	4,993,336
Other Charges	3,816,776	3,772,010	3,779,382	3,782,145	3,607,279
Fixed Assets	474,459	444,208	372,395	490,517	812,222
Other Financing Uses	991,533	1,258,244	1,005,172	1,129,523	1,406,675
Residual Equity Transfers Out	343	377	370	299	291
Appropriation for Contingencies	146,071	100,322	22,526	16,221	-
Interfund Transfer	(1,485,337)	(1,715,532)	(1,584,315)	(1,728,744)	(2,099,672)
Gross Appropriation	$ 14,154,197	$ 14,484,238	$ 14,380,428	$ 14,916,759	$ 15,821,285
Less: Intrafund Transfers	749,733	738,466	697,293	708,686	769,845
Net Appropriation	$ 13,404,464	$ 13,745,772	$ 13,683,135	$ 14,208,073	$ 15,051,440
Reserves					
General Reserve	$ 5,029	$ 4,581	$ 4,367	$ 4,007	$ 3,747
Designations/Other Reserves	111,250	169,385	100,987	194,034	641,722
Estimated Delinquencies	235	229	356	179	448
Total Financing Requirements	**$ 13,520,978**	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**
Available Financing					
Fund Balance	$ 534,709	$ 605,949	$ 681,196	$ 874,846	$ 911,894
Cancellation of Reserve/Designation	205,054	447,023	264,763	222,101	944,318
Property Taxes: Regular Roll	1,476,781	1,601,800	1,706,011	2,452,682	2,638,633
Supplemental Roll	35,500	35,500	50,785	79,733	105,422
Revenue	11,268,934	11,229,695	11,086,090	10,776,931	11,097,090
Total Available Financing	**$ 13,520,978**	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**

Source: Chief Administrative Office

RECENT COUNTY BUDGETS

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

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

- the County's initiation of a multi-year plan to lessen its reliance on surplus investment earnings from LACERA to fund ongoing costs of the retirement program. By substantially increasing its Net County Cost (NCC) contribution over the prior seven fiscal years ($45 million in 2004-05), the County has reduced its use of the surplus investment credit by approximately $235 million through June 30, 2005;

- the allocation of $525.3 million in local one-time discretionary funding on deferred maintenance and capital improvement needs;

- increased federal and State revenues for child welfare, adoption, mental health and probation programs;

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

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

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

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

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

These actions, combined with a gradual improvement in the local economy and the absence of additional revenue shifts by the State, have resulted in the highest level of stability since 1992-93.

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

Health Services

The expiration of the federal Medicaid 1115 Waiver on June 30, 2005, combined with the structural imbalance in the Department of Health Services' (DHS) budget, represents the County's most difficult budgetary challenge. Following expiration of the Waiver, DHS anticipates an operating deficit of approximately $126.7 million in 2006-07. DHS is expected to complete a revised fiscal report and forecast on November 15, 2005.

DHS has been planning for the anticipated budget deficits for several years. In 2002, it released a System Redesign proposal that was designed to provide a system-wide approach to consolidation and reduction in services as well as obtaining additional federal and state financial support. Among the recommendations included in the plan were:

- transition of Rancho Los Amigos National Rehabilitation Center to a non-County entity for operation or closure of the facility.;

- conversion of High Desert Hospital to an ambulatory care center;

- reduction of 100 inpatient beds at LAC+USC Medical Center;

- achieving efficiency savings of 16 percent over three years at King/Drew Medical Center;

- closure of 15 health centers and school based clinics;

- reduction in emergency and inpatient psychiatry service costs; and

- reduction in administrative costs.

The Board of Supervisors approved this plan in June 2002 and instructed DHS to move forward with implementation. DHS was successful in achieving implementation of some of these recommendations, such as the conversion of High Desert Hospital, the closure of the health centers, and substantial administrative cost savings. However, legal action resulting in a federal court injunction has until recently prevented the transition or closure of Rancho Los Amigos National Rehabilitation Center and the reduction of inpatient beds at LAC+USC Medical Center, which would have resulted in the greatest savings. Additionally, operational problems at King/Drew Medical Center have delayed the implementation of the efficiency savings at that facility. The resulting savings from the System Redesign proposal in 2004-05 is $156.4 million.

DHS is again evaluating the configuration of health services within Los Angeles County to present recommendations to the Board of Supervisors for further savings. This plan is to be

presented and considered during the 2006-07 budget process, beginning with the 2006-07 Proposed Budget submission to the Board of Supervisors in April 2006.

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. It was anticipated that passage of this property tax increase would generate up to $168.0 million per year.

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 among private and public hospital trauma programs. The 2005-06 Proposed County Budget includes $198.6 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.

Additional State and Federal Funding

In February 2003, the Centers for Medicare and Medicaid Services (CMS) and the State agreed to a renewal of the State's Selective Provider Contracting Program (SPCP) waiver. Under the SPCP agreement, the County has received:

- $50.0 million in one-time funding under the settlement of a lawsuit related to outpatient Medi-Cal rates;
- $50.0 million in supplemental Medi-Cal inpatient payments in 2002-03 and 2003-04; and
- $100.0 million in funding over two years from State SPCP funds in 2003-04 and 2004-05.

The additional $250.0 million in State and federal funding, combined with the annual infusion of Measure B assessments, significantly improved the DHS fiscal position.

Rancho Los Amigos Rehabilitation Center

On October 29, 2002, the Board of Supervisors directed DHS to proceed with the closure of Rancho Los Amigos Rehabilitation Center (Rancho) and scheduled a Beilenson Hearing for January 2003. The Board's action was based on the DHS determination that the operation of the Rancho facility under an alternative governance model was not feasible within the financial threshold ordered by the Board.

An independent analysis was performed, at the Board's direction, to validate the DHS conclusions. The independent review was completed in January 2003 and generally confirmed the results of the DHS analysis. It also concluded that the operation of the Rancho facility under an alternative operational structure would require significant reductions in costs and changes in patient census, in addition to the County's $14.7 million subsidy.

On January 28, 2003, the Board of Supervisors considered the results of the independent study and following the previously scheduled Beilenson Hearing, approved the closure of Rancho on June 30, 2003. The Board, however, also instructed DHS work concurrently with the California Community Foundation to determine if the Rancho facility could be successfully operated by a non-profit hospital or health system.

The California Community Foundation completed its analysis in April 2003 and reported that a non-profit hospital or health system could achieve a positive income position if such an organization acquired the Rancho facility through a merger or acquisition.

The Foundation developed four operational and financial models based on varying assumptions of bed capacity, types and levels of service, staffing, Medi-Cal patient levels, and service areas. To date, the County has not received any indication of interest from a hospital or health system in these potential models.

LAC+USC Medical Center Beds

On June 26, 2002, the Board of Supervisors approved the DHS recommendation to reduce by 100 the number of inpatient beds at LAC+USC Medical Center. Based on the Board's actions, DHS ordered the elimination of the first 50 of these beds by May 2003. This action was designed to reduce total inpatient beds at the Medical Center from 700 to 650.

Injunction Against the Closure of Rancho and the Reduction of Beds at LAC+USC Medical Center

In March 2003, two lawsuits were filed against the County that challenged the Board of Supervisors' direction to close Rancho on June 30, 2003 and to implement a reduction of 100 inpatient beds at the LAC+USC Medical Center. On May 6, 2003, the United States District Court-Central District of California issued a preliminary injunction that enjoined the County from closing Rancho or implementing service reductions at Rancho that are covered by Medicaid. On May 8, 2003, the court issued a tentative ruling that expressed the court's intent to issue an injunction that would preclude the closure of the Rancho Los Amigos Rehabilitation Center and the 100-bed reduction at the LAC+USC Medical Center.

On May 27, 2003, the court issued a preliminary injunction that barred the County from closing Rancho and eliminating 100 beds at LAC+USC Medical Center. On August 9, 2005, the Board of Supervisors approved a negotiated settlement to the lawsuits with the plaintiffs. While the settlements are awaiting final approval by the courts, it is estimated that their implementation will save DHS $61.4 million over the four years of the settlement term. The settlements allow for the phased reduction of beds at LAC+USC contingent upon meeting agreed upon milestones in length of stay reduction. The settlements also call for DHS to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for three years while the County simultaneously seeks an entity to take-over the operations of the hospital. (See "General Litigation" in the Information Statement section of this Appendix A).

2005-06 FINAL ADOPTED BUDGET

The 2005-06 Final Adopted Budget, as approved by Board of Supervisors on September 20, 2005, appropriates $19.9 billion and adds 2,802.9 new budgeted positions. For General County purposes (General Fund, Hospital Enterprise Fund and Debt

Service Funds), the Final Adopted Budget appropriates $15.7 billion and represents a 9.0% increase from the 2004-05 budget.

The 2005-06 Final Adopted General County Budget is supported by $2.7 billion in property taxes, $4.0 billion in federal contributions, $4.4 billion in State contributions, $559 million in reserves and cancelled designations and approximately $4.0 billion in other funding.

Overall, the 2005-06 Final Adopted General County Budget incorporates a $1.3 billion increase, with significant increases in funding focused on four critical areas: public safety/justice systems, enhanced unincorporated area services, capital project-extraordinary maintenance and health services.

The tables on the following pages summarize and compare the Final Adopted 2004-05 General County Budget with the Final Adopted 2005-06 General County Budget.

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2004-05 BUDGET TO FINAL ADOPTED 2005-06 BUDGET
Net Appropriation: By Function
(In thousands)

Function	2004-05 Final Budget (1)	2005-06 Final Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 746,459.0	$ 853,908.0	$ 107,449.0	14.39%
General Services	209,957.0	227,932.0	17,975.0	8.56%
Public Buildings	522,214.0	662,803.0	140,589.0	26.92%
Total General	$ 1,478,630.0	$ 1,744,643.0	$ 266,013.0	17.99%
Public Protection				
Justice	3,331,108.0	3,585,055.0	$ 253,947.0	7.62%
Other Public Protection	107,363.0	128,752.0	21,389.0	19.92%
Total Public Protection	$ 3,438,471.0	$ 3,713,807.0	$ 275,336.0	
Health and Sanitation	4,318,251.0	4,638,706.0	$ 320,455.0	7.42%
Public Assistance	4,711,572.0	4,651,813.0	(59,759.0)	-1.27%
Recreation and Cultural Services	117,855.0	219,479.0	101,624.0	86.23%
Insurance and Loss Reserve	83,897.0	73,897.0	(10,000.0)	-11.92%
Reserves/Designations	198,220.0	645,917.0	447,697.0	225.86%
Debt Services	43,176.0	9,095.0	(34,081.0)	-78.94%
Appropriation for Contingency	16,221.0	-	(16,221.0)	-100.00%
Total Requirements	$ 14,406,293.0	$ 15,697,357.0	$ 1,291,064.0	8.96%
AVAILABLE FUNDS				
Property Taxes	2,532,415.0	2,744,055.0	$ 211,640.0	8.36%
Fund Balance	874,846.0	911,894.0	37,048.0	4.23%
Cancelled Prior-Year Reserves	222,101.0	944,318.0	722,217.0	325.18%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	447,083.0	482,104.0	$ 35,021.0	7.83%
Homeowners' Exemption	20,572.0	20,562.0	(10.0)	-0.05%
Public Assistance Subventions	1,511,687.0	1,498,716.0	(12,971.0)	-0.86%
Other Public Assistance	337,567.0	389,284.0	51,717.0	15.32%
Public Protection	729,673.0	711,987.0	(17,686.0)	-2.42%
Health and Mental Health	883,376.0	898,781.0	15,405.0	1.74%
Capital Projects	41,299.0	100,854.0	59,555.0	144.20%
Other State Revenues	52,446.0	90,026.0	37,580.0	71.65%
Total State Revenues	4,023,703.0	4,192,314.0	168,611.0	4.19%
Federal Revenues				
Public Assistance Subventions	2,097,994.0	2,145,989.0	$ 47,995.0	2.29%
Other Public Assistance	107,411.0	84,176.0	(23,235.0)	-21.63%
Public Protection	324,158.0	330,957.0	6,799.0	2.10%
Health and Mental Health	575,329.0	554,071.0	(21,258.0)	-3.69%
Capital Projects	15,032.0	4,428.0	(10,604.0)	-70.54%
Other Federal Revenues	3,473.0	5,318.0	1,845.0	53.12%
Total Federal Revenues	$ 3,123,397.0	$ 3,124,939.0	$ 1,542.0	0.05%
Other Governmental Agencies	116,471.0	101,945.0	(14,526.0)	-12.47%
Total Intergovenmental Revenues	$ 7,263,571.0	$ 7,419,198.0	$ 155,627.0	
Fines, Forfeitures and Penalties	183,198.0	192,355.0	9,157.0	5.00%
Licenses, Permits and Franchises	54,566.0	55,694.0	1,128.0	2.07%
Charges for Services	1,680,637.0	1,466,505.0	(214,132.0)	-12.74%
Other Taxes	147,500.0	187,657.0	40,157.0	27.23%
Use of Money and Property	104,329.0	124,735.0	20,406.0	19.56%
Miscellaneous Revenues	812,909.0	1,119,433.0	306,524.0	37.71%
Operating Contribution from General Fund	530,221.0	531,513.0	1,292.0	0.24%
Total Available Funds	$ 14,406,293.0	$ 15,697,357.0	$ 1,291,064.0	8.96%

(1) Reflects the Final Adopted 2004-05 Budget approved by the Board of Supervisors on September 27, 2004.
(2) Reflects the Final Adopted 2005-06 General County Budget approved by the Board of Supervisors on September 20, 2005.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2004-05 GENERAL COUNTY BUDGET[1]
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Debt Services Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS				
General				
General Government	$ 746,459.0	$ -	$ -	$ 746,459.0
General Services	209,957.0	-	-	209,957.0
Public Buildings	522,214.0	-	-	522,214.0
Total General	$ 1,478,630.0	$ -	$ -	$ 1,478,630.0
Public Protection				
Justice	$ 3,331,108.0	$ -	$ -	3,331,108.0
Other Public Protection	107,363.0	-	-	107,363.0
Total Public Protection	$ 3,438,471.0	$ -	$ -	$ 3,438,471.0
Health and Sanitation	$ 2,573,114.0	$ -	$ 1,745,137.0	$ 4,318,251.0
Public Assistance	4,711,572.0	-	-	4,711,572.0
Recreation and Cultural Services	117,855.0	-	-	117,855.0
Insurance and Loss Reserve	83,897.0	-	-	83,897.0
Reserves/Designations	197,034.0	1,186.0	-	198,220.0
Debt Services	-	43,176.0	-	43,176.0
Appropriation for Contingency	16,221.0	-	-	16,221.0
Total Requirements	$ 12,616,794.0	$ 44,362.0	$ 1,745,137.0	$ 14,406,293.0
AVAILABLE FUNDS				
Property Taxes	$ 2,526,199.0	$ 6,216.0	$ -	$ 2,532,415.0
Fund Balance	872,284.0	2,562.0	-	874,846.0
Cancelled Prior-Year Reserves	104,800.0	1,367.0	115,934.0	222,101.0
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 447,083.0	$ -	$ -	447,083.0
Homeowners' Exemption	20,500.0	72.0	-	20,572.0
Public Assistance Subventions	1,511,687.0	-	-	1,511,687.0
Other Public Assistance	337,567.0	-	-	337,567.0
Public Protection	729,673.0	-	-	729,673.0
Health and Mental Health	827,120.0	-	56,256.0	883,376.0
Capital Projects	41,299.0	-	-	41,299.0
Other State Revenues	52,446.0	-	-	52,446.0
Total State Revenues	3,967,375.0	72.0	56,256.0	4,023,703.0
Federal Revenues				
Public Assistance Subventions	$ 2,097,994.0	$ -	$ -	2,097,994.0
Other Public Assistance	107,411.0	-	-	107,411.0
Public Protection	324,158.0	-	-	324,158.0
Health and Mental Health	572,606.0	-	2,723.0	575,329.0
Capital Projects	15,032.0	-	-	15,032.0
Other Federal Revenues	3,473.0	-	-	3,473.0
Total Federal Revenues	$ 3,120,674.0	$ -	$ 2,723.0	$ 3,123,397.0
Other Governmental Agencies	116,471.0	-	-	116,471.0
Total Intergovenmental Revenues	$ 7,204,520.0	$ 72.0	$ 58,979.0	$ 7,263,571.0
Fines, Forfeitures and Penalties	183,198.0	-	-	183,198.0
Licenses, Permits and Franchises	54,556.0	10.0	-	54,566.0
Charges for Services	898,513.0	1,474.0	780,650.0	1,680,637.0
Other Taxes	147,500.0	-	-	147,500.0
Use of Money and Property	71,539.0	32,651.0	139.0	104,329.0
Miscellaneous Revenues	553,685.0	10.0	259,214.0	812,909.0
Operating Contribution from General Fund	-	-	530,221.0	530,221.0
Total Available Funds	$ 12,616,794.0	$ 44,362.0	$ 1,745,137.0	$ 14,406,293.0

(1) Reflects the Final Adopted 2004-05 General County Budget approved by the Board of Supervisors on September 27, 2004.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2005-06 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Debt Services Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS				
General				
General Government	$ 853,908.0	$ -	$ -	$ 853,908.0
General Services	227,932.0	-	-	227,932.0
Public Buildings	662,803.0	-	-	662,803.0
Total General	$ 1,744,643.0	$ -	$ -	$ 1,744,643.0
Public Protection				
Justice	$ 3,585,055.0	$ -	$ -	3,585,055.0
Other Public Protection	128,752.0	-	-	128,752.0
Total Public Protection	$ 3,713,807.0	$ -	$ -	$ 3,713,807.0
Health and Sanitation	$ 2,675,240.0	$ -	$ 1,963,466.0	$ 4,638,706.0
Public Assistance	4,651,813.0	-	-	4,651,813.0
Recreation and Cultural Services	219,479.0	-	-	219,479.0
Insurance and Loss Reserve	73,897.0	-	-	73,897.0
Reserves/Designations	644,722.0	1,195.0	-	645,917.0
Debt Services	-	9,095.0	-	9,095.0
Appropriation for Contingency	-	-	-	-
Total Requirements	$ 13,723,601.0	$ 10,290.0	$ 1,963,466.0	$ 15,697,357.0
AVAILABLE FUNDS				
Property Taxes	$ 2,738,213.0	$ 5,842.0	$ -	$ 2,744,055.0
Fund Balance	908,610.0	3,284.0	-	911,894.0
Cancelled Prior-Year Reserves	559,093.0	1,007.0	384,218.0	944,318.0
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 482,104.0	$ -	$ -	482,104.0
Homeowners' Exemption	20,500.0	62.0	-	20,562.0
Public Assistance Subventions	1,498,716.0	-	-	1,498,716.0
Other Public Assistance	389,284.0	-	-	389,284.0
Public Protection	711,987.0	-	-	711,987.0
Health and Mental Health	840,379.0	-	58,402.0	898,781.0
Capital Projects	100,854.0	-	-	100,854.0
Other State Revenues	90,026.0	-	-	90,026.0
Total State Revenues	4,133,850.0	62.0	58,402.0	4,192,314.0
Federal Revenues				
Public Assistance Subventions	$ 2,145,989.0	$ -	$ -	2,145,989.0
Other Public Assistance	84,176.0	-	-	84,176.0
Public Protection	330,957.0	-	-	330,957.0
Health and Mental Health	551,348.0	-	2,723.0	554,071.0
Capital Projects	4,428.0	-	-	4,428.0
Other Federal Revenues	5,318.0	-	-	5,318.0
Total Federal Revenues	$ 3,122,216.0	$ -	$ 2,723.0	$ 3,124,939.0
Other Governmental Agencies	101,945.0	-	-	101,945.0
Total Intergovenmental Revenues	$ 7,358,011.0	$ 62.0	$ 61,125.0	$ 7,419,198.0
Fines, Forfeitures and Penalties	192,355.0	-	-	192,355.0
Licenses, Permits and Franchises	55,694.0	-	-	55,694.0
Charges for Services	1,007,444.0	-	459,061.0	1,466,505.0
Other Taxes	187,657.0	-	-	187,657.0
Use of Money and Property	124,521.0	95.0	119.0	124,735.0
Miscellaneous Revenues	592,003.0	-	527,430.0	1,119,433.0
Operating Contribution from General Fund	-	-	531,513.0	531,513.0
Total Available Funds	$ 13,723,601.0	$ 10,290.0	$ 1,963,466.0	$ 15,697,357.0

(1) Reflects the Final Adopted 2005-06 General County Budget approved by the Board of Supervisors on September 20, 2005.

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 for record 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 2005-06 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 $27,399,151,817.

Taxpayer	Total Tax Levy 2004-05
Southern California Edison Co.	$41,436,322
BP Amoco Corporation	27,173,031
Douglas Emmett Realty Fund	26,883,932
Chevron USA Inc.	25,019,449
Maguire Thomas Partners	24,288,220
SBC California	21,698,801
Arden Realty LTD Partnership	18,916,898
Exxon Mobil Corporation	17,495,809
Southern California Gas Company	16,021,870
Verizon California Inc.	15,494,674
Conocophillips Company	14,109,823
Universal Studios Inc.	13,476,495
Equilon Enterprises LLC	10,203,194
Anheuser Busch Inc.	9,430,100
Macerich LLC	9,285,983
Valero Energy Corporation	8,976,855
Cingular Wireless LLC	6,514,153
One Hundred Towers LLC	6,304,438
AMB Institutional Alliance	6,085,412
Kilroy Realty LP	5,988,052

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 2001-02. For the fiscal year 2004-05, collections as a percentage of property tax levies are estimated at 97.65%, which is consistent with data from prior years.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2001-02 THROUGH 2005-06

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 %
2001-02	567,296,327,872	1,409,964,224	1,373,865,460	97.44%
2002-03	605,942,874,836	1,506,200,807	1,467,167,904	97.41%
2003-04	656,073,063,881	1,617,943,519	1,582,529,914	97.81%
2004-05	709,671,759,735	1,738,123,054	1,697,194,166	97.65%
2005-06	783,342,364,874	1,877,172,898 [3]	1,833,059,335 [3]	97.65% [3]

(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 the 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 increasing 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 2001-02 through 2005-06.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
FISCAL YEARS 2001-02 THROUGH 2005-06

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2001-02	61,568,656,691	582,974,900
2002-03	67,790,492,894	638,253,845
2003-04	74,089,202,480	678,254,140
2004-05	79,019,105,066	801,448,742
2005-06	94,983,553,733	81,268,584 [3]

(1) Full cash value for all redevelopment project areas above the base year valuations. This data represents growth in full cash values which generate 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) Tax allocation to CRA as of November 2005.

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 by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings.

"Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury.

Because such General Fund interfund borrowings caused disruptions in the General Fund's management of 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 2005-06 Tax and Revenue Anticipation Notes (2005-06 Notes) which were issued on July 1, 2005 and are due June 30, 2006, have been repaid on their respective maturity dates.

2005-06 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 17, 2005, the $500.0 million in 2005-06 Notes are general obligations of the County attributable to the 2005-06 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 2005-06 fiscal year into a Repayment Fund to repay the 2005-06 Notes at maturity. Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, such deposits are to be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2004-05 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND

Deposit Date	Deposit Amount
December, 2005	$174,000,000
January, 2006	90,000,000
February, 2006	57,000,000
March, 2006	61,000,000
April, 2006	137,944,444
Total	$519,944,444

The County has fully satisfied its deposit obligations. The following table illustrates the Unrestricted General Fund Receipts collected since fiscal year 1999-00.

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

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 As of 6/30/05
Property Taxes	$1,315,755.9	$1,430,710.1	$1,547,067.8	$1,640,242.2	1,785,967.3	$2,593,356.2
Other Taxes	130,687.8	138,826.0	148,975.1	166,216.9	187,564.4	208,326.7
Licenses, Permits and Franchises	44,405.0	44,714.6	45,750.7	52,681.0	56,620.9	56,268.5
Fines, Forfeitures and Penalties	188,924.9	177,039.3	191,734.1	188,681.1	201,931.0	220,342.5
Use of Money and Property	128,599.2	158,216.7	106,555.9	75,334.6	64,776.6	101,504.3
State In-Lieu Taxes	865,059.8	937,958.0	996,161.0	1,044,298.2	933,133.7	444,490.1
State Homeowner Exemptions	20,667.7	20,747.4	20,725.8	20,726.2	20,514.6	21,557.9
Charges for Current Services	961,185.0	1,147,764.0	1,204,609.7	1,146,235.5	1,255,964.0	1,250,976.5
Miscellaneous Revenues	273,027.4	247,699.2	175,529.4	175,932.6	219,914.2	191,297.8
TOTAL UNRESTRICTED RECEIPTS	$3,928,312.7	$4,303,675.3	$4,437,109.9	$4,510,348.9	4,726,387.0	$5,088,120.9

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

Intrafund and Interfund Borrowing

To the extent necessary, the General Fund intends to use intrafund (and not interfund) borrowing to cover 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 TRANS proceeds are utilized, the General Fund borrows from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group which consists of collected taxes that are awaiting apportionment to various agencies. The great majority of these amounts will be distributed to other agencies.

The second most significant borrowing source includes the various trust groups and other funds. The largest fund in this group 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 other than the County. Also in this group is the Payroll Revolving Fund which consists of payroll charged to the various County Funds awaiting distribution to employees and other agencies.

The last fund group includes the Hospital Enterprise funds. The balances in these funds generally represent working capital advances from the General Fund and hospital generated cash. At year-end, remaining balances are transferred back to the General Fund.

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 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 prior to such borrowing in 2004-05 and to date in 2005-06.

General Fund Cash Flow Statements

The final 2004-05 General Fund cash flow statement has been included as well as the General Fund Cash Flow for 2005-06 with actuals through October 2005. Please note that the County is forecasting an ending balance of $416.6 million for the fiscal year 2005-06. These statements are shown on the pages immediately following the average daily balance tables.

COUNTY OF LOS ANGELES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2004-05: 12 MONTHS ACTUALS
2005-06: 04 MONTHS ACTUALS

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2004-05
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	201,825.0	159,055.0	135,826.0	356,547.0	1,013,301.0	1,084,250.0
Auditor Unapportioned Money	89,078.0	143,957.0	69,331.0	156,104.0	415,878.0	863,777.0
Unsecured Property Tax Fund	136,046.0	41,157.0	159,703.0	117,997.0	86,056.0	53,427.0
Miscellaneous Fees & Taxes	5,069.0	4,955.0	6,831.0	23,032.0	25,671.0	16,545.0
State Redemption Fund - TTC	53,377.0	64,130.0	65,024.0	60,999.0	53,961.0	48,812.0
Educ Rev Augmentation Fund	1,628.0	15,150.0	(55.0)	1,908.0	11,457.0	192,360.0
State Reimbursement Fund	0.0	0.0	0.0	0.0	0.0	8,818.0
Sales Tax Replacement Fund	0.0	0.0	0.0	0.0	0.0	17,556.0
VLF Replacement Fund	0.0	0.0	0.0	0.0	0.0	76,328.0
Rebate Fund	(1,384.0)	(6,970.0)	(15,609.0)	(9,696.0)	(17,391.0)	(15,131.0)
Subtotal	485,639.0	421,434.0	421,051.0	706,891.0	1,588,933.0	2,346,742.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	364,699.0	375,529.0	393,352.0	395,636.0	395,873.0	384,106.0
Payroll Revolving Fund	0.0	111,672.0	96,724.0	93,622.0	98,803.0	94,618.0
Productivity Investment Fund	5,374.0	5,018.0	5,023.0	4,989.0	4,919.0	4,844.0
ACO Fund-Motor Vehicle/ISD	1,193.0	1,187.0	1,187.0	1,268.0	1,263.0	1,247.0
Civic Center Parking	140.0	252.0	120.0	83.0	110.0	83.0
Reporters Salary Fund	687.0	(53.0)	(367.0)	553.0	664.0	306.0
Cable TV Franchise Fund	3,563.0	3,586.0	3,719.0	3,790.0	3,799.0	3,952.0
Megaflex-Various	19,317.0	19,463.0	19,520.0	19,553.0	19,626.0	19,620.0
Subtotal	394,973.0	516,654.0	519,278.0	519,494.0	525,057.0	508,776.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	6,648.0	5,716.0	2,976.0	289.0	1,028.0	(701.0)
Olive View Medical Center	3,421.0	(121.0)	577.0	99.0	(897.0)	(1,479.0)
LAC+USC Medical Center	804.0	17,628.0	1,125.0	(8,332.0)	(2,633.0)	1,425.0
Martin Luther King Jr., Hospital	2,146.0	2,977.0	551.0	1,563.0	(841.0)	(858.0)
High Desert Hospital	82.0	(150.0)	104.0	368.0	69.0	(134.0)
South/West Network Hospital	415.0	987.0	544.0	676.0	940.0	922.0
ACO-LAC+USC Med Equip Fund	106,050.0	106,130.0	106,285.0	106,418.0	106,555.0	106,735.0
Subtotal	119,566.0	133,167.0	112,162.0	101,081.0	104,221.0	105,910.0
GRAND TOTAL	**1,000,178.0**	**1,071,255.0**	**1,052,491.0**	**1,327,466.0**	**2,218,211.0**	**2,961,428.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	
						PROPERTY TAX GROUP
837,194.0	623,376.0	509,238.0	1,083,600.0	478,196.0	181,743.0	**Tax Collector's Trust Fund**
362,212.0	281,352.0	376,677.0	518,600.0	554,197.0	206,289.0	**Auditor Unapportioned Money**
61,931.0	71,180.0	50,097.0	49,309.0	66,415.0	89,127.0	**Unsecured Property Tax Fund**
7,844.0	7,515.0	7,090.0	6,174.0	6,046.0	6,498.0	**Miscellaneous Fees & Taxes**
42,291.0	53,145.0	45,276.0	42,805.0	32,174.0	28,605.0	**State Redemption Fund - TTC**
56,856.0	30,022.0	1,429.0	98,374.0	38,406.0	1,989.0	**Educ Rev Augmentation Fund**
18,881.0	1,432.0	1,432.0	3,628.0	22,463.0	10,100.0	**State Reimbursement Fund**
83,393.0	29,133.0	46,667.0	66,515.0	85,989.0	0.0	**Sales Tax Replacement Fund**
362,559.0	126,657.0	202,888.0	289,168.0	373,808.0	0.0	**VLF Replacement Fund**
(22,502.0)	(13,343.0)	(12,413.0)	(16,141.0)	(18,512.0)	(19,615.0)	**Rebate Fund**
1,810,659.0	1,210,469.0	1,228,381.0	2,142,032.0	1,639,182.0	504,736.0	**Subtotal**
						VARIOUS TRUST GROUP
375,512.0	342,184.0	354,304.0	379,494.0	376,861.0	393,324.0	**Departmental Trust Fund**
101,336.0	88,865.0	93,373.0	109,382.0	123,570.0	119,859.0	**Payroll Revolving Fund**
4,701.0	4,557.0	4,704.0	4,667.0	4,266.0	4,185.0	**Productivity Investment Fund**
1,246.0	1,234.0	1,181.0	1,196.0	1,177.0	1,289.0	**ACO Fund-Motor Vehicle/ISD**
140.0	155.0	193.0	99.0	221.0	109.0	**Civic Center Parking**
516.0	895.0	325.0	436.0	323.0	141.0	**Reporters Salary Fund**
3,967.0	4,123.0	4,357.0	4,469.0	4,602.0	4,409.0	**Cable TV Franchise Fund**
19,729.0	19,869.0	20,095.0	20,277.0	20,502.0	20,580.0	**Megaflex-Various**
507,147.0	461,882.0	478,532.0	520,020.0	531,522.0	543,896.0	**Subtotal**
						HOSPITAL GROUP
354.0	769.0	(1,200.0)	442.0	202.0	2,854.0	**Harbor/UCLA Medical Center**
(309.0)	(71.0)	(2,959.0)	92.0	958.0	2,134.0	**Olive View Medical Center**
4,708.0	255.0	2,295.0	(880.0)	2,889.0	3,390.0	**LAC + USC Medical Center**
(104.0)	(337.0)	1,001.0	(913.0)	1,019.0	1,538.0	**Martin Luther King Jr., Hospital**
(263.0)	(405.0)	432.0	433.0	530.0	155.0	**High Desert Hospital**
(687.0)	(826.0)	1,159.0	496.0	828.0	587.0	**South/West Network Hospital**
106,859.0	107,049.0	107,260.0	107,517.0	107,751.0	108,015.0	**ACO-LAC+USC Med Equip Fund**
110,558.0	106,434.0	107,988.0	107,187.0	114,177.0	118,673.0	**Subtotal**
2,428,364.0	**1,778,785.0**	**1,814,901.0**	**2,769,239.0**	**2,284,881.0**	**1,167,305.0**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2005-06
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	209,369.0	81,907.0	76,591.0	260,534.0		
Auditor Unapportioned Money	128,769.0	203,040.0	143,140.0	258,544.0		
Unsecured Property Tax Fund	133,332.0	11,382.0	155,784.0	127,718.0		
Miscellaneous Fees & Taxes	5,932.0	13,423.0	33,844.0	37,796.0		
State Redemption Fund - TTC	47,858.0	72,021.0	72,442.0	53,189.0		
Educ Rev Augmentation Fund	1,225.0	31,458.0	(32.0)	1,787.0		
State Reimbursement Fund	0.0	0.0	0.0	0.0		
Sales Tax Replacement Fund	0.0	0.0	0.0	0.0		
VLF Replacement Fund	0.0	0.0	0.0	0.0		
Rebate Fund	(9,867.0)	(13,503.0)	(27,902.0)	(41,847.0)		
Subtotal	516,618.0	399,728.0	453,867.0	697,721.0		
VARIOUS TRUST GROUP						
Departmental Trust Fund	431,266.0	472,507.0	478,015.0	512,617.0		
Payroll Revolving Fund	96,747.0	98,107.0	99,830.0	60,223.0		
Productivity Investment Fund	6,917.0	7,937.0	7,856.0	8,381.0		
ACO Fund-Motor Vehicle/ISD	2,910.0	2,914.0	2,878.0	2,876.0		
Civic Center Parking	(36.0)	(89.0)	90.0	221.0		
Reporters Salary Fund	677.0	606.0	527.0	239.0		
Cable TV Franchise Fund	4,304.0	4,386.0	4,380.0	4,464.0		
Megaflex-Various	20,729.0	20,897.0	20,993.0	21,172.0		
Subtotal	563,514.0	607,265.0	614,569.0	610,193.0		
HOSPITAL GROUP						
Harbor/UCLA Medical Center	2,143.0	13,856.0	1,677.0	1,095.0		
Olive View Medical Center	1,780.0	13,651.0	4,747.0	1,167.0		
LAC+USC Medical Center	(3,258.0)	10,936.0	(3,757.0)	(2,117.0)		
Martin Luther King Jr., Hospital	478.0	5,086.0	518.0	(216.0)		
High Desert Hospital	(1,888.0)	(5,420.0)	(7,449.0)	(7,449.0)		
South/West Network Hospital	964.0	3,267.0	1,370.0	240.0		
ACO-LAC+USC Med Equip Fund	108,325.0	108,550.0	108,781.0	109,069.0		
Subtotal	108,544.0	149,926.0	105,887.0	101,789.0		
GRAND TOTAL	**1,188,676.0**	**1,156,919.0**	**1,174,323.0**	**1,409,703.0**		

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	
						PROPERTY TAX GROUP
						Tax Collector's Trust Fund
						Auditor Unapportioned Money
						Unsecured Property Tax Fund
						Miscellaneous Fees & Taxes
						State Redemption Fund - TTC
						Educ Rev Augmentation Fund
						State Reimbursement Fund
						Sales Tax Replacement Fund
						VLF Replacement Fund
						Rebate Fund
						Subtotal
						VARIOUS TRUST GROUP
						Departmental Trust Fund
						Payroll Revolving Fund
						Productivity Investment Fund
						ACO Fund-Motor Vehicle/ISD
						Civic Center Parking
						Reporters Salary Fund
						Cable TV Franchise Fund
						Megaflex-Various
						Subtotal
						HOSPITAL GROUP
						Harbor/UCLA Medical Center
						Olive View Medical Center
						LAC + USC Medical Center
						Martin Luther King Jr., Hospital
						High Desert Hospital
						South/West Network Hospital
						ACO-LAC+USC Med Equip Fund
						Subtotal
						GRAND TOTAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2004-05: 12 MONTHS ACTUALS
2005-06: 04 MONTHS ACTUALS

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2004-05
(in thousands of $)

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004
BEGINNING BALANCE	986,202.0	1,495,033.0	1,033,691.0	720,170.0	436,387.0	184,646.0
RECEIPTS						
PROPERTY TAXES	26,434.0	85,505.0	(526.0)	5,910.0	30,723.0	652,043.0
Sales and Other Taxes	13,877.0	7,633.0	21,182.0	15,299.0	14,892.0	9,596.0
Licenses, Permits & Franchises	3,942.0	3,492.0	7,169.0	2,680.0	1,554.0	3,453.0
Fines, Forfeitures & Penalties	23,766.0	22,032.0	10,942.0	15,573.0	19,205.0	12,154.0
Use of Money & Property	10,860.0	3,332.0	5,004.0	2,803.0	5,656.0	4,812.0
Intergovernmental Revenue	400,742.0	150,259.0	213,701.0	267,151.0	349,963.0	250,804.0
Charges for Current Services	134,359.0	65,155.0	71,176.0	75,429.0	82,862.0	135,683.0
Other Revenue	68,774.0	9,795.0	10,736.0	7,228.0	7,883.0	3,852.0
Expenditure Transfers and Reimbursements	36,076.0	1,744.0	58,012.0	11,501.0	20,530.0	929,718.0
Welfare Advances	275,334.0	262,512.0	242,262.0	494,366.0	255,384.0	348,945.0
Other Receipts	43,583.0	9,110.0	26,290.0	8,795.0	9,378.0	2,334.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	600,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	1,637,747.0	620,569.0	665,948.0	906,735.0	798,030.0	2,353,394.0
DISBURSEMENTS						
Welfare Warrants	198,983.0	140,204.0	172,229.0	166,570.0	165,918.0	236,521.0
Salaries & Employee Benefits	432,942.0	546,153.0	403,601.0	380,562.0	401,826.0	390,708.0
Services & Supplies and Fixed Assets	352,926.0	267,359.0	285,703.0	236,074.0	316,782.0	251,255.0
Interfund Billings	144,065.0	128,195.0	117,936.0	407,312.0	165,245.0	619,418.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	209,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment		0.0	0.0	0.0	0.0	0.0
Total Disbursements	1,128,916.0	1,081,911.0	979,469.0	1,190,518.0	1,049,771.0	1,706,902.0
ENDING BALANCE	1,495,033.0	1,033,691.0	720,170.0	436,387.0	184,646.0	831,138.0
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	209,000.0
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	209,000.0

*Detail may not add due to rounding.

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	Total 2004 -05
831,138.0	1,083,012.0	861,378.0	284,599.0	412,913.0	1,056,905.0	
574,491.0	138,650.0	32,364.0	466,998.0	572,037.0	14,740.0	2,599,369.0
21,433.0	16,494.0	15,030.0	8,958.0	18,540.0	18,680.0	181,614.0
3,643.0	9,237.0	4,987.0	10,303.0	2,381.0	3,960.0	56,801.0
12,171.0	19,685.0	15,658.0	15,972.0	32,784.0	14,374.0	214,316.0
5,159.0	7,448.0	7,838.0	9,624.0	7,950.0	10,905.0	81,391.0
295,864.0	263,383.0	198,456.0	210,863.0	266,902.0	290,839.0	3,158,927.0
61,420.0	91,003.0	137,186.0	149,945.0	97,591.0	141,683.0	1,243,492.0
4,304.0	5,452.0	3,843.0	106,095.0	3,489.0	14,400.0	245,851.0
42,028.0	47,252.0	11,864.0	318,097.0	584,676.0	384,788.0	2,446,286.0
317,700.0	270,393.0	329,078.0	289,761.0	259,466.0	280,877.0	3,626,078.0
32,261.0	4,497.0	11,485.0	8,004.0	1,979.0	11,680.0	169,396.0
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	600,000.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
1,370,474.0	873,494.0	767,789.0	1,594,620.0	1,847,795.0	1,804,876.0	15,241,471.0
100,592.0	167,287.0	170,670.0	203,577.0	135,535.0	166,862.0	2,024,948.0
411,809.0	418,431.0	394,703.0	428,085.0	371,413.0	369,124.0	4,949,357.0
241,143.0	281,187.0	273,042.0	219,184.0	242,701.0	259,778.0	3,227,134.0
256,056.0	160,223.0	433,153.0	456,510.0	454,154.0	206,914.0	3,549,181.0
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
1,118,600.0	1,095,128.0	1,344,568.0	1,466,306.0	1,203,803.0	1,620,628.0	14,986,520.0
1,083,012.0	861,378.0	284,599.0	412,913.0	1,056,905.0	1,241,153.0	
209,000.0	318,000.0	386,000.0	459,000.0	617,950.0	617,950.0	0.0
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
318,000.0	386,000.0	459,000.0	617,950.0	617,950.0	0.0	0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2005-06
(in thousands of $)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
BEGINNING BALANCE	1,241,153.0	1,261,166.0	1,032,306.0	763,434.0		
RECEIPTS						
PROPERTY TAXES	52,225.0	79,621.0	(19.0)	5,763.0		
Sales and Other Taxes	13,068.0	23,525.0	16,732.0	19,960.0		
Licenses, Permits & Franchises	2,862.0	11,348.0	615.0	2,403.0		
Fines, Forfeitures & Penalties	27,414.0	21,724.0	15,135.0	13,221.0		
Use of Money & Property	22,746.0	9,581.0	11,104.0	15,831.0		
Intergovernmental Revenue	301,715.0	165,935.0	260,081.0	261,839.0		
Charges for Current Services	107,406.0	99,224.0	63,743.0	49,284.0		
Other Revenue	3,870.0	34,970.0	12,346.0	12,697.0		
Expenditure Transfers and Reimbursements	30,889.0	207.0	61,951.0	0.0		
Welfare Advances	392,874.0	217,790.0	321,969.0	338,682.0		
Other Receipts	42,202.0	31,065.0	2,930.0	2,700.0		
Intrafund Transfers	0.0	0.0	0.0	0.0		
TRANs Sold	500,000.0	0.0	0.0	0.0		
TRANs Reserve	0.0	0.0	0.0	0.0		
Total Receipts	1,497,271.0	694,990.0	766,587.0	722,380.0		
DISBURSEMENTS						
Welfare Warrants	268,705.0	181,077.0	218,488.0	230,363.0		
Salaries & Employee Benefits	732,326.0	422,115.0	412,974.0	303,452.0		
Services & Supplies and Fixed Assets	246,833.0	194,716.0	240,977.0	329,967.0		
Interfund Billings	229,394.0	125,942.0	163,020.0	281,340.0		
TRANs Pledge Transfer	0.0	0.0	0.0	0.0		
TRANs Repayment	0.0	0.0	0.0	0.0		
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0		
Total Disbursements	1,477,258.0	923,850.0	1,035,459.0	1,145,122.0		
ENDING BALANCE	1,261,166.0	1,032,306.0	763,434.0	340,692.0		
TRANS Repayment Fund						
Beginning Balance	0.0	0.0	0.0	0.0		
Receipts	0.0	0.0	0.0	0.0		
Disbursements	0.0	0.0	0.0	0.0		
Ending Balance	0.0	0.0	0.0	0.0		

*Detail may not add due to rounding.

January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	Total 2005 -06

LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of October 31, 2005, 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	$ 4.995
Schools and Community Colleges	7.970
Independent Public Agencies	1.268
Total	$14.233

Of these entities, the involuntary participants accounted for approximately 91.10%, and all discretionary participants accounted for 8.90% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2005, 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 for formal action to approve it. According to the Investment Report dated November 29, 2005, the October 31, 2005 book value of the Treasury Pool was approximately $14.233 billion and the corresponding market value was approximately $ 14.196 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. They also review each investment trade for accuracy and compliance with the Board adopted Investment Policy.

The County Auditor-Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The Treasury Pool is highly liquid. As of October 31, 2005, approximately 62.25% of the pool investments mature within 60 days, with an average of 110.86 days to maturity for the entire portfolio.

The following table identifies the types of securities held by the Pool as of October 31, 2005:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	37.45
Certificates of Deposit	24.04
Commercial Paper	32.04
Bankers Acceptances	0.00
Municipal Obligations	0.25
Corporate Notes & Deposit Notes	6.19
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.03

Effective January 1, 1996, Section 27131 of the Government Code requires all counties investing surplus funds to establish a County Treasury Oversight Committee. On January 16, 1996, the Board of Supervisors approved the establishment of the County Treasury Oversight Committee and subsequently confirmed the five Committee members nominated by the Treasurer in accordance with that Section. The Committee, which meets quarterly, is required to review and monitor for compliance, the investment policies prepared by the Treasurer.

FINANCIAL STATEMENTS-GAAP BASIS

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

The basic financial statements for the fiscal year ended June 30, 2004, and the unqualified opinion of KPMG LLP are attached hereto as Appendix B. The County's Comprehensive Annual Financial Reports (CAFR) since the fiscal year ended June 30, 1982 have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Fiscal year 2003-04 is the third year that the County has applied Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain reclassifications and adjustments have been made to the prior year balances to conform to the current year's presentation format.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2004-05 County Budget has been adopted and included an available (unreserved and undesignated) fund balance of $872,284,000 as of June 30, 2004 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 pension obligation bonds in 1994-1995, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-1995 revenues. Under the GAAP basis, the proceeds were recorded as deferred revenue and are being amortized over the life of the bonds.

The following table provides a reconciliation of the General Fund's June 30, 2004 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 1990-00 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, 2004 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$872,284
Adjustments:	
Reversal of budgetary liabilities for litigation and self-insurance claims which are not required by GAAP	99,422
Reversal of liabilities for accrued vacation and sick leave, which are not required by GAAP	39,501
Change in revenue accruals related to encumbrances	(42,304)
Deferral of property tax receivables	(63,776)
Deferral of unearned investment income	(24,155)
Change in fair value of Investments	(2,816)
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$878,156

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2000, 2001, 2002, 2003, and 2004.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004
ASSETS					
Pooled Cash and Investments	377,471	769,856	1,531,721	1,566,544	1,767,764
Other Investments	8,869	8,330	7,954	7,490	7,116
Taxes Receivable	150,517	151,006	158,447	165,472	169,996
Other Receivables	882,602	951,663	944,358	922,382	979,784
Due from Other Funds	858,939	795,423	266,588	447,456	454,899
Advances to Other Funds	105,609	82,174	33,139	304,528	272,228
Inventories	21,650	33,606	36,740	33,230	29,843
Total Assets	2,405,657	2,792,058	2,978,947	3,447,102	3,681,630
LIABILITIES					
Accounts Payable	212,889	274,050	304,943	304,857	238,415
Accrued Payroll	259,437	283,457	300,728	310,698	314,676
Other Payables	77,259	56,343	194,405	188,952	218,132
Accrued Vacation and Sick Leave	25,641	33,193	0 (1)	0	0
Due to Other Funds	561,298	616,742	283,710	524,204	615,635
Deferred Revenue	121,449	121,077	251,541	231,357	216,796
Advances Payable	0	0	105,629	162,673	167,613
Workers' Compensation Liability	137,475	175,559	0 (1)	0	0
Estimated Liability for Litigation and Self-Insurance Claims	69,099	63,944	0 (1)	0	0
Estimated Liability to Third-Party Payors	34,289	41,609	25,637	26,631	22,636
Total Liabilities	1,498,836	1,665,974	1,466,593	1,749,372	1,793,903
EQUITY					
Fund Balance (Deficit)					
Reserved	301,023	329,926	358,765	382,758	350,565
Unreserved					
Designated	432,331	529,748	595,040	668,807	659,006
Undesignated	173,467	266,410	558,549	646,165	878,156
Total Unreserved	605,798	796,158	1,153,589	1,314,972	1,537,162
Total Equity	906,821	1,126,084	1,512,354	1,697,730	1,887,727
Total Liabilities and Equity	2,405,657	2,792,058	2,978,947	3,447,102	3,681,630

(1) Effective 2001-02, certain liabilities are no longer recognized in the County's General Fund financial statements per GASB Interpretation No. 6.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 1999-00 THROUGH 2003-04 (in thousands of $)

	1999-00	2000-01	2001-02	2002-03	2003-04
REVENUES:					
Taxes	1,460,855	1,597,329	1,708,877	1,813,882	1,987,861
Licenses, Permits & Franchises	44,172	44,901	45,876	53,915	57,236
Fines, Forfeitures and Penalties	189,384	179,879	192,427	189,982	202,648
Use of Money and Property	131,642	163,206	109,658	77,518	62,919
Aid from Other Government	6,216,426	6,676,074	7,149,587	7,268,697	7,218,003
Charges for Services	977,187	1,056,990	1,174,812	1,206,260	1,221,951
Miscellaneous Revenues	237,779	197,491	232,164	233,379	255,183
TOTAL	9,257,445	9,915,870	10,613,401	10,843,633	11,005,801
EXPENDITURES					
General	506,107	618,536	565,562	633,292	657,184
Public Protection	2,620,385	2,870,654	3,006,920	2,956,753	3,095,417
Health and Sanitation	2,098,394	2,408,584	1,682,256	1,743,716	1,813,290
Public Assistance	3,805,552	3,945,986	4,228,408	4,328,436	4,203,618
Recreation and Cultural Services	139,628	146,340	154,485	162,201	170,171
Debt Service	38,458	38,885	220,540	234,982	239,648
Capital Outlay	5,351	0	47,568	21,480	28,312
Total	9,213,875	10,028,985	9,905,739	10,080,860	10,207,640
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,570	(113,115)	707,662	762,773	798,161
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	287,366	330,404	(586,682)	(600,548)	(639,110)
Sales of Fixed Assets	2,398	2,206	1,347	1,671	2,634
Capital Leases	5,351	0	47,568	21,480	28,312
OTHER FINANCING SOURCES (USES)-Net	295,115	332,610	(537,767)	(577,397)	(608,164)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	338,685	219,495	169,895	185,376	189,997
Beginning Fund Balance	568,290	906,821	1,342,459 (1)	1,512,354	1,697,730
Residual Equity Transfers from (to) Other Funds-Net	(154)	(232)	0	0	0
Ending Fund Balance	906,821	1,126,084	1,512,354	1,697,730	1,887,727

(1) Beginning Fund Balance was restated in 2001-02 from amount previously reported due to implementation of GASB Statement No. 34

Source: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2000, 2001, 2002, 2003, and 2004.

DEBT SUMMARY

INTRODUCTION

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

2005-06 Obligations

As of July 1, 2005, approximately $2.4 billion in long and intermediate term obligations were outstanding. The General Fund is responsible for $0.8 billion of the outstanding debt. Voter approved ad valorem taxes secured $16.2 million in general obligation bonds. State and federal subventions secured $284.1 million in principal. Revenues from special districts, special funds, enterprise funds, or trust funds secured the remaining $1.3 billion in outstanding principal.

Of the $588.9 million in payments due in 2005-06 for obligations outstanding as of July 1, 2005, only $185.7 million are funded by the General Fund. The table below identifies the funding sources for the debt payments due in 2005-06.

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

2005-06 Payments (As of July 1, 2005)

Funding Source	2005-06 Payment
Total 2005-06 Payment Obligation	$588,916,661
Less: Sources of Non-General Fund Entities:	
General Obligation Bond Taxes	9,086,144
Hospital Enterprise Fund	151,791,549
Courthouse Construction Funds	34,575,625
Special Districts/Special Funds	92,847,554
Trial Court Trust Fund	18,344,857
Private Entities/Endowments	0
State & Federal Subventions	96,545,061
Net 2005-06 General Fund Obligation	$185,725,872

Source: Los Angeles County Chief Administrative Office

Obligations as of October 1, 2005

The County's outstanding General County intermediate and long-term debt declined to $2.0 billion in principal as of October 1, 2005 reflecting debt issuance and payment activity during the fiscal year. An additional $500.0 million in Tax and Revenue Anticipation Notes and $35.0 million in Bond Anticipation Notes were also outstanding. The table in the next column summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of October 1, 2005 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 500,000.0
Bond Anticipation Notes	35,000.0
Intermediate & Long-Term Obligations	
General Obligation Bonds	16,205.0
Special Fund Obligations	0
Pension Obligations	737,087.4
Lease Obligations	1,285,891.6
Total Outstanding Principal	$2,574,184.0

Source: Los Angeles County Chief Administrative Office

Charts at the end of this section provide a more detailed view of the funding sources for the County's outstanding obligations and 2005-06 payments.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.392% in 2004 to 0.305% in 2005. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

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

Year	Outstanding Principal	Total Assessed Valuation	% of Principal to Valuation
1996	$ 4,455,177,708	$ 447,781,824,007	0.995%
1997	$ 4,281,455,241	$ 456,119,926,899	0.939%
1998	$ 4,389,430,735	$ 468,476,629,007	0.937%
1999	$ 4,147,139,371	$ 497,014,083,986	0.834%
2000	$ 4,006,333,171	$ 531,023,420,236	0.754%
2001	$ 3,703,638,147	$ 567,296,327,872	0.653%
2002	$ 3,404,067,514	$ 605,942,874,836	0.562%
2003	$ 3,093,060,550	$ 656,073,063,881	0.471%
2004	$ 2,785,149,946	$ 709,671,759,735	0.392%
2005	$ 2,387,949,433	$ 783,342,364,874	0.305%

Source: Los Angeles County Chief Administrative Office and Auditor-Controller.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal 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 varying amounts.

On May 17, 2005 the Board of Supervisors authorized the issuance of up to $1.10 billion in 2005-06 tax and revenue anticipation notes (2005-06 Notes). On July 1, 2005, the County issued $500.0 million in 2005-06 Notes which will mature on July 30, 2006.

The 2005-06 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2005-06 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix.

Under the current Board authorization, the County retains the ability to issue up to an additional $600.0 million in 2005-06 Notes. The County does not intend to issue additional 2005-06 Notes.

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 County Board of Supervisors. The BANs are payable within five years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of October 1, 2005, $35.0 million in BANs remained outstanding.

LONG-TERM OBLIGATIONS

General Obligation Debt

On June 11, 1987, the County issued $96,000,000 of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. As of October 1, 2005, $16.2 million in principal remained outstanding. The proceeds from this issue have been fully expended and no further general obligation authorization is available at this time.

Special Fund and Special Districts Obligations

Marina del Rey Series A, B, and C

On June 2, 1993, the County issued three series of certificates of participation in the aggregate amount of $189.5 million. Each series of certificates is secured by revenues generated from the leasing and operation of commercial properties at Marina del Rey, which is a small craft harbor and recreational marina. Ownership of all real property associated with these issues was retained by the County.

The County defeased all of the then-outstanding Series A obligations on July 1, 2005 and all of the then-outstanding Series B and C obligations on August 1, 2005.

Pension Obligations

The County has periodically issued bonds or certificates to fund its unfunded actuarial accrued liability for the retirement benefits of its employees. The issuance of such bonds represents a reclassification of a previously existing obligation. Such bonds or certificates have been issued pursuant to the County Employees Retirement Law of 1937, as amended. The obligation of the County to make payments with respect to these bonds or certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds.

1986 Tax-Exempt Pension Obligations

On December 11, 1986, the County issued $461.5 million in Pension Obligation Certificates. Proceeds were used to reduce the Retirement System's unfunded liability by $473.0 million. In addition, debt service payments on the certificates generated aggregate savings of $154.0 million over the term of the bonds from the County's previous unfunded liability payments.

In 1993, the County entered into a forward purchase contract for the issuance of $327.4 million of Pension Obligation Refunding Bonds in 1996. These bonds were issued in May, 1996 and refunded a portion of the outstanding 1986 certificates on June 30, 1996.

1994 Taxable Pension Obligation Bonds

On October 19, 1994, the County issued $1.965 billion in Taxable Pension Obligation Bonds. Proceeds from the sale financed 97.7% of the County's unfunded actuarial accrued liability for the retirement benefits of its employees as estimated on June 30, 1992. The refinancing of this existing obligation allowed the County to reduce its annual retirement contribution while enhancing its ability to share in surplus interest earnings realized in the future.

The bonds were issued in three series. The $1.1 billion in Series A bonds were issued at fixed-rates ranging from 6.80% in 1996 to 8.62% in 2006. The Series C bonds were issued in the form of capital appreciation bonds with an aggregate denominational amount of $248.4 million. The Series C bonds will accrue interest to maturity at yields ranging from 9.025% in 2007 to 9.190% in 2010. The Series D bonds were issued in the amount of $600.0 million as variable-rate, dutch auction securities which mature in 2011. The Series B bonds were not issued.

The County has since exercised its option to convert the interest rate on the Series D bonds to a fixed rate. On November 1, 1995, the Series D bonds were tendered and reoffered as fixed rate current interest bonds and capital appreciation bonds. The final maturity of the fixed rate Series D bonds was maintained at 2011.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities, parking authorities and nonprofit corporations. Such entities have financed the County's capital projects and equipment requirements through the issuance of lease revenue bonds or certificates of participation. As of October 1, 2005, $1.3 billion in principal remained outstanding on such obligations.

Such obligations are secured by revenues from various funding sources including the General Fund and are subject to annual appropriation. The County's Adopted 2005-06 Budget contains sufficient appropriations to fund its 2005-06 payment obligations. The County Board of Supervisors has never failed to appropriate funds for such obligations.

Under State law, lease obligations are also subject to abatement and cannot be accelerated. To mitigate this risk, the County maintains rental interruption insurance in an amount sufficient to fund two years of payments. In addition, the County maintains sufficient "all-risk" insurance to provide for the redemption of the then outstanding bonds or the full replacement of the facility, whichever is less.

To date, the County has not abated payments on any lease-financed facility. Upon defeasance or final redemption of these obligations and the termination of the underlying leases, title to the projects and equipment automatically vests in the County.

1997 Bond Anticipation Note Refunding

On June 24, 1997, the County Board of Supervisors authorized the issuance of up to $231.0 million in tax-exempt commercial paper (TECP) to redeem outstanding BANs which were issued to fund pre-construction costs on various capital projects and to provide a future source of interim funding for capital projects pending construction and long-term financing.

On December 3, 2002, the County Board of Supervisors approved an increase to the maximum TECP issuance to $335.0 million to provide interim financing for anticipated capital project construction costs.

Repayment of the TECP is secured by an Irrevocable, Direct-Pay Letter of Credit and a sublease of nineteen County-owned properties. The subleased properties have useful lives ranging from ten to forty-seven years and have been appraised at an aggregate value in excess of the $335.0 million authorized by the Board of Supervisors.

The Letter of Credit was issued by WestLB AG (formerly known as Westdeutsche Landesbank Girozentrale), Bayerische Landesbank (formerly known as Bayerische Landesbank Girozentrale), and JPMorgan Chase Bank (formerly Morgan Guaranty Trust Company of New York) in an amount not to exceed $335.0 million. The Letter of Credit was amended on May 1, 2005 and is scheduled to expire on December 15, 2015.

On July 1, 1997, the County issued $196.9 million in TECP and redeemed all outstanding BANs. Since that time, the County has issued an additional $264.3 million in TECP and redeemed $217.6 million in outstanding TECP. As of October 1, 2005, $243.6 million in TECP remained outstanding.

Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The County currently plans, however, to retire the remaining TECP by the end of the 2006-07 fiscal year.

Debt Summary Charts

The charts on the following pages provide:

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

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

3. a detail of the General County's 2005-06 payment obligations by funding source and debt issue;

4. a detail of the principal outstanding in 2005-06 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 long and intermediate term debt obligations as of October 1, 2005;

6. the County's overlapping debt statement as of October 1, 2005.

COUNTY OF LOS ANGELES
DEBT SUMMARY CHARTS

REPORTS AS OF JULY 1, 2005

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND ANNUALLY 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 OCTOBER 1, 2005

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS
AS OF JULY 1, 2005

Fiscal Year	General Obligations Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Bonds
2005-06	$9,086,144	$58,158,295	$356,883,004	$164,789,219	$588,916,661
2006-07	9,056,106	20,171,535	381,235,406	324,427,128	734,890,175
2007-08	--	20,144,396	381,602,899	133,989,205	535,736,500
2008-09	--	14,362,075	320,338,646	121,799,999	456,500,719
2009-10	--	--	358,165,000	116,095,821	474,260,821
2010-11	--	--	372,130,000	105,546,359	477,676,359
2011-12	--	--	--	105,248,793	105,248,793
2012-13	--	--	--	93,870,586	93,870,586
2013-14	--	--	--	94,670,806	94,670,806
2014-15	--	--	--	90,496,170	90,496,170
2015-16	--	--	--	69,825,079	69,825,079
2016-17	--	--	--	49,352,299	49,352,299
2017-18	--	--	--	37,557,394	37,557,394
2018-19	--	--	--	38,367,306	38,367,306
2019-20	--	--	--	39,190,531	39,190,531
2020-21	--	--	--	40,049,013	40,049,013
2021-22	--	--	--	40,945,025	40,945,025
2022-23	--	--	--	41,891,444	41,891,444
2023-24	--	--	--	17,710,063	17,710,063
2024-25	--	--	--	17,700,813	17,700,813
2025-26	--	--	--	17,695,325	17,695,325
2026-27	--	--	--	17,686,944	17,686,944
2027-28	--	--	--	17,674,131	17,674,131
2028-29	--	--	--	17,674,850	17,674,850
2029-30	--	--	--	17,661,675	17,661,675
2030-31	--	--	--	10,201,700	10,201,700
2031-32	--	--	--	10,198,531	10,198,531
2032-33	--	--	--	7,684,731	7,684,731
2033-34	--	--	--	7,686,613	7,686,613
2034-35	--	--	--	--	--
2035-36	--	--	--	--	--
2036-37	--	--	--	--	--
2037-38	--	--	--	--	--
2038-39	--	--	--	--	--
Total	$18,142,250	$112,836,301	$2,170,354,954	$1,867,687,550	$4,169,021,056

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS
AS OF JULY 1, 2005

Fiscal Year	General Obligations Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Bonds
2005-06	$16,205,000	$66,828,095	$1,050,107,396	$1,254,808,941	$2,387,949,433
2006-07	8,395,000	50,226,088	737,087,396	1,152,571,969	1,948,280,453
2007-08	--	32,609,875	546,849,148	888,341,956	1,467,800,978
2008-09	--	13,910,000	352,255,398	800,552,785	1,166,718,184
2009-10	--	--	235,690,862	721,726,193	957,417,055
2010-11	--	--	118,486,192	645,800,838	764,287,030
2011-12	--	--	--	577,867,754	577,867,754
2012-13	--	--	--	507,727,758	507,727,758
2013-14	--	--	--	446,407,515	446,407,515
2014-15	--	--	--	382,077,430	382,077,430
2015-16	--	--	--	319,615,289	319,615,289
2016-17	--	--	--	275,948,098	275,948,098
2017-18	--	--	--	252,033,779	252,033,779
2018-19	--	--	--	240,023,152	240,023,152
2019-20	--	--	--	227,620,857	227,620,857
2020-21	--	--	--	214,798,886	214,798,886
2021-22	--	--	--	193,215,000	193,215,000
2022-23	--	--	--	161,440,000	161,440,000
2023-24	--	--	--	127,115,000	127,115,000
2024-25	--	--	--	115,555,000	115,555,000
2025-26	--	--	--	103,400,000	103,400,000
2026-27	--	--	--	90,615,000	90,615,000
2027-28	--	--	--	77,170,000	77,170,000
2028-29	--	--	--	63,035,000	63,035,000
2029-30	--	--	--	48,160,000	48,160,000
2030-31	--	--	--	32,545,000	32,545,000
2031-32	--	--	--	23,795,000	23,795,000
2032-33	--	--	--	14,595,000	14,595,000
2033-34	--	--	--	7,490,000	7,490,000
2034-35	--	--	--	--	--
2035-36	--	--	--	--	--
2036-37	--	--	--	--	--
2037-38	--	--	--	--	--
2038-39	--	--	--	--	--

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2005

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention	Total Annual Debt Service
2005-06	$185,725,872	$9,086,144	$151,791,549	$34,575,625	$92,847,554	$18,344,857	--	$96,545,061	$588,916,661
2006-07	192,115,668	9,056,106	319,224,260	34,614,761	57,149,791	19,596,644	--	103,132,946	734,890,175
2007-08	191,481,486	--	129,817,588	34,440,889	57,148,643	19,615,534	--	103,232,361	535,736,500
2008-09	171,001,817	--	103,174,427	34,604,283	44,594,853	16,466,367	--	86,658,971	456,500,719
2009-10	179,650,502	--	111,238,814	34,458,675	33,610,204	18,410,755	--	96,891,870	474,260,821
2010-11	173,546,692	--	114,862,326	34,548,340	34,920,679	19,128,598	--	100,669,724	477,676,359
2011-12	53,002,105	--	18,400,555	33,846,132	--	--	--	--	105,248,792
2012-13	47,205,976	--	17,098,045	29,566,565	--	--	--	--	93,870,586
2013-14	47,849,798	--	17,098,477	29,722,531	--	--	--	--	94,670,806
2014-15	45,488,565	--	16,118,727	28,888,878	--	--	--	--	90,496,170
2015-16	30,936,886	--	14,471,134	24,417,059	--	--	--	--	69,825,079
2016-17	20,801,284	--	5,684,932	22,866,083	--	--	--	--	49,352,299
2017-18	19,814,394	--	--	17,743,000	--	--	--	--	37,557,394
2018-19	20,624,681	--	--	17,742,625	--	--	--	--	38,367,306
2019-20	21,454,019	--	--	17,736,513	--	--	--	--	39,190,531
2020-21	22,321,744	--	--	17,727,269	--	--	--	--	40,049,013
2021-22	23,224,363	--	--	17,720,663	--	--	--	--	40,945,025
2022-23	24,171,488	--	--	17,719,956	--	--	--	--	41,891,444
2023-24	--	--	--	17,710,063	--	--	--	--	17,710,063
2024-25	--	--	--	17,700,813	--	--	--	--	17,700,813
2025-26	--	--	--	17,695,325	--	--	--	--	17,695,325
2026-27	--	--	--	17,686,944	--	--	--	--	17,686,944
2027-28	--	--	--	17,674,131	--	--	--	--	17,674,131
2028-29	--	--	--	17,674,850	--	--	--	--	17,674,850
2029-30	--	--	--	17,661,675	--	--	--	--	17,661,675
2030-31	--	--	--	10,201,700	--	--	--	--	10,201,700
2031-32	--	--	--	10,198,531	--	--	--	--	10,198,531
2032-33	--	--	--	7,684,731	--	--	--	--	7,684,731
2033-34	--	--	--	7,686,613	--	--	--	--	7,686,613
2034-35	--	--	--	--	--	--	--	--	--
2035-36	--	--	--	--	--	--	--	--	--
2036-37	--	--	--	--	--	--	--	--	--
2037-38	--	--	--	--	--	--	--	--	--
2038-39	--	--	--	--	--	--	--	--	--
Total	$1,470,417,339	$18,142,250	$1,018,980,832	$642,515,222	$320,271,723	$111,562,756	--	$587,130,933	$4,169,021,056

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2005

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention	Total Annual Principal Payment
2005-06	$817,228,233	$16,205,000	$660,558,966	$387,106,187	$168,794,174	$53,978,670	--	$284,078,203	$2,387,949,433
2006-07	669,277,873	8,395,000	539,905,419	371,625,194	121,789,369	37,888,503	--	199,399,094	1,948,280,453
2007-08	562,816,003	--	288,274,374	355,434,443	85,231,199	28,109,687	--	147,935,272	1,467,800,978
2008-09	454,317,813	--	213,176,666	338,693,886	47,129,647	18,106,984	--	95,293,187	1,166,718,184
2009-10	370,329,101	--	168,132,296	320,963,411	22,117,230	12,115,217	--	63,759,799	957,417,055
2010-11	288,500,120	--	123,999,461	302,524,920	11,118,744	6,090,546	--	32,053,240	764,287,030
2011-12	215,921,861	--	78,874,248	283,071,645	--	--	--	--	577,867,754
2012-13	180,539,292	--	63,799,178	263,389,288	--	--	--	--	507,727,758
2013-14	150,010,877	--	49,377,538	247,019,099	--	--	--	--	446,407,515
2014-15	118,158,618	--	34,279,455	229,639,358	--	--	--	--	382,077,430
2015-16	87,988,277	--	19,440,996	212,186,017	--	--	--	--	319,615,289
2016-17	72,115,806	--	5,556,353	198,275,939	--	--	--	--	275,948,098
2017-18	66,818,779	--	--	185,215,000	--	--	--	--	252,033,779
2018-19	63,298,152	--	--	176,725,000	--	--	--	--	240,023,152
2019-20	59,820,857	--	--	167,800,000	--	--	--	--	227,620,857
2020-21	56,388,886	--	--	158,410,000	--	--	--	--	214,798,886
2021-22	44,695,000	--	--	148,520,000	--	--	--	--	193,215,000
2022-23	23,340,000	--	--	138,100,000	--	--	--	--	161,440,000
2023-24	--	--	--	127,115,000	--	--	--	--	127,115,000
2024-25	--	--	--	115,555,000	--	--	--	--	115,555,000
2025-26	--	--	--	103,400,000	--	--	--	--	103,400,000
2026-27	--	--	--	90,615,000	--	--	--	--	90,615,000
2027-28	--	--	--	77,170,000	--	--	--	--	77,170,000
2028-29	--	--	--	63,035,000	--	--	--	--	63,035,000
2029-30	--	--	--	48,160,000	--	--	--	--	48,160,000
2030-31	--	--	--	32,545,000	--	--	--	--	32,545,000
2031-32	--	--	--	23,795,000	--	--	--	--	23,795,000
2032-33	--	--	--	14,595,000	--	--	--	--	14,595,000
2033-34	--	--	--	7,490,000	--	--	--	--	7,490,000
2034-35	--	--	--	--	--	--	--	--	--
2035-36	--	--	--	--	--	--	--	--	--
2036-37	--	--	--	--	--	--	--	--	--
2037-38	--	--	--	--	--	--	--	--	--
2038-39	--	--	--	--	--	--	--	--	--

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATION BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
Long-Term Obligations									
General Obligations Bonds									
1987 GO Bonds: Justice Facilities	9,086,144		9,086,144						
Special Fund Obligations									
1993 COPs, Ser A: Marina del Rey	52,394,213					52,394,213			
1993 COPs, Ser B: Marina del Rey	1,556,423					1,556,423			
1993 COPs, Ser C: Marina del Rey	4,207,659					4,207,659			
Total Special Fund Obligations	58,158,295	0	0	0	0	58,158,295	0	0	0
Pension Obligation Certificates									
1986 Pension Ob Certs, Ser A: LACERA Funding	5,571,060	1,810,817		1,443,985		522,788	286,369		1,507,100
1994 Pension Ob Bonds Ser A: LACERA Funding	236,476,602	76,864,355		61,293,316		22,190,964	12,155,607		63,972,360
1994 Pension Ob Bonds Ser C: LACERA Funding									
1994 Pension Ob Bonds Ser D: LACERA Funding	44,504,653	14,465,792		11,535,339		4,176,317	2,287,673		12,039,532
1996 Pension Ob Refg Bonds: LACERA Funding	70,330,689	22,860,287		18,229,293		6,599,832	3,615,208		19,026,069
Total Pension Obligation Certificates	356,883,004	116,001,252	0	92,501,933	0	33,489,901	18,344,857	0	96,545,061
Long-Term Capital Projects									
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:									
Civic Center Heating & Refridgeration Plant	5,869,874	5,869,874							
Downey Courthouse	984,884				984,884				
LeSage Complex	485,534	485,534							
Olive View Medical Center	10,319,178			10,319,178					
Sheriffs Training Academy	822,686	822,686							
San Fernando Court	1,377,941				1,377,941				
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	19,860,098	7,178,094	0	10,319,178	2,362,825	0	0	0	0
1993 COPs: Disney Parking Project	4,790,000	4,790,000							
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:									
Lynwood Regional Justice Center	12,181,633	12,181,633							
Mobile Digital Communication System									
Lost Hill Sheriffs Station	1,112,291	1,112,291							
Mira Loma Boy's Camp	3,379,058	3,379,058							
Mid Valley Health Center	952,483			952,483					
LAC/USC Intensive Care Unit	248,128			248,128					
Martin Luther King, Jr. Medical Center Parking Structure	544,821			544,821					
Compton Courthouse									
El Monte Courthouse									
Inglewood Municipal Courthouse & Parking Structure									
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,503,800			1,503,800					
East Los Angeles Courthouse	1,443,144				1,443,144				
Fire Command and Control System	683,450					683,450			
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Pr	22,048,808	16,672,981	0	3,249,232	1,443,144	683,450	0	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Ja	11,461,910	11,461,910							
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:									
Hollywood Courthouse									
Long Beach Comprehensive Health Center									
Van Nuys Courthouse	4,125,188				4,125,188				
Pitchess Honor Rancho: Medium Security - N Facility Air Condition	892,417	892,417							
Pitchess Honor Rancho: Medium Security - N Facility Sewer Syste	272,063	272,063							
Pitchess Honor Rancho: Medium Security - N Facility Water Treatr	1,091,010	1,091,010							
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	252,003	252,003							
Pitchess Honor Rancho: Vehicle Maintenance Facility	642,213	642,213							
Men's Central Jail Parking Structure	2,870,116	2,870,116							
Mira Loma Men's Medium Security Facility	514,924	514,924							
Pitchess Honor Rancho Laundry Expansion	288,463	288,463							
Pitchess Honor Rancho Visitors Center	713,040	713,040							
Pomona Municipal Courthouse	596,353				596,353				
Hutton Building - Registrar / Recorder Headquarters	3,718,504	3,718,504							
Temple City Sheriff Station	1,224,855	1,224,855							
Public Library Headquarters	515,908					515,908			
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Pr	17,717,055	12,479,607	0	0	4,721,540	515,908	0	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Service	17,232,240			17,232,240					
1998 Refg COPs: Disney Parking Project	3,076,120	3,076,120							
2000 COPs, Ser A: Antelope Valley Courthouse	7,685,488				7,685,488				
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,627,425				3,627,425				
2002 Lease Rev Bonds Ser B:									
Downey Courthouse	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	0	763,331	0	0	0	0
2005 Lease Rev Refg Bonds Ser A:									
Music Center Improvements	780,108	780,108							
Alhambra Courthouse	589,636				589,636				
Burbank Courthouse	770,290				770,290				
Ameron Building (Sheriff Headquarters)	2,537,873	2,537,873							
Biscailuz Center	224,933	224,933							
Emergency Operations Center	1,987,783	1,987,783							
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,506,752			1,506,752					
Martin Luther King Medical Center - Trauma Center	6,302,517			6,302,517					
Martin Luther King Medical Center - Central Plant	1,293,880			1,293,880					
Martin Luther King Medical Center - Modular Building (Ped. Traum	105,690			105,690					

COUNTY OF LOS ANGELES
ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATION BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,452,849			4,452,849					
Rancho Los Amigos Medical Center - Parking Structure	1,664,376			1,664,376					
Rancho Los Amigos Medical Center - Central Plant	4,894,861			4,894,861					
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	694,641			694,641					
San Fernando Valley Juvenile Hall	989,208	989,208							
LAC/USC Medical Center Marengo Street Parking Garage	2,632,649			2,632,649					
LAX Area Courthouse	7,045,536				7,045,536				
San Fernando Valley Courthouse (Chatsworth)	5,566,410				5,566,410				
Harbor Med Center E.P.S.	1,272,015			1,272,015					
Total 2005 Lease Rev Refg Bonds Ser A	45,312,008	6,519,905	0	24,820,230	13,971,872	0	0	0	0
Total Long-Term Capital Projects	153,838,950	62,443,086	0	55,620,881	34,575,625	1,199,358	0	0	0
Total Long-Term Obligations	577,966,392	178,444,338	9,086,144	148,122,814	34,575,625	92,847,554	18,344,857	0	96,545,061
Intermediate-Term Obligations									
Equipment									
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	2,765,875	2,457,817		308,058					
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Progr	3,718,669	2,144,282		1,574,386					
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Progr	4,465,725	2,679,435		1,786,290					
Total Equipment	10,950,269	7,281,535	0	3,668,734	0	0	0	0	0
Total Intermediate-Term Obligations	10,950,269	7,281,535	0	3,668,734	0	0	0	0	0
Total Obligations	588,916,661	185,725,872	9,086,144	151,791,549	34,575,625	92,847,554	18,344,857	0	96,545,061

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
Long-Term Obligations									
General Obligations Bonds									
1987 GO Bonds: Justice Facilities	16,205,000		16,205,000						
Special Fund Obligations									
1993 COPs, Ser A: Marina del Rey	50,745,000					50,745,000			
1993 COPs, Ser B: Marina del Rey	4,355,026					4,355,026			
1993 COPs, Ser C: Marina del Rey	11,728,070					11,728,070			
Total Special Fund Obligations	66,828,095	0	0	0	0	66,828,095	0	0	0
Pension Obligation Certificates									
1986 Pension Ob Certs, Ser A: LACERA Funding	80,740,000	26,243,730		20,927,324		7,576,642	4,150,278		21,842,027
1994 Pension Ob Bonds Ser A: LACERA Funding	217,710,000	70,764,458		56,429,126		20,429,906	11,190,947		58,895,562
1994 Pension Ob Bonds Ser C: LACERA Funding	248,395,233	80,738,386		64,382,554		23,309,409	12,768,260		67,196,623
1994 Pension Ob Bonds Ser D: LACERA Funding	371,462,163	120,740,062		96,280,764		34,858,009	19,094,270		100,489,059
1996 Pension Ob Refg Bonds: LACERA Funding	131,800,000	42,840,272		34,161,769		12,368,112	6,774,915		35,654,931
Total Pension Obligation Certificates	1,050,107,396	341,326,908	0	272,181,536	0	98,542,078	53,978,670	0	284,078,203
Long-Term Capital Projects									
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:									
Civic Center Heating & Refridgeration Plant	25,365,000	25,365,000							
Downey Courthouse	4,935,000				4,935,000				
LeSage Complex	1,555,000	1,555,000							
Olive View Medical Center	28,360,000			28,360,000					
Sheriffs Training Academy	4,130,947	4,130,947							
San Fernando Court	6,919,053				6,919,053				
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	71,265,000	31,050,947	0	28,360,000	11,854,053	0	0	0	0
1993 COPs: Disney Parking Project	50,394,941	50,394,941							
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:									
Lynwood Regional Justice Center	97,255,000	97,255,000							
Mobile Digital Communication System									
Lost Hill Sheriffs Station	3,989,106	3,989,106							
Mira Loma Boy's Camp	12,129,840	12,129,840							
Mid Valley Health Center	3,415,128			3,415,128					
LAC/USC Intensive Care Unit	884,876			884,876					
Martin Luther King, Jr. Medical Center Parking Structure	1,961,051			1,961,051					
Compton Courthouse									
El Monte Courthouse									
Inglewood Municipal Courthouse & Parking Structure									
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,460,000			1,460,000					
East Los Angeles Courthouse	12,700,000				12,700,000				
Fire Command and Control System	1,880,000					1,880,000			
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Pr	135,675,000	113,373,946	0	7,721,054	12,700,000	1,880,000	0	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Ja	91,975,000	91,975,000							
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:									
Hollywood Courthouse									
Long Beach Comprehensive Health Center									
Van Nuys Courthouse	32,494,000				32,494,000				
Pitchess Honor Rancho: Medium Security - N Facility Air Condition	3,856,532	3,856,532							
Pitchess Honor Rancho: Medium Security - N Facility Sewer Syste	1,175,706	1,175,706							
Pitchess Honor Rancho: Medium Security - N Facility Water Treatr	4,714,744	4,714,744							
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	1,089,018	1,089,018							
Pitchess Honor Rancho: Vehicle Maintenance Facility	2,771,000	2,771,000							
Men's Central Jail Parking Structure	12,412,000	12,412,000							
Mira Loma Men's Medium Security Facility	2,962,000	2,962,000							
Pitchess Honor Rancho Laundry Expansion	1,660,000	1,660,000							
Pitchess Honor Rancho Visitors Center	4,098,000	4,098,000							
Pomona Municipal Courthouse	3,428,000				3,428,000				
Hutton Building - Registrar / Recorder Headquarters	21,352,000	21,352,000							
Temple City Sheriff Station	7,038,000	7,038,000							
Public Library Headquarters	1,544,000					1,544,000			
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Pr	100,595,000	63,129,000	0	0	35,922,000	1,544,000	0	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Service	183,804,000			183,804,000					
1998 Refg COPs: Disney Parking Project	59,900,000	59,900,000							
2000 COPs, Ser A: Antelope Valley Courthouse	113,700,000				113,700,000				
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	21,400,000				21,400,000				
2002 Lease Rev Bonds Ser B:									
Downey Courthouse	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	0	12,722,191	0	0	0	0
2005 Lease Rev Refg Bonds Ser A:									
Music Center Improvements	6,657,497	6,657,497							
Alhambra Courthouse	4,330,316				4,330,316				
Burbank Courthouse	6,550,302				6,550,302				
Ameron Building (Sheriff Headquarters)	18,595,722	18,595,722							
Biscailuz Center	1,655,848	1,655,848							
Emergency Operations Center	15,769,160	15,769,160							
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	11,944,234			11,944,234					
Martin Luther King Medical Center - Trauma Center	56,983,523			56,983,523					
Martin Luther King Medical Center - Central Plant	1,273,190			1,273,190					
Martin Luther King Medical Center - Modular Building (Ped. Traum	781,376			781,376					

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	37,890,471			37,890,471					
Rancho Los Amigos Medical Center - Parking Structure	14,144,261			14,144,261					
Rancho Los Amigos Medical Center - Central Plant	4,816,592			4,816,592					
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	5,097,752			5,097,752					
San Fernando Valley Juvenile Hall	8,929,413	8,929,413							
LAC/USC Medical Center Marengo Street Parking Garage	22,400,367			22,400,367					
LAX Area Courthouse	92,661,656				92,661,656				
San Fernando Valley Courthouse (Chatsworth)	75,265,669				75,265,669				
Harbor Med Center E.P.S.	7,567,651			7,567,651					
Total 2005 Lease Rev Refg Bonds Ser A	393,315,000	51,607,640	0	162,899,417	178,807,943	0	0	0	0
Total Long-Term Capital Projects	1,239,153,941	465,839,283	0	382,784,471	387,106,187	3,424,000	0	0	0
Total Long-Term Obligations	2,372,294,433	807,166,191	16,205,000	654,966,008	387,106,187	168,794,174	53,978,670	0	284,078,203
Intermediate-Term Obligations									
Equipment									
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	2,725,000	2,421,495		303,505					
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Progra	5,025,000	2,897,547		2,127,453					
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Progra	7,905,000	4,743,000		3,162,000					
Total Equipment	15,655,000	10,062,042	0	5,592,958	0	0	0	0	0
Total Intermediate-Term Obligations	15,655,000	10,062,042	0	5,592,958	0	0	0	0	0
Total Obligations	2,387,949,433	817,228,233	16,205,000	660,558,966	387,106,187	168,794,174	53,978,670	0	284,078,203

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF OCTOBER 1, 2005

Title	Outstanding Principal	Total Future Payments	2005-06 FY Payment Remaining	
Long-Term Obligations				
General Obligations Bonds				
1987 GO Bonds - Justice Facilities	16,205,000	18,142,250	9,086,144	
Special Fund Obligations				
1993 COPs, Series A - Marina del Rey				
1993 COPs, Series B - Marina del Rey				
1993 COPs, Series C - Marina del Rey				
Total Special Fund Obligations	0	0	0	
Pension Obligation Certificates				
1986 Pension Obligation Certificates, Series A	80,740,000	91,882,120		
1994 Pension Obligation Bonds, Series A (Current Interest Bonds)				
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds	248,395,233	843,900,000		
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	337,452,163	802,342,052		
1996 Pension Obligation Refunding Bonds	70,500,000	75,347,779		
Total Pension Obligation Certificates	737,087,396	1,813,471,950	0	
Long-Term Capital Projects				
1992 Lease Rev Refg Bonds - 1992 Master Refunding Project	71,265,000	81,065,416	19,860,098	
1993 COPs - Disney Parking Project	49,322,556	199,950,000	2,395,000	
1996 Lease Rev Refg Bonds, Series A - 1996 Master Refunding Proje	120,570,000	150,025,064		
1996 Lease Rev Refg Bonds, Series B - 1996 Master Refunding Proje	85,120,000	107,918,725		(1)
1997 Lease Rev Refg Bonds, Series A - 1997 Master Refunding Proje	100,595,000	120,861,823	15,181,028	
1997 Tax-Exempt Commercial Paper Program	243,804,000	272,688,240	20,832,240	(2)
1998 Refg COPs - Disney Parking Project	59,775,000	104,655,664	1,534,341	
2000 COPs, Series A - Antelope Valley Courthouse	111,940,000	218,165,323	2,944,704	
2002 Lease Rev Bonds, Series A - Edelman Court Project Refunding	21,400,000	24,917,838	3,156,213	
2002 Lease Rev Bonds, Series B - 2002 Master Refunding Project	17,130,000	26,553,000	1,027,800	
2005 Lease Rev Refg Bonds, Series A - 2005 Master Refunding Proje	393,315,000	566,705,867	45,312,008	
Total Long-Term Capital Projects	1,274,236,556	1,873,506,958	112,243,430	
Total Long-Term Obligations	$2,027,528,952	$3,705,121,158	$121,329,574	
Intermediate-Term Obligations				
Equipment				
2001 Lease Rev Bonds, Series A - LAC CAL Equipment	2,725,000	2,765,875	2,765,875	
2002 Lease Rev Bonds, Series A - LAC Cal Equipment	5,025,000	5,165,934	3,718,669	
2004 Lease Rev Bonds, Series A - LAC CAL Equipment	7,905,000	8,253,263	4,465,725	
Total Equipment	15,655,000	16,185,072	10,950,269	
Total Intermediate-Term Obligations	15,655,000	16,185,072	10,950,269	
Total Obligations	2,043,183,952	3,721,306,230	132,279,843	

COPs = Certificates of Participation

(1) Subject to extraordinary prepayment in the event the County privatizes the Central Jail-Twin Towers.
(2) Tax-Exempt Commercial Paper (TECP) is secured by a long-term lease of County assets. Total Future Year and 2005-06 FY Paymen reflect a historical TECP rate of 6.0% , payoff of remaining original TECP from 1997 in 2005-06 FY, and payoff of subseqently issued TECP in 2006-07
Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES

ESTIMATED OVERLAPPING DEBT STATEMENT AS OF OCTOBER 1, 2005

Full Cash Value (2005-06): $783,342,364,874 (after deducting $95,246,092,863 redevelopment incremental valuation; incl unitary utility valuation)

	Applicable %	(1)		Debt as of 10/1/05	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT					
Los Angeles County	**100.000**	**%**	**$**	**16,205,000**	
Los Angeles County Flood Control District	100.000			142,420,000	
Metropolitan Water District	47.712			200,099,357	
Los Angeles Community College District	100.000			694,705,000	
Other Community College Districts	Various			658,819,385	
Beverly Hills Unified School District	100.000			151,371,182	
Burbank Hills Unified School District	100.000			95,339,996	
Glendale Unified School District	100.000			152,960,000	
Long Beach Unified School District	100.000			252,235,000	
Los Angeles Unified School District	100.000			4,791,690,000	
Pasadena Unified School District	100.000			222,080,000	
Pomona Unified School District	100.000			146,245,000	
Other Unified School Districts	100.000			1,834,292,514	
Other School and High School Districts	Various	(2)		937,634,646	
City of Los Angeles	100.000			1,445,250,000	
City of Los Angeles Special Tax Lease Revenue Bonds	100.000			142,055,000	
City of Industry	100.000			206,200,000	
Other Cities	100.000			49,360,000	
Special Districts	100.000			12,002,404	
Community Facilties Districts	100.000			758,725,679	
Los Angeles County Regional Park & Open Space Assessment District	100.000			325,710,000	
1915 Act and Benefit Assessment Bonds - Estimate	100.000			227,427,726	
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100.000			82,575,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$	13,545,402,889	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT					
Los Angeles County General Fund Obligations	**100.000**	**%**	**$**	**1,350,177,559**	(3)
Los Angeles County Pension Obligations	**100.000**			**1,050,097,395**	
Los Angeles County Office of Education Certificates of Participation	100.000			21,784,577	
Community College District Certificates of Participation	Various	(2)		122,876,798	
Los Angeles Unified School District Certificates of Participation	100.000			595,568,350	
Long Beach Unified School District Certificates of Participation	100.000			67,565,000	
Other Unified School District Certificates of Participation	100.000			387,482,300	
School and High School District General Fund Obligations	Various	(2)		167,177,524	
City of Beverly Hills General Fund Obligations	100.000			183,670,000	
City of Los Angeles General Fund and Judgement Obligations	100.000			1,194,355,000	
City of Long Beach General Fund Obligations	100.000			296,745,000	
City of Long Beach Pension Obligations	100.000			97,255,000	
City of Pasadena General Fund Obligations	100.000			235,090,000	
City of Pasadena Pension Obligations	100.000			136,590,000	
Other Cities' General Fund Obligations	100.000			1,039,219,668	
Los Angeles County Sanitation Districts General Fund Obligations	100.000			405,660,000	
Other Special Districts General Fund Obligations	100.000			16,900,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$	7,368,214,171	
Less: **Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina del Rey)**				**(39,230,000)**	
School District self-supporting bonds				(33,500,000)	
Cities' self-supporting bonds				(196,130,629)	
Walnut Valley Water District General Fund Obligations				(15,995,000)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$	7,083,358,542	
GROSS COMBINED TOTAL DEBT			$	20,913,617,060	(4)
NET COMBINED TOTAL DEBT			$	20,628,761,431	

(1) Based on 2004-05 ratios

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

(3) Excludes current bonds to be sold.

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

RATIOS TO 2005-06 ASSESSED VALUATION	
Direct Debt ($16,205,000)	**0.002%**
Total Direct and Overlapping Tax and Assessment Debt	1.61%
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Combined Gross Direct Debt ($2,416,479,954)	**0.32%**
Net Combined Direct Debt ($2,377,249,954)	**0.32%**
Gross Combined Total Debt	2.79%
Net Combined Total Debt	2.76%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05:	**$ 1,225,130**

Source: California Municipal Statistics

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2004 Gross Product estimated at $400 billion, Los Angeles County's economy is larger than that of 42 states and all but 16 countries. Los Angeles County serves as the central trade district for the western United States and controls nearly three-quarters of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center, and serves as the western headquarters for many national firms. The County's economy was in a solid growth mode at the end of 2004, which is expected to continue through the end of 2005.

Since 2003, Los Angeles County has experienced a modest recovery in the job market with a second straight year of lower unemployment rates. In 2005, the County's economy is expected to show moderate job growth in non-farm employment of approximately 1% or 41,600 jobs from 2004. The modest recovery is being supported by continued growth in the defense and aerospace industry, and by major construction projects, including the expansion of port facilities and replacement of the County LAC+USC Medical Center.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with continued job growth projected for most major sectors of the economy in 2005. The continuing increase in international trade has made the ports of Los Angeles and Long Beach the busiest and most productive in the nation. After showing strong gains in the total value of two-way trade from 2003-2004, Los Angeles continues to be the number one customs district in the nation for international trade. The residential housing market continued its strong performance in 2004, with both the total number of building permits and aggregate valuations showing increases of over 25% from 2003.

Quality of Life

Higher Education

Los Angeles County is home to 198 colleges and universities including the California Institute of Technology, the Claremont Colleges, Occidental College, the University of California at Los Angeles, the University of Southern California, five campuses of the California State University system, the Art Center College of Design, California Institute of the Arts, 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 in the County of Los Angeles, creating one of the largest concentrations of arts activity in the United States.

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

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

Recreation

Due to its geographic size, location, topography, and mild climate (an average of 329 days of sunshine per year), Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, which is home to more than 5,000 pleasure boats. Each year, millions of people visit Los Angeles County's 31 miles of public beaches stretching along the County's 78-mile shoreline, and bike enthusiasts are able to enjoy the County's 22-mile beach bikeway. The Department of Parks and Recreation offers 6,000 acres of natural habitat and wildlife sanctuaries for hikers, picnickers, horseback riders and other recreational enthusiasts.

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 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 California's most populous county with over 10.2 million people residing within its borders. The County is larger in population than 43 states and accounts for approximately 28% of the total population of California. The demographic profile of the County indicates that 44.6% of the population is Hispanic; 31.1% white non-Hispanic; 12.0% Asian-Pacific Islander; and 9.5% black. 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 A illustrates the recent historical growth of the County's population.

Employment

After three years of rising unemployment rates during 2000-2003, the County is expected to experience its second straight year with an improving job market. The unemployment rate is projected to decrease from 7.0% in 2003 to an estimated rate of 6.6% in 2004 and 5.8% in 2005. Non-agricultural employment is projected to show continued improvement in 2005, increasing by 1% or 41,600 jobs. Due to the lower value of the U.S dollar relative to foreign currencies and its positive impact on tourism, the Leisure & Hospitality sector is expected to see continued job growth in 2005 (+7,800 jobs). Other sectors of the economy expecting strong job growth in 2005 are Professional, Scientific &

Technical Services and Administrative & Support Services (+7,000 jobs each); and Construction (+5,000 jobs). As a result of increases in the Department of Defense budget and new contract awards, the high-value aerospace industry is expected to reverse a 6-year trend of declining employment levels and see modest job growth in 2005. Table F details the County's employment by sector since 2001.

Personal Income

Total personal income in Los Angeles County continues to grow, with over $351.1 billion reported in 2005. The County's total personal income in 2005 represents an estimated 26.0% of the total personal income generated in California. Table C provides a summary of the personal income levels in Los Angeles County since 2001.

Consumer Spending

Los Angeles County is a national leader in consumer spending. In 2005, Los Angeles County will generate an estimated $90.4 billion in retail sales, representing an increase of 6.2% from 2004 and 25.9% from 2001 levels. Table D provides a summary of the recent growth of retail sales in Los Angeles County.

Industry

With a Gross Product larger than all but 16 countries and eight states, Los Angeles County is the leading center for business and commerce in the western United States. Its Gross Product of $400 billion in 2004 represents approximately 26.2% of the total economic output in California and nearly 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, electronic, energy, communication, and entertainment industries. Table B provides summary information on the Gross Product of Los Angeles County.

Manufacturing

Los Angeles County is the largest major manufacturing center in the United States, with over 478,000 workers employed in these industries as of 2005. The largest components of the manufacturing sector include apparel, computer and electronic products and transportation products. Some of the world's most recognized companies are located in Los Angeles County, including Mattel Inc., the world's largest toy manufacturer, and the automobile design operations of Honda, Mazda, Nissan, Toyota, Volkswagen, Volvo and the "Big Three" U.S. automobile manufacturers. The steady decline in industrial market vacancy rates (from 4.33% in 2001 to 2.78% in 2004) is a strong indicator of the continuing strength of the manufacturing sector in Los Angeles County.

Services

Professional services such as accounting, architecture, engineering, law and management consulting, are expected to see continued job growth in 2005, although in some cases the employment gains will be modest.

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. The value of two-way trade through the Los Angeles Customs District is expected to increase by 12.0% in 2005 to a record level of $296.0. billion.

International trade has been a leading factor in the solid economic growth of the region in 2004 and 2005. It is estimated that every $1 million dollars in export trade supports 18 jobs, thus 10% of the regional GDP is tied to exports. Another 10% of the region's GDP is tied to service exports such as movies, tourism and financial services.

Transportation/Infrastructure

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

Airports and Harbors

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

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. Together, they represent the fourth busiest port complex in the world after Hong Kong, Singapore, and Shanghai. Both ports are owned and operated by their respective cities. The combined Los Angeles/Long Beach port complex is also the fastest growing port facility in the United States. The top trading region is East Asia, which accounts for over 90% of the total shipments passing through the ports. The primary trading partners are China, Japan, South Korea and Taiwan. The combined port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. As measured by annual container volume, it ranks as the busiest container port in the United States, and the eighth busiest in the world. The port facilities cover over 7,500 acres and include 43 miles of waterfront. The port has 26 major cargo terminals, including facilities to handle automobiles, containers, dry bulk products and liquid bulk products. In 2004, the port handled 162.1 million metric revenue tons of cargo, with an estimated value of $150 billion; and processed over 7.4 million equivalent cargo container units, representing a 10% increase in container volume from 2003.

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. The port covers over 3,200 acres, with 35 miles of waterfront and 8 major container terminals. In 2004, the port handled $101.2 million metric revenue tons of cargo, with an estimated value of $100 billion; and processed nearly 5.8 million equivalent cargo container units, representing a 24% increase in container volume from 2003.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major expansion programs ($1.100 and $1.385 billion, respectively) that will facilitate further growth and expansion of trade activity. The expansion of port facilities is expected 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 mange the growing volume of imports and exports, which are expected to double in the near future, 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, is now operational and providing 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 and will be implemented over a 30-year period. Its coordinated network of rail, bus, freeway (carpool lanes/freeway service patrols), bikeway, and dial-a-ride services was designed to provide a highly efficient and effective public transportation system for Los Angles County.

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 for Los Angeles County. The 2005 operating budget for the MTA is $2.956 billion, which is primarily funded through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2004, the Los Angeles Convention and Visitors Bureau reported that 24.3 million overnight visitors stayed in Los Angeles, with total visitor expenditures of $12.0 billion during this period.

Travel and tourism in Los Angeles generates significant fees and taxes from travel related spending, including millions in State and local sales taxes. Each 1% increase in the number of visitors generates an additional $280 million in travel spending. According to the Los Angeles Economic Development Corporation (LAEDC), travel and tourism provides employment for over 256,000 area residents, making travel and tourism the second largest industry in Los Angeles County.

Real Estate and Construction

The residential housing market in Los Angeles County continues to be strong, although there are some signs that it may be starting to level off. The wide variety of mortgage products currently available in the market has made it possible for many first time homebuyers and repeat buyers to purchase homes they could not afford with a traditional mortgage. With a limited housing inventory available for sale, and less land available for new home construction, the County has experienced an impressive level of appreciation in home values.

The average price of new and existing homes increased from $376,819 in 2003 to $451,530 in 2004, which represents an annual increase of nearly 20% from 2003, and a four-year increase of 66% from the 2000 average price of $272,735. From 2000 to 2004, aggregate residential building valuations in Los Angeles County have grown at an accelerated rate each year, increasing from $3.8 billion in 2000 to over $6.5 billion in 2004. The strong housing market was the dominant factor behind the unprecedented growth in the County's gross Assessment Roll, which is the basis for calculating property tax revenue. The record $855.8 billion gross Assessment Roll for 2005 was an increase of $74.8 billion or 9.6% from the previous fiscal year.

The LAEDC estimates a current shortfall of 280,000 units in the supply of available housing in Los Angeles County. As a result of the housing shortage and the historically favorable market conditions, the number of residential building permits issued has increased significantly from 17,071 in 2000 to 26,816 in 2004, representing a 57% gain over the four-year period. The growth in residential building permits was particularly strong in 2004, with an increase of 5,503 units, or 26%, from the 21,313 permits issued in 2003.

Additional indicators of a strong real estate market in Los Angeles County include the significant growth in both construction and residential purchase lending, the decrease in vacancy rates for the office and industrial markets, and the continued reduction in recorded default notices. Construction lending and real estate purchase lending increased by 39% and 25%, respectively from 2003-2004. The reduction in vacancy rates reflects, in particular, the increasing demand for commercial space from the growing motion picture, multimedia, and business services industries. The positive trend of declining default notices continued in 2004 with an annual reduction of 22% from 2003, and a four-year reduction of 45% since 2000.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

POPULATION LEVELS

GROSS PRODUCT

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

ESTIMATED AVERAGE EMPLOYMENT BY INDUSTRY

LARGEST PRIVATE SECTOR EMPLOYERS

AIRPORT ACTIVITY AND INTERNATIONAL TRADE

REAL ESTATE AND CONSTRUCTION

TABLE A: POPULATION LEVELS

	2001	2002	2003	2004	*2005
Los Angeles County	9,662,900	9,828,800	9,979,400	10,107,500	10,226,500
State of California	34,441,000	35,089,000	35,691,000	36,271,000	36,810,000
Los Angeles County as a % of California	28.06%	28.01%	27.96%	27.87%	27.78%

* Forecasted

Sources: Los Angeles Economic Development Corporation

TABLE: B: GROSS PRODUCT OF LOS ANGELES COUNTY (in billions of $)

	2000	2001	2002	2003	2004
Los Angeles County	325.0	341.9	356.8	373.9	400.0
State of California	1,285.5	1,318.0	1,357.2	1,423.2	1,524.9
United States	9,817.0	10,100.8	10,487.0	11,004.0	11,735.0
Los Angeles County as a % of California	25.28%	25.94%	26.29%	26.27%	26.23%

Source: Los Angeles Economic Development Corporation

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

	2001	2002	2003	2004	*2005
Los Angeles County	294.508	300.123	311.285	329.700	351.131
Orange County	109.010	111.205	116.238	124.439	133.647
Riverside and San Bernardino Counties	80.406	84.500	89.399	96.157	103.754
Ventura County	25.964	26.677	27.860	29.413	31.295
State of California	1,135.304	1,149.183	1,184.997	1,256.959	1,334.890
Los Angeles County as a % of California	25.94%	26.12%	26.27%	26.23%	26.30%

* Forecasted

Source: Los Angeles Economic Development Corporation

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

	2001	2002	2003	2004	*2005
Los Angeles County	71.835	74.548	79.427	85.146	90.425
State of California	293.957	301.612	320.217	344.233	366.264
Los Angeles County as a % of California	24.44%	24.72%	24.80%	24.73%	24.69%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2001	2002	2003	2004	*2005
Los Angeles County	5.7%	6.8%	7.0%	6.6%	5.5%
State of California	5.4%	6.7%	6.8%	6.2%	5.3%
United States	4.8%	5.8%	6.0%	5.5%	5.1%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN THE COUNTY OF LOS ANGELES BY INDUSTRY

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Category	2001	2002	2003	2004	*2005
Wholesale & Retail Trade	614.2	615.5	613.4	619.0	623.3
Government	598.3	606.1	599.3	586.6	583.6
Manufacturing	577.9	534.8	500.0	484.2	478.8
Leisure & Hospitality	348.5	354.2	362.6	373.1	380.9
Health Care & Social Assistance	343.6	357.4	365.6	371.9	376.2
Administrative & Support Services	270.0	261.0	249.1	253.6	260.6
Professional, Scientific & Technical Services	233.6	231.6	233.5	236.1	243.1
Information	226.3	207.3	202.3	208.1	212.3
Finance & Insurance	156.2	159.8	165.0	166.5	167.9
Transportation, Warehousing & Utilities	175.6	167.2	161.5	161.1	165.2
Construction	136.8	134.5	134.6	139.4	144.4
Other	392.7	397.6	396.3	392.5	397.5
Total	4,073.6	4,026.8	3,982.9	3,992.2	4,033.8

*Forecasted

Source: California Employment Development Department

TABLE G: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY (2004)

Company	Industry	No. of employees L.A. County	No. of employees Total	Headquarters
Kaiser Permanente	Health Care Provider	29,593	136,511	Oakland, CA
Boeing Co.	Aerospace High Technology	20,593	156,890	Chicago, IL
Northrop Grumman Corp.	Aerospace/Defense Design and Manufacturing	20,400	125,000	Los Angeles, CA
Ralphs Grocery Co.	Supermarket Operator	16,287	35,953	Cincinnati, OH
Tenet Healthcare Corp.	Hospitals	14,733	104,000	Santa Barbara, CA
University of Southern California	Education-Private University	12,111	12,111	Los Angeles, CA
Target Corp.	Retailer	10,811	273,000	Minneapolis, MN
ABM Industries, Inc.	Janitorial, Lighting, Parking and Security Service	9,800	70,000	San Francisco, CA
Wal-Mart Stores Inc.	Retailer	9,700	1,500,000	Bentonville, Ark.
SBC Communications Inc.	Communications	9,500	168,000	San Antonio, TX
May Department Store Co.	Retailer	8,900	134,000	St. Louis, MO
CPE	Employee Benefit Consultants	8,500	13,000	Los Angeles, CA
Cedars-Sinai Health System	Medical Center	8,494	8,494	Los Angeles, CA
Albertson's Inc.	Food, Drug Retailer	7,748	230,000	Boise, Idaho
Washington Mutual Inc.	Commercial Banking	7,747	57,498	Seattle, WA
UPS	Package Delivery	7,022	358,392	Atlanta, GA
Catholic Healthcare West	Hospitals	6,636	36,087	San Francisco, CA
Amgen Inc.	Biotechnology	6,330	12,800	Thousand Oaks,CA
Southern California Edison	Electric Utility	6,201	15,663	Rosemead, CA
Costco	Membership-Based Retailer	5,959	106,300	Issaquah, WA
Providence Health System	Full Service Medical Facilities	5,504	n/a	Seattle, WA
Long Beach Memorial Medical Ctr.	Regional Hospital	4,947	9,275	Huntington Beach, CA
Lockheed Martin Corp.	Research and Design of Advance Technologies	4,789	130,000	Bethesda, MD
Sempra Energy	Energy Services	4,391	7,209	San Diego, CA
WellPoint Health Networks, Inc.	Health Insurer	4,218	19,744	Thousand Oaks,CA

Source: Los Angeles Business Journal: "The Lists 2004"

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

Type of Activity	2000	2001	2002	2003	2004
International Air Cargo (Tons)					
Los Angeles International Airport	1,003.3	949.6	974.8	987.9	1,064.5
As Percentage of Total Air Cargo	44.63%	48.53%	49.68%	48.85%	50.45%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,247.8	1,956.6	1,962.4	2,022.1	2,109.9
Bob Hope Airport (Burbank)	37.0	34.4	43.1	47.6	49.6
Total	2,284.9	1,990.9	2,005.4	2,069.7	2,159.5
International Air Passengers					
Los Angeles International Airport	17,376.4	15,950.2	14,842.0	14,623.9	16,472.9
As Percentage of Total Passengers	25.82%	25.89%	26.40%	26.60%	27.14%
Total Air Passengers					
Los Angeles International Airport	67,303.2	61,606.3	56,220.2	54,982.8	60,698.0
Bob Hope Airport (Burbank)	4,748.7	4,487.3	4,620.7	4,729.9	4,916.8
Total	72,051.9	66,093.6	60,840.9	59,712.8	65,614.8
Port Tonnage					
Port of Los Angeles	70,950.1	74,018.8	84,414.8	98,348.3	99,383.1
Port of Long Beach	70,379.5	68,337.3	67,813.4	65,578.1	78,170.1
Total	141,329.6	142,356.1	152,228.2	163,926.3	177,553.2

Source: Los Angeles Economic Development Corporation

TABLE I: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in billions of $)

Customs District	2000	2001	2002	2003	2004
Los Angeles	230.0	212.5	214.3	235.0	264.2
New York	225.6	214.1	209.8	219.6	245.1
Detroit	176.9	168.5	179.3	186.5	205.6
Laredo	121.0	115.0	114.3	115.4	130.8
New Orleans	94.2	85.5	87.7	95.1	115.6
Houston	75.1	71.1	69.4	80.8	104.6
Chicago	72.6	70.5	72.5	79.6	95.2
San Francisco	127.2	95.1	79.6	79.6	93.6

Source: Los Angeles Economic Development Corporation

TABLE J: COMPARATIVE TONNAGE OF MAJOR WEST COAST PORTS
Total Tonnage (in millions)

Port	2000	2001	2002	2003	2004
Los Angeles-Long Beach	141.4	142.4	152.2	164.0	177.5
Tacoma	24.2	23.1	24.3	27.6	30.7
San Francisco-Oakland	24.0	23.1	23.6	26.2	29.9
Seattle	21.0	18.5	18.2	19.8	24.0
Portland	19.2	18.1	17.5	19.0	20.4
San Diego	4.9	4.9	4.1	4.5	4.7
Port Hueneme	3.4	3.3	3.6	3.4	4.0

Source: Los Angeles Economic Development Corporation

TABLE K: COMPARISON OF INTERNATIONAL CONTAINER TRAFFIC AT MAJOR PORTS (in thousands)

Port	2000	2001	2002	2003	2004
Los Angeles-Long Beach	6,504.1	6,621.0	7,251.4	7,823.6	8,611.7
New York	2,242.4	2,323.0	2,632.8	2,819.4	3,146.3
Charleston	1,258.9	1,150.6	1,205.6	1,252.7	1,414.1
Savannah	720.9	811.5	1,019.0	1,130.6	1,287.5
Norfolk	884.0	883.6	989.4	1,095.6	1,200.3
Oakland	991.1	959.7	981.4	1,070.5	1,192.3
Houston	777.9	762.8	849.3	943.4	1,089.9
Seattle	960.0	823.5	853.1	818.7	1,044.2
Tacoma	658.6	609.1	769.3	937.0	937.2

Source: Los Angeles Economic Development Corporation

REAL ESTATE AND CONSTRUCTION IN LOS ANGELES COUNTY

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

Indicator	2000	2001	2002	2003	2004
1. Construction Lending (in millions)	$3,817	$3,430	$3,537	$4,486	$6,239
2. Residential Purchase Lending (in millions)	$25,584	$27,798	$35,714	$42,987	$53,813
3. New & Existing Home Sales	108,790	107,439	117,208	118,131	102,440
4. New & Existing Home Prices	$272,735	$288,359	$329,626	$376,819	$451,530
5. Office Market Vacancy Rates	12.58%	13.90%	16.40%	16.35%	15.40%
6. Industrial Market Vacancy Rates	4.23%	4.33%	4.25%	3.20%	2.78%
7. Notices of Default Recorded	30,296	30,138	27,154	21,313	16,528

Sources: Real Estate Research Council of Southern California

TABLE M: BUILDING PERMITS AND VALUATIONS

Type of Building	2000	2001	2002	2003	2004
1. Residential Permits (Units)					
a. New Single Family	8,417	8,184	8,217	10,217	11,717
b. New Multi-Family	8,654	10,069	11,147	11,096	15,099
Total	17,071	18,253	19,364	21,313	26,816
2. Residential Valuations (in millions of $)					
a. New Single Family	2,083	1,948	2,032	2,585	2,912
b. New Multi-Family	819	1,079	1,095	1,179	1,906
c. Alterations and Additions	934	972	1,172	1,390	1,724
Total	3,836	3,999	4,299	5,154	6,542
3. Non-Residential Valuations (in millions of $)					
a. Office Buildings	268	547	209	182	305
b. Retail Buildings	447	434	459	356	496
c. Hotels and Motels	83	16	63	27	63
d. Industrial Buildings	359	202	225	276	174
e. Other	642	782	667	725	739
f. Alterations and Additions	1,497	1,558	1,297	1,366	1,404
Total	3,296	3,539	2,920	2,932	3,181
Total Building Valuations (in millions)	7,132	7,538	7,219	8,085	9,723

Source: Real Estate Research Council of Southern California

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX B

THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2004

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS

Page

Independent Auditors' Report B-1
Management's Discussion and Analysis B-3
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets B-23
Statement of Activities B-24
Fund Financial Statements:
Balance Sheet - Governmental Funds B-26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets B-28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds B-30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities B-32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis:
General Fund B-33
Fire Protection District B-34
Flood Control District B-35
Public Library B-36
Regional Park and Open Space District B-37
Statement of Net Assets - Proprietary Funds B-38
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds B-40
Statement of Cash Flows - Proprietary Funds B-42
Statement of Fiduciary Net Assets - Fiduciary Funds B-46
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds B-47
Notes to the Basic Financial Statements B-48
Required Supplementary Information (unaudited) -
Schedule of Funding Progress - LACERA B-96

COUNTY OF LOS ANGELES

CALIFORNIA

KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Members of the 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, 2004, 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 Los Angeles County Employees' Retirement Association (LACERA), which statements are shown in the Pension Trust Fund of the basic financial statements, and the Children and Families First Commission (CFFC), shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for LACERA and CFFC, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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 of Los Angeles, California as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2004 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20 and the schedule of funding progress on page 94 are not a required part of the basic financial statements, but are supplementary information required by the 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 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 of Los Angeles' basic financial statements. The accompanying information identified in the table of contents as the introductory section, combining and individual fund statements and schedules, and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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 express no opinion on them.

KPMG LLP

December 10, 2004

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, 2004. 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 $1.246 billion. However, net assets are classified into three categories and the unrestricted component is negative $2.794 billion. See further discussion on page 7.

During the current year, the County's net assets increased by a total of $632 million. Net assets related to governmental activities increased by $383 million, while net assets related to business-type activities increased by $249 million.

At the end of the current year, the County's General Fund reported a total fund balance of $1.888 billion. The amount of unreserved fund balance was $1.537 billion. Of the unreserved total, $659 million was designated.

The County's capital asset balances were $4.279 billion at year-end and increased by $203 million during the year. Infrastructure assets are reflected only to the extent that they were acquired since July 1, 2001. Retroactive infrastructure reporting has been deferred until future years as discussed on page 6.

During the current year, the County's total long-term debt decreased by $299 million. Bond maturities of $438 million exceeded the $139 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS-Continued

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. The Children and Families First Commission 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.

The County's funds are classified by 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 fund balance sheet and the governmental fund 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.

FUND FINANCIAL STATEMENTS-Continued

- 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 six Hospital Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $1.246 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2003 and 2004
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 5,342,504	$ 5,205,776	$ 1,294,232	$ 1,226,589	$ 6,636,736	$ 6,432,365
Capital assets	3,306,500	3,235,007	972,593	841,112	4,279,093	4,076,119
Total assets	8,649,004	8,440,783	2,266,825	2,067,701	10,915,829	10,508,484
Current and other liabilities	1,172,476	1,230,278	174,608	172,570	1,347,084	1,402,848
Long-term liabilities	6,367,421	6,484,227	1,955,260	2,007,332	8,322,681	8,491,559
Total liabilities	7,539,897	7,714,505	2,129,868	2,179,902	9,669,765	9,894,407
Net assets:						
Invested in capital assets, net of related debt	2,384,009	2,210,640	622,282	495,549	3,006,291	2,706,189
Restricted net assets	928,616	907,155	105,557	127,192	1,034,173	1,034,347
Unrestricted net assets (deficit)	(2,203,518)	(2,391,517)	(590,882)	(734,942)	(2,794,400)	(3,126,459)
Total net assets	1,109,107	726,278	136,957	(112,201)	1,246,064	614,077
Total liabilities and net assets	$ 8,649,004	$ 8,440,783	$ 2,266,825	$ 2,067,701	$ 10,915,829	$ 10,508,484

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

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($3.006 billion) represents its investment in capital assets (e.g., land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County began to capitalize newly acquired infrastructure assets during 2001-2002 in accordance with GASB 34. However, infrastructure assets acquired prior to July 1, 2001 are not yet reflected in the basic financial statements. GASB 34 provides a maximum period of four years for the County to identify and report infrastructure assets acquired before July 1, 2001, in the basic financial statements. The County is in the process of evaluating its infrastructure assets that were acquired in prior years to ensure that they are reported prior to the year ending June 30, 2006. Additional infrastructure assets, net of related debt, will increase this category of net assets.

Restricted Net Assets

The County's restricted net assets at year-end were $1.034 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

The County's unrestricted net assets are negative $2.794 billion. Both governmental and business-type activities reported deficits in this category of $2.203 billion and $591 million, respectively. The deficits are primarily due to unfunded liabilities related to workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. For the business-type activities, medical malpractice liabilities and third party payor liabilities are additional factors. At June 30, 2004, there were $4.236 billion of liabilities recorded for all of the issues noted above and for all activities. Of this amount, the County's budget had funded approximately $301 million as of June 30, 2004, which consists of $139 million related to governmental activities and $162 million related to business-type activities. The $139 million represents the County's policy of funding the General Fund's share of liabilities that are payable within one year from the balance sheet date and is applied to accrued vacation and sick leave as well as litigation and self-insurance claims. The budgetary funding of $162 million that has been provided for the business-type activities pertains to estimated third party payor liabilities for the County's hospitals.

In addition to the aforementioned liabilities, the County has recorded pension bonds payable of $1.814 billion. Although the County has also recognized a pension related asset (referred to as "Net Pension Obligation"), the liability for the bonds exceeds the asset amount by $1.225 billion. This difference consists of accreted interest (interest expense that accrues each year but is not payable until deferred periods) of $531 million that is reported as part of the Pension Bonds Payable. Bond proceeds of $400 million were applied to fund the County's pension cost in 1994-95, thereby reducing the pension asset amount. The remaining difference of $294 million is due to timing differences between the amortization of the pension asset and the principal amount of the pension bonds.

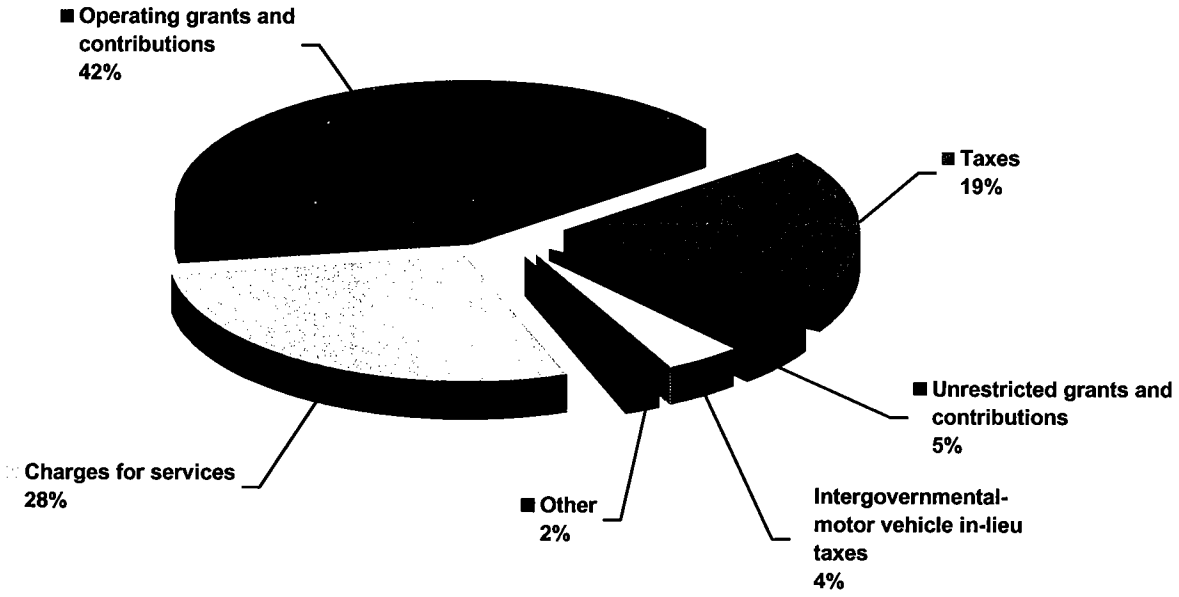
For the governmental activities, voter-approved bonds issued by the Regional Park and Open Space District have had the effect of creating additional deficits. Although the County is required to record liabilities of $376 million for outstanding bonds, the County's related assets are only $127 million. The difference of $249 million represents bond proceeds that have been distributed to cities and other eligible entities pursuant to the voter-approved bond measure. The bond covenants require the County to levy property taxes in future years to specifically repay the principal and interest on the bonds. Accordingly, the deficit related to these bonds is expected to be funded by the dedicated tax levy and will not require the use of discretionary County funds.

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

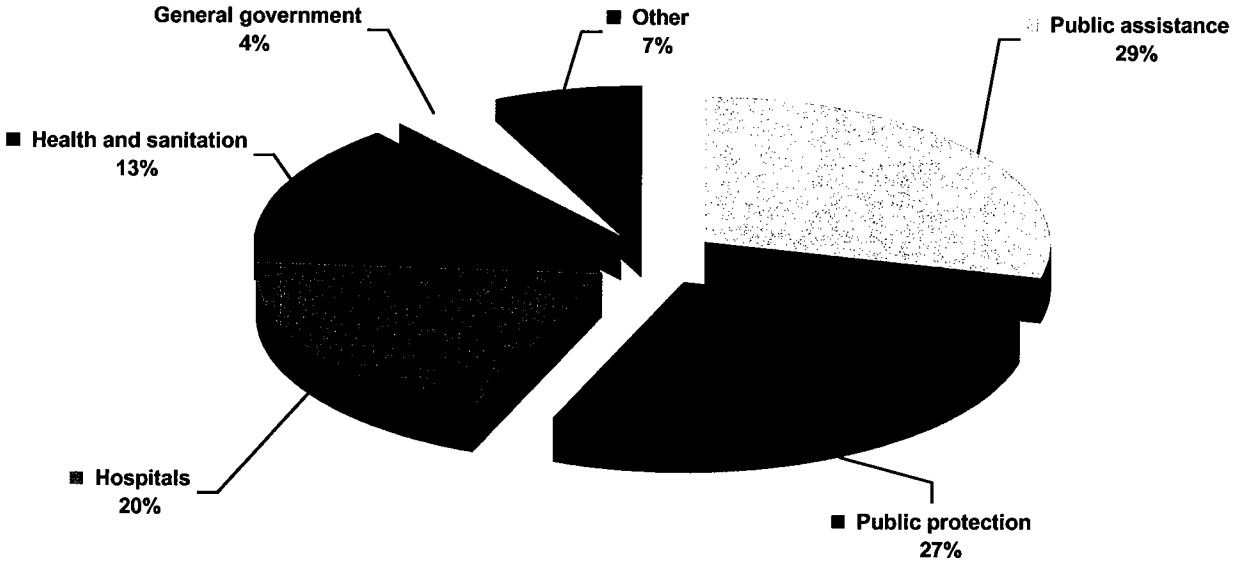
Summary of Changes in Net Assets
For the Years Ended June 30, 2003 and 2004
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	$ 1,998,085	$ 1,995,263	$ 2,454,197	$ 2,644,949	$ 4,452,282	$ 4,640,212
Operating grants and contributions	6,362,285	6,373,405	277,427	295,296	6,639,712	6,668,701
Capital grants and contributions	59,650	38,471	83,537	26,851	143,187	65,322
General revenues:						
Taxes	2,912,645	2,493,274	2,845	2,772	2,915,490	2,496,046
Intergovernmental-motor vehicle in-lieu taxes, not restricted	573,859	690,854			573,859	690,854
Unrestricted grants and contributions	711,961	703,520	32	32	711,993	703,552
Investment earnings	57,807	102,573	1,452	4,373	59,259	106,946
Miscellaneous	186,406	136,702	53,401	58,403	239,807	195,105
Total revenues	12,862,698	12,534,062	2,872,891	3,032,676	15,735,589	15,566,738
Expenses:						
General government	650,096	764,588			650,096	764,588
Public protection	4,044,824	4,177,049			4,044,824	4,177,049
Public ways and facilities	222,416	227,776			222,416	227,776
Health and sanitation	1,918,831	1,888,141			1,918,831	1,888,141
Public assistance	4,383,626	4,604,757			4,383,626	4,604,757
Education	77,207	75,079			77,207	75,079
Recreation and cultural services	229,541	228,008			229,541	228,008
Interest on long-term debt	240,494	270,336			240,494	270,336
Hospitals			3,063,732	3,158,458	3,063,732	3,158,458
Aviation			5,155	4,617	5,155	4,617
Waterworks			45,473	42,448	45,473	42,448
Community Development Commission			222,207	223,808	222,207	223,808
Total expenses	11,767,035	12,235,734	3,336,567	3,429,331	15,103,602	15,665,065
Excess (deficiency) before transfers	1,095,663	298,328	(463,676)	(396,655)	631,987	(98,327)
Transfers	(712,834)	(538,115)	712,834	538,115		
Changes in net assets	382,829	(239,787)	249,158	141,460	631,987	(98,327)
Net assets – beginning	726,278	966,065	(112,201)	(253,661)	614,077	712,404
Net assets – ending	$ 1,109,107	$ 726,278	$ 136,957	$ (112,201)	$ 1,246,064	$ 614,077

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004



The County's net assets increased by $632 million overall during the current fiscal year. The increases for governmental and business-type activities were $383 million and $249 million, respectively. Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Revenues from governmental activities grew by $329 million (2.6%) 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 $419 million higher than the previous year. Property taxes, which represented 83% of total tax revenues, accounted for $220 million of the increase. The increase in property taxes is consistent with the ongoing growth in the real estate market and continued upward trends in the County's assessed property values. During the current year, a voter-approved tax (referred to as "Health Services Measure B") became effective and generated approximately $175 million of new tax revenues which are required to be used to support the Countywide system of trauma centers, emergency medical services, and bioterrorism response activities.

- Motor vehicle in-lieu taxes decreased by $117 million (17%) during the current year. This is a general revenue source that the County receives from the State and its use is not restricted. During the current year, the State withheld approximately three months of such taxes that were allocable to local governments. The County's share of the withheld tax revenues was approximately $204 million. On a year-to-year comparative basis, this revenue source demonstrated growth during the current year and would have increased if the County's share had not been withheld. The State has indicated its intent to pay the County the withheld amount in 2006-2007. However, the payment is not assured and the withheld amount has not been recognized in the County's financial statements.

- Investment earnings declined by $45 million. Although cash and investments remained at prior year levels or higher, the yield from the County's Treasury Pool declined from 2.16% in the prior year to 1.37% in the current year.

Expenses related to governmental activities decreased by $469 million during the current year. For all functional areas except health and sanitation, expenses were lower or substantially the same in the current year when compared with the prior year.

At the beginning of the current year, the State was confronted with a significant budget deficit and the County's budget outlook was uncertain due to the possibility of additional State curtailments. The State's budget remained a concern to the County as the current year progressed and a new State Governor assumed office in November 2003. The County's share of motor vehicle in-lieu taxes (beyond the $204 million mentioned above) remained uncertain for the first half of the fiscal year. County departments proceeded to use their appropriations cautiously and there were restrictions relative to hiring and promoting employees. Accordingly, most County departments and programs concluded the current year with higher than normal levels of budgetary savings, thereby resulting in comparatively lower expenses. The additional uncertainties related to the State budget did not materialize and it was not necessary to reduce appropriations for the remainder of the year.

The public assistance functional area recognized the largest decrease in expenses ($221 million) among all governmental activities. The County experienced a reduction in expenses associated with administering public assistance programs due to reduced caseloads. Workers compensation expenses also decreased by $41 million during the current year for this functional area.

In the current year, public protection expenses decreased by $132 million. Workers' compensation costs most significantly impact the public protection sector and such costs declined from $458 million to $317 million (a $141 million reduction). In the prior year, workers' compensation costs were unusually high as the actuarial study incorporated a large increase in benefit levels and utilization. Although workers' compensation remains a significant employee benefit cost to the County, the most recent actuarial study did not exhibit the growth rate experienced in the previous year.

Health and sanitation recognized the largest increase in expenses ($31 million) among all governmental activities. The increase was principally related to expanded health services associated with the County's Office of Managed Care and public health programs. There were also new expenses ($11 million) incurred to fund private trauma and emergency services which were funded by the new Health Services Measure B revenues. Measure B funds also provided funding to the County's trauma and emergency hospitals. This funding is recognized as a transfer item and accounted for $140 million of the net increase in transfers from governmental activities to business-type activities.

Business-type Activities

Revenues from business-type activities decreased by $160 million (5.3%) in comparison to the prior year. The most significant changes were in the following areas:

- Net patient services revenues decreased by nearly $200 million and were the principal reason for the overall decrease ($191 million) in revenues from charges for services. The County's hospitals experienced a decrease in average daily census as the prior year average of 1,719 patients fell to 1,567 in the current year. Hospital revenues, and their composition, are also discussed in Note 11 to the basic financial statements.

- Capital grants and contributions increased by $57 million and were attributable to intergovernmental revenues (primarily from the Federal Emergency Management Agency) associated with the rebuilding of the LAC+USC Medical Center. Construction activity and reimbursable costs related to this project accelerated during the current year.

Expenses related to business-type activities decreased from the previous year by $93 million (2.7%). The most significant changes were in the following areas:

- Hospital expenses decreased by $95 million overall. Salaries and benefits were $77 million lower than they were in the previous year. As mentioned earlier in the analysis of governmental activities, there was restricted ability to hire and promote employees during the current year. In addition, workers' compensation costs, which increased substantially in the previous year, were lower in the current year by comparison. The average daily census decline was also a factor that reduced personnel costs.

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 $3.412 billion, an increase of $223 million in comparison with the prior year. Of the total fund balance, $975 million is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $850 million has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $1.587 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $12.808 billion, an increase of $330 million (2.6%) from the previous year. Expenditures for all governmental funds in the current year were $11.904 billion, an increase of $19 million from the previous year. In addition, other financing uses exceeded other financing sources by $681 million, as compared to $505 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $190 million (11.2%). At the end of the current fiscal year, the General Fund's total fund balance was $1.888 billion. Of this amount, $351 million was reserved and therefore unavailable for spending. Of the unreserved total of $1.537 billion, $659 million has been designated (earmarked) and the remaining $878 million is considered both unreserved and undesignated.

General Fund revenues during the current year were $11.006 billion, an increase of $162 million (1.5%) from the previous year. General Fund expenditures during the current year were $10.208 billion, an increase of $127 million (1.3%) from the previous year. Other financing sources/uses-net was negative $608 million in the current year as compared to negative $577 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $174 million, primarily from property taxes.

- Expenditures increased in the functional areas of public protection ($139 million) and health and sanitation ($70 million), while public assistance expenditures decreased by $125 million. The most significant increase in the area of public protection was related to a net cost increase of $90 million for the Probation Department. In the prior fiscal year, a one-time grant funding opportunity provided a temporary reduction in probation-related costs. For health and sanitation, expenditures were higher for several health-related programs, especially public health and the County's Office of Managed Care. The decrease in public assistance expenditures was concentrated primarily in the program administration area.

Governmental Funds-Continued

The Fire Protection District reported a year-end fund balance of $68 million, which represented an increase of $45 million from the previous year. The increase was primarily due to a $49 million increase (11.7%) in revenues from taxes.

Proprietary Funds

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

The County's principal proprietary funds are the six hospital enterprise funds and each one has been reported as a major fund. Each hospital enterprise fund incurred a net loss prior to contributions and transfers. The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The total subsidy amount was $583 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of $140 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund became effective in 2003-2004 and receives funding from voter-approved taxes that are generally restricted to pay for costs associated with trauma centers, emergency medical services, and bioterrorism preparedness. Measure B funding was transferred to the LAC+USC Medical Center Fund ($86.6 million) the Harbor/UCLA Medical Center Fund ($27.5 million), the M.L. King/Drew Medical Center Fund ($18.5 million) and the Olive View/UCLA Medical Center Fund ($7.4 million).

Each hospital enterprise fund, with the exception of the LAC+USC Medical Center, concluded the year with a net asset deficit. The Public Works Internal Service Fund also reported a net asset deficit. As discussed in Note 2 to the basic financial statements, such deficits are expected to continue in the future.

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 13 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 $194 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	$ 154,609	$ 2,049,908	$ 1,995,280	$ (54,628)
Intergovernmental revenues	87,712	7,676,454	7,234,191	(442,263)
Charges for services	(42,732)	1,234,045	1,221,951	(12,094)
All other revenues	108,889	522,491	577,022	54,531
Other sources and transfers	47,143	550,429	504,156	(46,273)
Total	$ 355,621	$ 12,033,327	$ 11,532,600	$ (500,727)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $356 million. The most significant increases occurred in the following areas:

- The budget for tax revenues was increased by $155 million. The County's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and other tax related revenues.

- Estimated revenues from intergovernmental sources were increased by $88 million. During the fiscal year, approximately $45 million of federal and State funds were used to augment the budget for mental health and health services programs. Approximately $17 million of State funding was added to programs operated by the Department of Community and Family Services, primarily for foster care. Estimated revenues from Homeland Security grant funds ($15 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining $11 million that was increased from the amounts originally budgeted from intergovernmental revenues.

- The increase of $109 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of $101 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous amounts totaling $8 million were also added to this revenue category.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $501 million lower than budget. As discussed below, most of this variance was concentrated in the area of intergovernmental revenues.

- Actual intergovernmental revenues were $442 million lower than the amount budgeted. Social service programs accounted for approximately $202 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. An additional $158 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. The remaining amount was related to mental health and various other programs ($82 million).

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ 23,659	$ 890,143	$ 660,987	$ 229,156
Public protection	35,363	3,415,778	3,282,991	132,787
Health and sanitation	(32,242)	2,384,079	2,309,710	74,369
Public assistance	28,936	4,722,384	4,299,881	422,503
All other expenditures	(1,347)	523,829	251,389	272,440
Transfers out	33,696	612,780	611,550	1,230
Contingencies	139,739	162,265		162,265
Reserves/designations-net	127,817	430	(77,831)	78,261
Total	$ 355,621	$ 12,711,688	$11,338,677	$ 1,373,011

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $356 million. As discussed below, the most significant increases were related to contingencies and designations.

Changes from Amounts Originally Budgeted-Continued

- After the original budget was established, appropriations for contingencies were increased by $140 million. This increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.

- Provisions for net reserves and designations were increased during the year by $128 million. This amount was primarily due to a net increase in the designation for health services. This designation was funded by tobacco settlement revenues received during the year ($101 million) plus the unused balance of amounts received in prior years, including interest ($32 million). Miscellaneous reductions of approximately $5 million were made to other designations.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were nearly $1.4 billion lower (approximately 11%) than the final total budget of $12.7 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

- Actual public assistance expenditures were $423 million lower than the final budget. Nearly all of this variance was concentrated in programs operated by the Department of Public Social Services. Factors that led to this variance included staffing vacancies that were higher than anticipated and reduced caseloads relative to the CalWORKs and CAPI programs. Expenditures were also lower than expected in the areas of technology and Performance Incentive projects.

- The category referred to as "all other expenditures" reflected actual spending of $272 million less than the budgeted amount. Nearly all ($267 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects.

- The general government function reported actual expenditures that were $229 million less than the amount budgeted. Of this amount, $161 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and extraordinary maintenance and repairs. The remaining $68 million was spread across virtually every department comprising general government and was mostly related to salary savings (a hiring freeze existed throughout the year) and savings in services and supplies.

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

- Overall expenditures for the public protection functional category were $133 million less than the budgeted amount. This difference was mostly concentrated in two non-departmental budget units, Disaster Recovery ($73 million) and Emergency Preparedness ($14 million). The Sheriff's Department expended approximately $15 million less than was appropriated and the remaining $31 million was derived from various other public protection agencies. The Disaster Recovery and Emergency Preparedness variances were due to unused appropriations that were set aside provisionally for County disasters and emergencies. The Sheriff's Department and the various other public protection agencies realized appropriation savings, primarily due to hiring and promotional restrictions that remained in effect throughout the fiscal year.

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2004 were $4.279 billion (net of depreciation). Capital assets include land, buildings and improvements, machinery and equipment. Infrastructure assets have also been recognized for activity that occurred during the current year. Specific changes related to governmental and business-type activities are presented in Note 5 to the basic financial statements. As discussed earlier, the County has deferred recognition of infrastructure assets acquired prior to July 1, 2001.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $203 million or 5%, as shown in the table below.

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

	Current Year	Prior Year	Increase (Decrease)
Land	$ 395,135	$ 393,666	$ 1,469
Buildings and improvements	2,986,380	2,757,917	228,463
Infrastructure	136,781	92,897	43,884
Equipment	258,123	262,704	(4,581)
Construction-in-progress	502,674	568,935	(66,261)
Total	$ 4,279,093	$ 4,076,119	$ 202,974

Major capital asset projects that represented new additions during the year included the following:

- New infrastructure costs were capitalized for completed projects and also for those that remained in progress at the end of the year. The projects were related to the County's Road Fund and Flood Control District's operations. The value of the new construction for these activities was $27 million and $16 million, respectively.

- The County continued to progress with the rebuilding of the LAC+USC Medical Center. The overall project cost remains at an estimated $821 million. During the year, $144 million of costs were capitalized.

Debt Administration

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

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

	Current Year	Prior Year	Decrease
Bonds and Notes Payable	$ 2,136,123	$ 2,281,706	$ 145,583
Pension Bonds Payable	1,813,812	1,967,191	153,379
Total	$ 3,949,935	$ 4,248,897	$ 298,962

During the current year, the County's liabilities for long-term debt decreased by $299 million, or 7%. Specific changes related to governmental and business-type activities are presented in Note 8 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- New debt of $20 million was issued to finance the ongoing construction of the LAC+USC Medical Center. At this time, short-term commercial paper continues to be the method of financing this major project.

- New debt of $10 million was issued to finance the acquisition of equipment. Equipment debt totaling $18 million was redeemed during the year in accordance with maturity schedules.

- Pension bonds totaling $232 million were redeemed during the year. This amount was offset by $79 million related to the accretion of interest on outstanding bonds.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $600 million in tax and revenue anticipation notes which reached maturity on June 30, 2004, 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	A+	
Pension Bonds	A1	A	
Facilities	A2	A	A
Equipment/Non-Essential Leases	A3	A	A
Short-Term	MIG1	SP-1+	F-1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA
Flood Control District Revenue Bonds	Aa1	AA-	AA-
Regional Park and Open Space District Bonds	Aa3	AA	

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2004-2005 Budget on June 21, 2004. The Budget was adopted based on estimated fund balances that would be available at the end of 2003-2004. The Board updated the Budget on September 28, 2004 to reflect final 2003-2004 fund balances and other pertinent financial information. For the County's General Fund, the 2004-2005 Budget, as updated in September 2004, utilized $872 million of available fund balance.

The County's Budget continued to be impacted by ongoing uncertainties related to the State's Budget. The State adopted its 2004-2005 Budget in July 2004. One of the provisions contained in the State Budget was the implementation of a property tax revenue shift from local governments (including the County) to the State. This provision, known as the "Local Government Agreement," requires the County to forego approximately $103 million of General Fund property tax revenues in each of two fiscal years, 2004-2005 and 2005-2006. The County Budget that was adopted in June 2004 anticipated the first year's loss of $103 million. The remaining $103 million revenue loss, although not effective until 2005-2006, was addressed by the Board on September 28, 2004 by utilizing available fund balance to establish a General Fund designation of like amount.

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

CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2004 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION
ASSETS				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 2,253,321	$ 136,106	$ 2,389,427	$ 678,498
Other (Note 1)	998,146	51,197	1,049,343	
Total pooled cash and investments	3,251,467	187,303	3,438,770	678,498
Other investments (Note 4)	267,844	10,970	278,814	
Taxes receivable	245,540	1,383	246,923	
Accounts receivable - net		746,412	746,412	
Interest receivable	7,899	381	8,280	2,080
Other receivables	1,106,640	21,534	1,128,174	11,158
Internal balances	(76,254)	76,254		
Inventories	91,862	23,994	115,856	2,999
Restricted assets (Note 4)	11,250	73,527	84,777	
Net pension obligation (Note 6)	436,256	152,474	588,730	
Capital assets: (Notes 5 and 7)				
Land and construction in progress	429,246	468,563	897,809	
Other capital assets, net of depreciation	2,877,254	504,030	3,381,284	8,581
Total capital assets	3,306,500	972,593	4,279,093	8,581
TOTAL ASSETS	8,649,004	2,266,825	10,915,829	703,316
LIABILITIES				
Accounts payable	307,315	73,199	380,514	9,350
Accrued payroll	367,812	82,656	450,468	847
Other payables	223,376	6,097	229,473	
Accrued interest payable	26,529	1,341	27,870	
Deferred revenue (Note 6)	64,456	11,315	75,771	
Advances payable	182,988		182,988	
Noncurrent liabilities: (Notes 6, 7, 8, 11 and 15)				
Due within one year	933,944	379,686	1,313,630	665
Due in more than one year	5,433,477	1,575,574	7,009,051	7,834
TOTAL LIABILITIES	7,539,897	2,129,868	9,669,765	18,696
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	2,384,009	622,282	3,006,291	82
Restricted for:				
Capital projects	3,437		3,437	
Debt service	31,277	89,796	121,073	
Expendable trust	2,187		2,187	
Nonexpendable trust	3,315		3,315	
Special purpose	888,400	15,761	904,161	684,538
Unrestricted (deficit)	(2,203,518)	(590,882)	(2,794,400)	
TOTAL NET ASSETS	$ 1,109,107	$ 136,957	$ 1,246,064	$ 684,620

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, 2004 (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	$ 650,096	$ 371,723	$ 58,002	$ 11,166
Public protection	4,044,824	1,055,700	1,017,335	35,434
Public ways and facilities	222,416	16,420	136,062	1,459
Health and sanitation	1,918,831	357,229	1,280,730	2,410
Public assistance	4,383,626	36,618	3,866,819	
Education	77,207	2,909	1,882	
Recreation and cultural services	229,541	157,486	1,455	9,181
Interest on long-term debt	240,494			
Total governmental activities	11,767,035	1,998,085	6,362,285	59,650
Business-type activities:				
Hospitals	3,063,732	2,397,047	66,665	82,138
Aviation	5,155	2,683	45	1,399
Waterworks	45,473	44,344	435	
Community Development Commission	222,207	10,123	210,282	
Total business-type activities	3,336,567	2,454,197	277,427	83,537
Total primary government	$ 15,103,602	$ 4,452,282	$ 6,639,712	$ 143,187
COMPONENT UNIT -				
Children and Families First Commission	$ 85,564	$	$ 131,232	$

GENERAL REVENUES:
- Taxes:
  - Property taxes
  - Sales and use taxes
  - Utility users taxes
  - Voter approved taxes
  - Documentary transfer taxes
  - Other taxes
- Intergovernmental - State motor vehicle in-lieu taxes, not restricted to specific purposes
- Grants and contributions not restricted to special programs
- Investment earnings
- Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS (DEFICIT), JULY 1, 2003

NET ASSETS, JUNE 30, 2004

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	CHILDREN AND FAMILIES FIRST COMMISSION	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (209,205)	$	$ (209,205)		General government
(1,936,355)		(1,936,355)		Public protection
(68,475)		(68,475)		Public ways and facilities
(278,462)		(278,462)		Health and sanitation
(480,189)		(480,189)		Public assistance
(72,416)		(72,416)		Education
(61,419)		(61,419)		Recreation and cultural services
(240,494)		(240,494)		Interest on long-term debt
(3,347,015)		(3,347,015)		Total governmental activities
				Business-type activities:
	(517,882)	(517,882)		Hospitals
	(1,028)	(1,028)		Aviation
	(694)	(694)		Waterworks
	(1,802)	(1,802)		Community Development Commission
	(521,406)	(521,406)		Total business-type activities
(3,347,015)	(521,406)	(3,868,421)		Total primary government
				COMPONENT UNIT -
			$ 45,668	Total - Children & Families First Commission
				GENERAL REVENUES:
				Taxes:
2,413,638	2,845	2,416,483		Property taxes
75,665		75,665		Sales and use taxes
52,723		52,723		Utility users taxes
244,600		244,600		Voter approved taxes
79,333		79,333		Documentary transfer taxes
46,686		46,686		Other taxes
573,859		573,859		Intergovernmental - State motor vehicle in-lieu taxes, not restricted to specific purposes
711,961	32	711,993		Grants and contributions not restricted to special programs
57,807	1,452	59,259	8,521	Investment earnings
186,406	53,401	239,807		Miscellaneous
(712,834)	712,834			TRANSFERS - NET
3,729,844	770,564	4,500,408	8,521	Total general revenues and transfers
382,829	249,158	631,987	54,189	CHANGE IN NET ASSETS
726,278	(112,201)	614,077	630,431	NET ASSETS (DEFICIT), JULY 1, 2003
$ 1,109,107	$ 136,957	$ 1,246,064	$ 684,620	NET ASSETS, JUNE 30, 2004

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 984,459	40,198	119,763	11,511
Other (Note 1)	783,305	22,646	5,257	2,422
Total pooled cash and investments	1,767,764	62,844	125,020	13,933
Other investments (Note 4)	7,116			126
Taxes receivable	169,996	42,335	14,424	6,034
Interest receivable	4,503	111	301	35
Other receivables	975,281	22,704	2,176	123
Due from other funds (Note 12)	454,899	5,652	10,341	1,610
Advances to other funds (Note 12)	272,228		6,712	
Inventories	29,843	6,195		968
TOTAL ASSETS	$ 3,681,630	139,841	158,974	22,829
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 238,415	3,647	4,840	2,648
Accrued payroll	314,676	31,349		3,470
Other payables	218,132	1,182		144
Due to other funds (Note 12)	615,635	3,238	19,512	2,875
Deferred revenue (Note 6)	216,796	30,629	14,339	4,555
Advances payable	167,613			
Third party payor liability (Notes 8 and 11)	22,636	1,372		
TOTAL LIABILITIES	1,793,903	71,417	38,691	13,692
FUND BALANCES:				
Reserved for:				
Encumbrances	289,174	7,873	87,511	4,944
Inventories	29,843	6,195		968
Housing programs				
Debt service				
Endowments and annuities				
Other	31,548	25	3,008	15
Unreserved, designated for:				
Budget uncertainties	359,649			
Program expansion	299,357			1,022
Capital projects			19,478	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	878,156			
Special revenue funds		54,331	10,286	2,188
Capital projects funds				
TOTAL FUND BALANCES	1,887,727	68,424	120,283	9,137
TOTAL LIABILITIES AND FUND BALANCES	$ 3,681,630	139,841	158,974	22,829

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 4)
$ 242,864	958,344		$ 2,357,139	Operating (Note 1)
1,535	28,222		843,387	Other (Note 1)
244,399	986,566		3,200,526	Total pooled cash and investments
	628,114	(376,210)	259,146	Other investments (Note 4)
2,885	9,866		245,540	Taxes receivable
644	2,171		7,765	Interest receivable
5,655	80,283		1,086,222	Other receivables
208	23,248		495,958	Due from other funds (Note 12)
	10,252		289,192	Advances to other funds (Note 12)
	48,017		85,023	Inventories
$ 253,791	1,788,517	(376,210)	$ 5,669,372	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 5,346	47,620		$ 302,516	Accounts payable
	461		349,956	Accrued payroll
	3,215		222,673	Other payables
3,598	221,580		866,438	Due to other funds (Note 12)
6,273	33,243		305,835	Deferred revenue (Note 6)
	15,375		182,988	Advances payable
	2,504		26,512	Third party payor liability (Notes 8 and 11)
15,217	323,998		2,256,918	TOTAL LIABILITIES
				FUND BALANCES:
				Reserved for:
91,211	106,422		587,135	Encumbrances
	48,017		85,023	Inventories
	2,260		2,260	Housing programs
	607,648	(376,210)	231,438	Debt service
	3,315		3,315	Endowments and annuities
	31,196		65,792	Other
				Unreserved, designated for:
			359,649	Budget uncertainties
22,915			323,294	Program expansion
			19,478	Capital projects
	147,484		147,484	Special revenue funds - program expansion
				Unreserved, undesignated, reported in:
			878,156	General fund
124,448	431,138		622,391	Special revenue funds
	87,039		87,039	Capital projects funds
238,574	1,464,519	(376,210)	3,412,454	TOTAL FUND BALANCES
$ 253,791	1,788,517	(376,210)	$ 5,669,372	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, 2004 (in thousands)

Fund balances - total governmental funds (page 25)			$ 3,412,454
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	$	277,728	
Construction-in-progress		151,518	
Buildings and improvements - net		2,514,436	
Equipment - net		150,670	
Infrastructure - net		136,781	3,231,133
Other long-term assets are not available to pay for current-period expenditures and are deferred, or not recognized, in governmental funds:			
Deferred revenue - taxes	$	176,372	
Long-term receivables		87,588	263,960
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.			406,966
Accrued interest payable is not recognized in governmental funds.			(26,187)
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	$	(1,696,425)	
Pension bonds payable		(1,253,817)	
Capital lease obligations		(134,574)	
Accrued vacation/sick leave		(554,118)	
Workers' compensation		(2,095,605)	
Litigation/self-insurance		(365,537)	
Third party payors		(160)	(6,100,236)
Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets.			(78,983)
Net assets of governmental activities (page 21)			$ 1,109,107

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

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 1,987,861	468,261	68,855	52,572
Licenses, permits and franchises	57,236	8,135	231	
Fines, forfeitures and penalties	202,648	3,620	2,763	547
Revenue from use of money and property:				
Investment income (Note 4)	40,154	181	919	96
Rents and concessions (Note 7)	22,579	89	6,699	40
Royalties	186		103	
Intergovernmental revenues:				
Federal	3,046,567	5,485	5,240	6
State	4,094,655	13,294	1,695	2,370
Other	76,781	20,040	2,396	1,157
Charges for services	1,221,951	126,657	111,698	2,691
Proceeds from property owners				
Miscellaneous	255,183	114	1,554	599
TOTAL REVENUES	11,005,801	645,876	202,153	60,078
EXPENDITURES:				
Current:				
General government	657,184			
Public protection	3,095,417	584,385	179,825	
Public ways and facilities				
Health and sanitation	1,813,290			
Public assistance	4,203,618			
Education				79,285
Recreation and cultural services	170,171			
Debt service:				
Principal	151,444	7,362		1,657
Interest and other charges	74,374	2,705		601
Capital leases	13,830			
Capital outlay	28,312			
TOTAL EXPENDITURES	10,207,640	594,452	179,825	81,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	798,161	51,424	22,328	(21,465)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	76,013	18		25,898
Transfers out (Note 12)	(715,123)	(6,816)	(18,827)	(4,863)
Capital leases (Note 7)	28,312			
Sales of capital assets	2,634	56	708	13
TOTAL OTHER FINANCING SOURCES (USES)	(608,164)	(6,742)	(18,119)	21,048
NET CHANGE IN FUND BALANCES	189,997	44,682	4,209	(417)
FUND BALANCE, JULY 1, 2003	1,697,730	23,742	116,074	9,554
FUND BALANCE, JUNE 30, 2004	$ 1,887,727	68,424	120,283	9,137

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES:
$	253,294		$ 2,830,843	Taxes
	5,574		71,176	Licenses, permits and franchises
1,269	64,897		275,744	Fines, forfeitures and penalties
				Revenue from use of money and property:
2,882	33,605	(20,183)	57,654	Investment income (Note 4)
	41,622		71,029	Rents and concessions (Note 7)
	10		299	Royalties
				Intergovernmental revenues:
	91,544		3,148,842	Federal
	180,663		4,292,677	State
	13,202		113,576	Other
77,606	76,321		1,616,924	Charges for services
	73		73	Proceeds from property owners
	71,464		328,914	Miscellaneous
81,757	832,269	(20,183)	12,807,751	TOTAL REVENUES
				EXPENDITURES:
				Current:
	16,766		673,950	General government
	74,693		3,934,320	Public protection
	229,546		229,546	Public ways and facilities
	92,231		1,905,521	Health and sanitation
	121,623		4,325,241	Public assistance
			79,285	Education
56,367	4,672		231,210	Recreation and cultural services
				Debt service:
	138,336	(18,525)	280,274	Principal
	124,888	(20,183)	182,385	Interest and other charges
			13,830	Capital leases
	20,224		48,536	Capital outlay
56,367	822,979	(38,708)	11,904,098	TOTAL EXPENDITURES
25,390	9,290	18,525	903,653	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	202,027		303,956	Transfers in (Note 12)
(38,888)	(236,314)		(1,020,831)	Transfers out (Note 12)
			28,312	Capital leases (Note 7)
	4,354		7,765	Sales of capital assets
(38,888)	(29,933)		(680,798)	TOTAL OTHER FINANCING SOURCES (USES)
(13,498)	(20,643)	18,525	222,855	NET CHANGE IN FUND BALANCES
252,072	1,485,162	(394,735)	3,189,599	FUND BALANCE, JULY 1, 2003
$ 238,574	1,464,519	(376,210)	$ 3,412,454	FUND BALANCE, JUNE 30, 2004

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, 2004 (in thousands)

Net change in fund balances - total governmental funds (page 29)		$ 222,855
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	$ 184,681	
Less - current year depreciation expense	(120,704)	63,977
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance.		(13,154)
Revenue timing differences result in less revenue in government-wide statements.		25,233
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets:		
Pension bonds	$ 160,463	
General obligation bonds	11,555	
Certificates of participation	98,892	
Assessment bonds	18,525	
Other long term notes and loans	17,869	307,304
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	$ (241,869)	
Change in litigation/self-insurance	127,869	
Change in accrued vacation/sick leave	(3,928)	
Change in third party payors	1,960	
Change in accrued interest payable	(1,530)	
Accretion of pension bonds	(54,411)	(171,909)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(51,088)
The portion of internal service funds that is reported with governmental activities.		(389)
Change in net assets of governmental activities (page 23)		$ 382,829

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 1,895,299	2,049,908	1,995,280	(54,628)
Licenses, permits and franchises	51,685	52,315	57,236	4,921
Fines, forfeitures and penalties	181,863	182,802	202,648	19,846
Revenue from use of money and property:				
Investment income	50,144	52,620	40,748	(11,872)
Rents and concessions	25,423	25,423	22,579	(2,844)
Royalties	232	232	186	(46)
Intergovernmental revenues:				
Federal	3,518,577	3,558,243	3,043,288	(514,955)
State	3,951,260	3,998,811	4,112,686	113,875
Other	118,905	119,400	78,217	(41,183)
Charges for services	1,276,777	1,234,045	1,221,951	(12,094)
Miscellaneous	104,255	209,099	253,625	44,526
TOTAL REVENUES	11,174,420	11,482,898	11,028,444	(454,454)
EXPENDITURES:				
Current:				
General government	866,484	890,143	660,987	(229,156)
Public protection	3,380,415	3,415,778	3,282,991	(132,787)
Health and sanitation	2,416,321	2,384,079	2,309,710	(74,369)
Public assistance	4,693,448	4,722,384	4,299,881	(422,503)
Recreation and cultural services	176,392	179,368	173,583	(5,785)
Debt Service-				
Interest	5,706	5,706	5,706	
Capital Outlay	343,078	338,755	72,100	(266,655)
TOTAL EXPENDITURES	11,881,844	11,936,213	10,804,958	(1,131,255)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(707,424)	(453,315)	223,486	676,801
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	2,048	2,077	2,634	557
Transfers in	501,238	548,352	501,522	(46,830)
Transfers out	(579,084)	(612,780)	(611,550)	1,230
Appropriation for contingencies	(22,526)	(162,265)		162,265
Changes in reserves and designations	127,387	(430)	77,831	78,261
OTHER FINANCING SOURCES (USES) - NET	29,063	(225,046)	(29,563)	195,483
NET CHANGE IN FUND BALANCE	(678,361)	(678,361)	193,923	872,284
FUND BALANCE, JULY 1, 2003 (Note 13)	678,361	678,361	678,361	
FUND BALANCE, JUNE 30, 2004 (Note 13)	$		872,284	872,284

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 438,332	469,666	469,690	24
Licenses, permits and franchises	8,808	8,808	8,135	(673)
Fines, forfeitures and penalties	2,650	2,650	3,620	970
Revenue from use of money and property:				
Investment income			117	117
Rents and concessions	86	86	89	3
Intergovernmental revenues:				
Federal	5,453	5,453	5,485	32
State	11,463	15,011	13,294	(1,717)
Other	17,255	17,255	20,040	2,785
Charges for services	110,088	112,088	126,657	14,569
Miscellaneous	222	265	114	(151)
TOTAL REVENUES	594,357	631,282	647,241	15,959
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	528,552	545,334	520,475	(24,859)
Services and supplies	76,243	78,061	66,890	(11,171)
Other charges	5,814	5,814	4,777	(1,037)
Fixed assets	8,647	12,904	6,653	(6,251)
TOTAL EXPENDITURES	619,256	642,113	598,795	(43,318)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,899)	(10,831)	48,446	59,277
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	202	202	56	(146)
Transfers in	14,000	14,018	18	(14,000)
Transfers out	(3,351)	(6,146)	(6,146)	
Appropriation for contingencies	(13,290)	(24,581)		24,581
Changes in reserves and designations			1,831	1,831
OTHER FINANCING SOURCES (USES) - NET	(2,439)	(16,507)	(4,241)	12,266
NET CHANGE IN FUND BALANCE	(27,338)	(27,338)	44,205	71,543
FUND BALANCE, JULY 1, 2003 (Note 13)	27,338	27,338	27,338	
FUND BALANCE, JUNE 30, 2004 (Note 13)	$		71,543	71,543

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 63,326	68,190	69,036	846
Licenses, permits and franchises	550	550	231	(319)
Fines, forfeitures and penalties	1,318	1,318	2,763	1,445
Revenue from use of money and property:				
Investment income	5,000	5,000	1,452	(3,548)
Rents and concessions	6,981	6,981	6,699	(282)
Royalties	1,200	1,200	103	(1,097)
Intergovernmental revenues:				
Federal	12,563	12,563	5,240	(7,323)
State	4,169	4,169	1,695	(2,474)
Other	1,752	1,752	2,396	644
Charges for services	110,927	110,927	111,392	465
Miscellaneous	210	210	1,554	1,344
TOTAL REVENUES	207,996	212,860	202,561	(10,299)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	184,395	183,813	180,513	(3,300)
Other charges	21,303	21,071	20,482	(589)
Fixed assets	21,937	22,751	3,455	(19,296)
TOTAL EXPENDITURES	227,635	227,635	204,450	(23,185)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(19,639)	(14,775)	(1,889)	12,886
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	150	150	708	558
Transfers out	(2,118)	(2,118)	(1,306)	812
Long-term debt proceeds	10,152	10,152		(10,152)
Appropriation for contingencies	(1,131)	(5,995)		5,995
Changes in reserves and designations			5,003	5,003
OTHER FINANCING SOURCES (USES) - NET	7,053	2,189	4,405	2,216
NET CHANGE IN FUND BALANCE	(12,586)	(12,586)	2,516	15,102
FUND BALANCE, JULY 1, 2003 (Note 13)	12,586	12,586	12,586	
FUND BALANCE, JUNE 30, 2004 (Note 13)	$		15,102	15,102

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 51,832	52,721	52,682	(39)
Fines, forfeitures and penalties			547	547
Revenue from use of money and property:				
Investment income	35	35	107	72
Rents and concessions	38	38	40	2
Intergovernmental revenues:				
Federal	48	48	6	(42)
State	2,518	2,518	2,370	(148)
Other	1,025	1,025	1,157	132
Charges for services	2,552	2,552	2,691	139
Miscellaneous	1,116	1,116	599	(517)
TOTAL REVENUES	59,164	60,053	60,199	146
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	53,912	53,662	52,482	(1,180)
Services and supplies	31,123	31,997	30,448	(1,549)
Other charges	843	843	743	(100)
Fixed assets	1,124	1,325	1,114	(211)
TOTAL EXPENDITURES	87,002	87,827	84,787	(3,040)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(27,838)	(27,774)	(24,588)	3,186
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets			13	13
Transfers in	24,989	25,814	25,898	84
Transfers out	(4,355)	(4,355)	(4,355)	
Appropriation for contingencies		(889)		889
Changes in reserves and designations	(80)	(80)	166	246
OTHER FINANCING SOURCES (USES) - NET	20,554	20,490	21,722	1,232
NET CHANGE IN FUND BALANCE	(7,284)	(7,284)	(2,866)	4,418
FUND BALANCE, JULY 1, 2003 (Note 13)	7,284	7,284	7,284	
FUND BALANCE, JUNE 30, 2004 (Note 13)	$		4,418	4,418

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (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	$ 866	866	1,269	403
Revenue from use of money and property-				
Investment income	8,069	8,069	3,811	(4,258)
Charges for services	78,008	78,008	77,179	(829)
TOTAL REVENUES	86,943	86,943	82,259	(4,684)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	10,178	10,178	4,845	(5,333)
Other charges	257,614	257,614	40,782	(216,832)
Fixed Assets			(214)	(214)
TOTAL EXPENDITURES	267,792	267,792	45,413	(222,379)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(180,849)	(180,849)	36,846	217,695
OTHER FINANCING SOURCES (USES):				
Transfers in	50,870	50,870	41,717	(9,153)
Transfers out	(89,583)	(89,583)	(80,605)	8,978
Long-term debt proceeds	125,980	125,980		(125,980)
Appropriation for contingencies	(1,915)	(1,915)		1,915
Changes in reserves and designations	(22,916)	(22,916)	7,976	30,892
OTHER FINANCING SOURCES (USES) - NET	62,436	62,436	(30,912)	(93,348)
NET CHANGE IN FUND BALANCE	(118,413)	(118,413)	5,934	124,347
FUND BALANCE, JULY 1, 2003 (Note 13)	119,827	119,827	119,827	
FUND BALANCE, JUNE 30, 2004 (Note 13)	$ 1,414	1,414	125,761	124,347

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, 2004 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 4)					
Operating (Note 1)	$ 429	276	106,360	401	76
Other (Note 1)	8,752	8,200	18,574	10,268	2,235
Total pooled cash and investments	9,181	8,476	124,934	10,669	2,311
Other investments (Note 4)					
Taxes receivable					
Accounts receivable - net	133,831	118,547	286,730	117,291	12,050
Interest receivable		5	306	1	
Other receivables	2,942	4,770	8,069	2,785	767
Due from other funds (Note 12)	153,370	96,388	346,457	112,888	10,565
Advances to other funds (Note 12)					
Inventories	3,010	2,703	12,870	3,645	761
Total current assets	302,334	230,889	779,366	247,279	26,454
Noncurrent assets:					
Restricted assets (Note 4)	4,988	6,435	28,079	11,089	442
Net pension obligation (Note 6)	23,991	15,932	62,997	26,736	5,548
Capital assets: (Notes 5 and 7)					
Land	1,001	1,842	18,183	2,277	13,329
Buildings and improvements	77,672	143,449	164,111	195,867	9,491
Equipment	30,329	15,410	82,627	40,050	5,149
Construction in progress	13,332		326,149		
Less accumulated depreciation	(72,470)	(77,571)	(196,602)	(127,267)	(12,258)
Total capital assets - net	49,864	83,130	394,468	110,927	15,711
Total noncurrent assets	78,843	105,497	485,544	148,752	21,701
TOTAL ASSETS	381,177	336,386	1,264,910	396,031	48,155
LIABILITIES					
Current liabilities:					
Accounts payable	11,045	4,574	35,944	8,494	1,299
Accrued payroll	15,796	10,248	33,585	14,469	2,386
Other payables	782	566	1,383	780	138
Accrued interest payable	138	181	139	574	
Due to other funds (Note 12)	60,890	50,159	227,716	28,700	7,099
Advances from other funds (Note 12)	63,797	69,569	44,094	85,679	2,868
Deferred revenue (Note 6)	1,510	1,003	5,516	1,683	349
Current portion of long-term liabilities (Note 8)	32,714	30,139	219,417	45,160	11,660
Total current liabilities	186,672	166,439	567,794	185,539	25,799
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 8)	20,245	11,313	37,058	18,821	2,466
Bonds and notes payable (Note 8)	20,445	28,360	24,165	66,392	
Pension bonds payable (Notes 6 and 8)	62,882	41,757	165,115	70,075	14,541
Capital lease obligations (Notes 7 and 8)	375		39	13	52
Workers' compensation (Notes 8 and 15)	37,644	23,760	152,080	76,382	9,765
Litigation and self-insurance (Notes 8 and 15)	29,301	8,333	93,746	40,483	5,870
Third party payors (Notes 8 and 11)	86,857	85,340	107,049	29,650	8,094
Total noncurrent liabilities	257,749	198,863	579,252	301,816	40,788
TOTAL LIABILITIES	444,421	365,302	1,147,046	487,355	66,587
NET ASSETS					
Invested in capital assets, net of related debt (Notes 5 and 8)	27,619	49,735	254,104	44,187	13,839
Restricted	4,850	6,254	27,940	10,515	442
Unrestricted (Deficit)	(95,713)	(84,905)	(164,180)	(146,026)	(32,713)
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ (63,244)	(28,916)	117,864	(91,324)	(18,432)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 4)
$ 190	27,510	$ 135,242	$ 45,132	Operating (Note 1)
2,560	600	51,189	6,680	Other (Note 1)
2,750	28,110	186,431	51,812	Total pooled cash and investments
	10,970	10,970	8,698	Other investments (Note 4)
	1,383	1,383		Taxes receivable
60,484		728,933		Accounts receivable - net
	55	367	139	Interest receivable
2,201	17,485	39,019	82	Other receivables
45,540	818	766,026	52,529	Due from other funds (Note 12)
	1,173	1,173		Advances to other funds (Note 12)
1,005		23,994	6,840	Inventories
111,980	59,994	1,758,296	120,100	Total current assets
				Noncurrent assets:
15,886		66,919	17,859	Restricted assets (Note 4)
17,270		152,474	29,290	Net pension obligation (Note 6)
				Capital assets: (Notes 5 and 7)
217	80,558	117,407		Land
187,179	324,449	1,102,218	1,734	Buildings and improvements
10,566	2,220	186,351	196,668	Equipment
6,550	5,125	351,156		Construction in progress
(90,652)	(222,563)	(799,383)	(108,191)	Less accumulated depreciation
113,860	189,789	957,749	90,211	Total capital assets - net
147,016	189,789	1,177,142	137,360	Total noncurrent assets
258,996	249,783	2,935,438	257,460	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
2,461	9,094	72,911	5,082	Accounts payable
6,173		82,657	17,857	Accrued payroll
446	1,870	5,965	661	Other payables
309		1,341	357	Accrued interest payable
43,832	4,189	422,585	25,490	Due to other funds (Note 12)
2,358		268,365	22,000	Advances from other funds (Note 12)
1,087	167	11,315	2,245	Deferred revenue (Note 6)
29,236	1,288	369,614	55,855	Current portion of long-term liabilities (Note 8)
85,902	16,608	1,234,753	129,547	Total current liabilities
				Noncurrent liabilities:
7,514	218	97,635	31,085	Accrued vacation and sick leave (Note 8)
66,470	6,880	212,712	17,711	Bonds and notes payable (Note 8)
45,265		399,635	76,769	Pension bonds payable (Notes 6 and 8)
617		1,096	504	Capital lease obligations (Notes 7 and 8)
28,892		328,523	57,728	Workers' compensation (Notes 8 and 15)
12,519		190,252	17,807	Litigation and self-insurance (Notes 8 and 15)
22,177		339,167		Third party payors (Notes 8 and 11)
183,454	7,098	1,569,020	201,604	Total noncurrent liabilities
269,356	23,706	2,803,773	331,151	TOTAL LIABILITIES
				NET ASSETS
45,141	182,520	617,145	63,293	Invested in capital assets, net of related debt (Notes 5 and 8)
15,577	39,824	105,402	1,795	Restricted
(71,078)	3,733	(590,882)	(138,779)	Unrestricted (Deficit)
$ (10,360)	226,077	131,665	$ (73,691)	TOTAL NET ASSETS (DEFICIT) (Note 2)
		5,292		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 136,957		NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 21)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
OPERATING REVENUES:					
Net patient service revenues (Note 11)	$ 456,336	329,756	998,980	425,399	38,144
Rentals					
Charges for services					
Other	11,959	9,309	38,596	10,124	2,120
TOTAL OPERATING REVENUES	468,295	339,065	1,037,576	435,523	40,264
OPERATING EXPENSES:					
Salaries and employee benefits	229,426	148,306	497,402	220,688	36,135
Services and supplies	65,902	48,184	163,898	54,054	10,502
Other professional services	78,515	53,001	196,556	75,154	13,102
Depreciation and amortization (Note 5)	1,459	2,426	3,083	3,043	129
Medical malpractice	3,974	6,145	6,112	778	327
Rent	3,858	4,020	6,313	3,320	778
Provision for bad debts	77	2,902	5,644	3,463	1,716
TOTAL OPERATING EXPENSES	383,211	264,984	879,008	360,500	62,689
OPERATING INCOME (LOSS)	85,084	74,081	158,568	75,023	(22,425)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	154	183	1,491	304	60
Interest expense	(8,062)	(8,042)	(20,902)	(13,065)	(1,591)
Intergovernmental transfers expense (Note 11)	(156,513)	(127,332)	(395,270)	(161,951)	(3,462)
Intergovernmental revenues:					
State			8,413		
Federal			73,725		
TOTAL NONOPERATING REVENUES (EXPENSES)	(164,421)	(135,191)	(332,543)	(174,712)	(4,993)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(79,337)	(61,110)	(173,975)	(99,689)	(27,418)
Transfers in (Note 12)	109,205	85,077	323,976	128,309	29,469
Transfers out (Note 12)		(311)		(101)	
CHANGE IN NET ASSETS	29,868	23,656	150,001	28,519	2,051
TOTAL NET ASSETS (DEFICIT), JULY 1, 2003	(93,112)	(52,572)	(32,137)	(119,843)	(20,483)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004	$ (63,244)	(28,916)	117,864	(91,324)	(18,432)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$ 183,975		$ 2,432,590	$	Net patient service revenues (Note 11)
	12,430	12,430	26,068	Rentals
	44,959	44,959	329,798	Charges for services
10,570	934	83,612		Other
194,545	58,323	2,573,591	355,866	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
91,893		1,223,850	257,581	Salaries and employee benefits
20,082	259,866	622,488	52,306	Services and supplies
20,269	1,683	438,280	10,576	Other professional services
2,404	10,911	23,455	30,226	Depreciation and amortization (Note 5)
(3,670)		13,666		Medical malpractice
1,815		20,104		Rent
3,868		17,670		Provision for bad debts
136,661	272,460	2,359,513	350,689	TOTAL OPERATING EXPENSES
57,884	(214,137)	214,078	5,177	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
	2,845	2,845		Taxes
185	612	2,989	224	Interest income
(8,829)	(356)	(60,847)	(9,575)	Interest expense
(72,779)		(917,307)		Intergovernmental transfers expense (Note 11)
				Intergovernmental revenues:
	67	8,480		State
	211,171	284,896	934	Federal
(81,423)	214,339	(678,944)	(8,417)	TOTAL NONOPERATING REVENUES (EXPENSES)
(23,539)	202	(464,866)	(3,240)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
47,203		723,239	4,159	Transfers in (Note 12)
	(8,480)	(8,892)	(1,631)	Transfers out (Note 12)
23,664	(8,278)	249,481	(712)	CHANGE IN NET ASSETS
(34,024)	234,355		(72,979)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2003
$ (10,360)	226,077		$ (73,691)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004
		(323)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 249,158		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 399,715	293,852	987,918	417,741	37,542
Rentals received					
Cash received from charges for services					
Other operating revenues	11,961	9,310	38,607	10,124	2,121
Cash received for services provided to other funds	10,428	9,887	22,812	10,623	5,084
Cash paid for salaries and employee benefits	(228,725)	(147,835)	(492,495)	(221,270)	(38,016)
Cash paid for services and supplies	(42,384)	(35,538)	(94,118)	(25,572)	(10,861)
Other operating expenses	(83,468)	(59,448)	(208,142)	(81,415)	(14,295)
Cash paid for services from other funds	(26,481)	(18,742)	(74,359)	(31,480)	(5,961)
Net cash provided by (required for) operating activities	41,046	51,486	180,223	78,751	(24,386)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	215,911	166,552	229,970	219,592	7,061
Cash advances paid/returned to other funds	(200,016)	(166,078)	(244,111)	(242,370)	(5,194)
Interest paid on pension bonds	(6,632)	(4,405)	(17,416)	(7,390)	(1,534)
Interest paid on advances	(647)	(1,245)	(408)	(1,575)	(4)
Intergovernmental transfers	(159,618)	(123,572)	(359,423)	(171,035)	(4,605)
Transfers in	109,205	85,077	323,976	128,309	29,469
Transfers out		(311)		(101)	
Net cash provided by (required for) noncapital financing activities	(41,797)	(43,982)	(67,412)	(74,570)	25,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Intergovernmental receipts			82,138		
Proceeds from bonds and notes			45,500		
Interest paid on capital borrowing	(794)	(2,429)	(3,087)	(4,147)	(53)
Principal payments on bonds and notes	(4,180)	(9,125)	(19,031)	(6,550)	(1,557)
Principal payments on capital leases	(141)		(36)	(12)	(33)
Acquisition and construction of capital assets	(2,706)	(368)	(149,741)	(1,680)	(99)
Net cash provided by (required for) capital and related financing activities	(7,821)	(11,922)	(44,257)	(12,389)	(1,742)
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	(80)	25	566	39	6
Net increase (decrease) in cash and cash equivalents	(8,652)	(4,393)	69,120	(8,169)	(929)
Cash and cash equivalents, July 1, 2003	22,821	19,304	83,893	29,927	3,682
Cash and cash equivalents, June 30, 2004	$ 14,169	14,911	153,013	21,758	2,753

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$ 167,155		$ 2,303,923	$	Cash received from patient services
	7,565	7,565	26,084	Rentals received
	44,171	44,171	325,846	Cash received from charges for services
10,574	934	83,631		Other operating revenues
41		58,875		Cash received for services provided to other funds
(93,694)	878	(1,221,157)	(256,036)	Cash paid for salaries and employee benefits
5,055	(251,122)	(454,540)	(45,353)	Cash paid for services and supplies
(22,351)	(1,683)	(470,802)	(10,576)	Other operating expenses
(13,708)		(170,731)		Cash paid for services from other funds
53,072	(199,257)	180,935	39,965	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
40,502		879,588		Cash advances received from other funds
(54,286)	(401)	(912,456)		Cash advances paid/returned to other funds
(4,774)		(42,151)	(8,098)	Interest paid on pension bonds
(44)		(3,923)		Interest paid on advances
(71,182)		(889,435)		Intergovernmental transfers
47,203		723,239	4,159	Transfers in
	(8,480)	(8,892)	(1,631)	Transfers out
(42,581)	(8,881)	(254,030)	(5,570)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
	2,963	2,963		Proceeds from taxes
	211,238	293,376	934	Intergovernmental receipts
		45,500	10,000	Proceeds from bonds and notes
(4,045)	(356)	(14,911)	(1,315)	Interest paid on capital borrowing
(11,100)	(593)	(52,136)	(18,255)	Principal payments on bonds and notes
(89)		(311)	(235)	Principal payments on capital leases
(31)	(9,858)	(164,483)	(19,833)	Acquisition and construction of capital assets
(15,265)	203,394	109,998	(28,704)	Net cash provided by (required for) capital and related financing activities
16	612	1,184	(89)	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
(4,758)	(4,132)	38,087	5,602	Net increase (decrease) in cash and cash equivalents
23,394	43,212	226,233	72,767	Cash and cash equivalents, July 1, 2003
$ 18,636	39,080	$ 264,320	$ 78,369	Cash and cash equivalents, June 30, 2004

Continued...

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	$ 85,084	74,081	158,568	75,023	(22,425)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	1,459	2,426	3,083	3,043	129
Other charges - net	492	(34)	(536)	1,075	95
(Increase) decrease in:					
Accounts receivable - net	27,441	22,087	78,553	58,903	2,691
Interest receivable					
Other receivables	1,328	1,692	4,197	1,299	216
Due from other funds	(69,586)	(43,867)	(63,545)	(44,833)	2,227
Inventories	274	(55)	828	1,063	207
Net pension obligation	3,012	2,000	7,908	3,356	696
Increase (decrease) in:					
Accounts payable	1,506	(255)	2,010	958	(75)
Accrued payroll	680	507	217	(1,628)	(385)
Other payables	444	303	629	461	70
Accrued vacation and sick leave	(82)	49	(781)	(2,060)	(518)
Due to other funds	(5,233)	(5,751)	(6,870)	(6,094)	(6,546)
Deferred revenue			(65)		
Pension bonds payable	(6,250)	(4,148)	(16,403)	(6,965)	(1,443)
Workers' compensation liability	3,920	993	15,441	6,677	(766)
Litigation and self-insurance liability	1,856	4,485	(1,265)	(2,586)	377
Third party payor liability	(5,299)	(3,027)	(1,746)	(8,941)	1,064
TOTAL ADJUSTMENTS	(44,038)	(22,595)	21,655	3,728	(1,961)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 41,046	51,486	180,223	78,751	(24,386)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Assets acquired from capital leases	$ 237				
TOTAL	$ 237				
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 9,181	8,476	124,934	10,669	2,311
Other investments					
Restricted assets	4,988	6,435	28,079	11,089	442
TOTAL	$ 14,169	14,911	153,013	21,758	2,753

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ 57,884	(214,137)	$ 214,078	$ 5,177	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
2,404	10,911	23,455	30,226	Depreciation and amortization
160	4,680	5,932	140	Other charges - net
				(Increase) decrease in:
8,784		198,459		Accounts receivable - net
			(9)	Interest receivable
79	(5,035)	3,776	1	Other receivables
(16,016)	(209)	(235,829)	(3,654)	Due from other funds
80	2,812	5,209	(392)	Inventories
2,168		19,140	3,677	Net pension obligation
				Increase (decrease) in:
(477)	922	4,589	1,396	Accounts payable
(420)		(1,029)	290	Accrued payroll
208	139	2,254	420	Other payables
(610)	878	(3,124)	(175)	Accrued vacation and sick leave
11,670	191	(18,633)	5,664	Due to other funds
	(409)	(474)	(274)	Deferred revenue
(4,494)		(39,703)	(7,624)	Pension bonds payable
413		26,678	3,430	Workers' compensation liability
(3,003)		(136)	1,672	Litigation and self-insurance liability
(5,758)		(23,707)		Third party payor liability
(4,812)	14,880	(33,143)	34,788	TOTAL ADJUSTMENTS
$ 53,072	(199,257)	$ 180,935	$ 39,965	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
$		$ 237	$	Assets acquired from capital leases
$		$ 237	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 2,750	28,110	$ 186,431	$ 51,812	Pooled cash and investments
	10,970	10,970	8,698	Other investments
15,886		66,919	17,859	Restricted assets
$ 18,636	39,080	$ 264,320	$ 78,369	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 4)	$ 23,443	$ 10,038,312	$ 1,291,524
Other investments: (Note 4)		969,184	202,314
Stocks	16,592,643		
Bonds	7,588,497		
Short-term investments	1,086,950		
Real estate	2,952,245		
Mortgages	320,594		
Alternative assets	1,382,499		
Collateral on loaned securities	2,770,860		
Taxes receivable			230,895
Interest receivable	102,427	50,364	3,480
Other receivables	427,730		
Capital assets, net	1		
TOTAL ASSETS	33,247,889	11,057,860	$ 1,728,213
LIABILITIES			
Accounts payable	924,203		
Other payables (Note 4)	2,842,503		
Due to other governments			1,728,213
TOTAL LIABILITIES	3,766,706		$ 1,728,213
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 29,481,183	$ 11,057,860	

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, 2004 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 395,109	
Member	262,699	
Contributions to investment trust funds		31,950,033
Total contributions	657,808	31,950,033
Investment earnings:		
Interest	1,444,888	83,291
Net increase in the fair value of investments	2,740,449	
Securities lending income (Note 4)	36,817	
Total investment earnings	4,222,154	83,291
Less - Investment expenses:		
Expense from investing activities	75,823	
Expense from securities lending activities (Note 4)	27,831	
Total net investment expense	103,654	
Net investment earnings	4,118,500	83,291
Miscellaneous	2,605	
TOTAL ADDITIONS	4,778,913	32,033,324
DEDUCTIONS:		
Salaries and employee benefits	24,858	
Services and supplies	13,786	
Depreciation and amortization	40	
Benefit payments	1,488,477	
Distribution from investment trust funds		32,426,090
Miscellaneous	18,375	
TOTAL DEDUCTIONS	1,545,536	32,426,090
CHANGE IN NET ASSETS	3,233,377	(392,766)
NET ASSETS HELD IN TRUST, JULY 1, 2003	26,247,806	11,450,626
NET ASSETS HELD IN TRUST, JUNE 30, 2004	$ 29,481,183	11,057,860

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 (the "County") is a legal subdivision of the State of California (the "State") charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (the "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")

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.

Discretely Presented Component Unit

The Children and Families First Commission ("Commission") 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 the Commission 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 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.

The Commission’s services are focused on the development and well-being of all children, from the prenatal stage until age five. The Commission 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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. 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 their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Net asset restrictions are also recognized when imposed by law through constitutional provisions or enabling legislation. Net assets "restricted for special purpose" are principally related to special revenue funds and the restrictions on their net asset use in accordance with the provisions mentioned above.

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.

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.

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 six Hospital Enterprise Funds. These funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. A description of each Hospital Enterprise Fund is provided below:

Harbor/UCLA Medical Center

The Harbor/UCLA Medical Center 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 provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecology services, and psychiatric services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

LAC+USC Medical Center

The LAC+USC Medical Center 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.

M. L. King/Drew Medical Center

The M. L. King/Drew Medical Center provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, psychiatric services, dental services, pediatric and obstetric services.

High Desert Hospital

The High Desert Health System provides non-hospital based outpatient services.

Rancho Los Amigos Medical Center

The Rancho Los Amigos National Rehabilitation Center 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.

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.

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 six Hospital Enterprise Funds (Hospitals) are from patient 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 11, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

The County applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, in accounting and reporting for operations of the enterprise funds. FASB pronouncements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB pronouncement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (the "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").

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 $19 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 at June 30, 2004. 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 13 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 2003-2004 gross assessed valuation of the County of Los Angeles was $717,496,718,000.

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

The County is divided into 11,695 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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 January 1 and become delinquent, if unpaid, on August 31.

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 4.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2004 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Investments

"Other Investments" represent Pension Trust Fund investments, investments of the Community Development Commission, various JPAs, NPC, and Public Buildings, and amounts on deposit with the County Treasurer which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

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

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, $48,017,000 represents land held for resale by the Community Development Commission (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, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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	10 to 50 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.

Pursuant to GASB 34, an extended period of deferral (fiscal year beginning July 1, 2005) is available before the requirement to record and depreciate infrastructure assets acquired prior to July 1, 2001 is effective. As a result, the governmental activities column in the accompanying government-wide financial statements as of June 30, 2004 does not reflect those infrastructure assets completed prior to July 1, 2001. The accompanying government-wide financial statements include infrastructure assets that have been acquired since July 1, 2001. Infrastructure assets that are functional are currently being depreciated.

Vacation and Sick Leave Benefits

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

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

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).

Accounting Reclassifications

Certain reclassifications have been made to amounts previously reported to conform to the current year's report format. Such reclassifications had no effect on previously reported changes in net assets.

2. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2004 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor/UCLA Medical Center	$ 63,244
Olive View/UCLA Medical Center	28,916
M. L. King/Drew Medical Center	91,324
High Desert Hospital	18,432
Rancho Los Amigos Medical Center	10,360
Internal Service Fund-	
Public Works	90,060

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

3. ELIMINATIONS

The Regional Park and Open Space District (District), 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 District executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authority" (JPA). Under the terms of the agreement, the District sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPA. The JPA 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 District's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of District related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPA, the District has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPA. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2004, the Fund Financial Statements reflect an investment asset (referred to as "Other Investments") held by the JPA of $376,210,000 that has been recorded in the Nonmajor Governmental Funds. The Fund Financial Statements do not reflect a liability for the related Bonds Payable ($376,210,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

3. ELIMINATIONS-Continued

Fund Financial Statements-Continued

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within Governmental Activities (as appropriate under the accrual basis of accounting). The specific items eliminated were Other Investments and Bonds Payable ($376,210,000 for each) and Investment Earnings and Interest Expense ($20,183,000) 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 $376,210,000 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 8 and are captioned "Assessment Bonds."

4. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2004 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 3,200,526	$ 259,146			$ 3,459,672
Proprietary Funds	238,243	19,668	$ 37,226	$ 47,552	342,689
Fiduciary Funds (excluding Pension Trust Fund)	11,329,836	1,171,498			12,501,334
Pension Trust Fund	23,443	32,694,288			32,717,731
Component Unit	678,498				678,498
Total	$15,470,546	$34,144,600	$ 37,226	$ 47,552	$ 49,699,924

Deposits

At June 30, 2004, the carrying amount of the County's deposits was $106,419,000 and the balance per various financial institutions was $106,457,000. Of the balance in financial institutions, $100,636,000 was covered by either Federal depository insurance or collateralized with securities held by the County or its agent in the County's name. The remaining balance of $5,821,000 was uninsured and uncollateralized.

4. CASH AND INVESTMENTS-Continued

Deposits-Continued

At June 30, 2004, the carrying amount of Pension Trust Fund deposits was $36,333,000 and the balance per various financial institutions was $36,333,000. Of the balance in financial institutions, $28,157,000 was either covered by Federal depository insurance or collateralized with securities held by the entity or its agent in the entity's name. The remaining balance of $8,176,000 was uninsured and uncollateralized.

Investments

Statutes authorize the County to invest pooled investments in obligations of the United States Treasury, Federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements and reverse repurchase agreements.

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

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

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by 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.

The School Districts and the Courts are required by legal provisions to participate in the County's investment pool. Eighty-nine percent (89%) 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, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

4. CASH AND INVESTMENTS-Continued

Investments-Continued

In accordance with the Governmental Accounting Standards Board Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the County's investments and investments of the Pension Trust Fund are categorized separately below to give an indication of the level of credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the agent's nominee name, with subsidiary records listing the County as the legal owner. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty's trust department or agent but not in the County's name.

County pooled and other investments (excluding Pension Trust Fund other investments) are categorized as follows at June 30, 2004 (in thousands):

	Category			Fair
	1	2	3	Value
U.S. Government securities	$ 10,259,918			$ 10,259,918
Negotiable certificates of deposit	1,901,375			1,901,375
Commercial paper	3,674,496			3,674,496
Corporate and deposit notes	253,466			253,466
Repurchase agreements	500,534			500,534
Los Angeles County securities	46,077			46,077
	$ 16,635,866			
Investments not considered securities for purposes of custodial risk classification:				
Investment in money market funds				147,927
Investment in State and local agency investment funds				113,846
1st and 2nd Mortgages				1,578
Total				$ 16,899,217

Pension Trust Fund investments are reported in the basic financial statements at fair value and are categorized as follows at June 30, 2004 (in thousands):

	Category			Fair
	1	2	3	Value
U.S. Government and agency instruments	$ 1,911,672			$ 1,911,672
Domestic stocks and convertibles	9,368,379			9,368,379
Global stocks, bonds, and convertibles	6,576,184			6,576,184
Domestic corporate bonds	3,308,633			3,308,633
Short term corporate and government investments	1,086,950			1,086,950
Private placement bonds	340,918			340,918
	$ 22,592,736			

4. CASH AND INVESTMENTS-Continued

Investments-Continued

	Category 1	Category 2	Category 3	Fair Value
Investments not considered securities for purposes of custodial risk classification:				
Real estate and title holdings				2,952,245
Alternative assets				1,382,499
Mortgages				320,594
Investments held by broker-dealer under securities loans with cash collateral:				
Stocks				665,431
Government bonds				1,435,465
Corporate bonds				538,125
Securities lending cash collateral - Invested in short-term fixed income fund				2,770,860
Total				$ 32,657,955

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2004 totaling $3,511,000. 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 fiscal year ended June 30, 2004 to support the value of shares in the Treasurer's investment pool.

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

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range
U. S. Government securities	$ 9,034,177	$ 9,073,386	1.0% - 9.25%	07/15/04 - 12/01/08
Negotiable certificates of deposit	1,901,375	1,904,364	1.045% - 1.725%	07/06/04 - 5/03/05
Commercial paper	3,674,496	3,675,123	1.03% - 1.47%	07/01/04 - 01/25/05
Corporate and deposit notes	253,466	255,002	1.09% - 2.10%	07/08/04 - 11/06/06
Repurchase agreements	500,000	500,000	1.35%	7/1/2004
Los Angeles County securities	40,538	40,538	1.46% - 4.905%	06/30/05 - 08/01/07
Deposits	101,036	101,036		
	$ 15,505,088	$15,549,449		

4. CASH AND INVESTMENTS-Continued

Investments-Continued

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, 2004 was 1.37%.

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, 2004 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 15,505,088
Equity of internal pool participants	$ 5,422,828
Equity of external pool participants	10,082,260
Total equity	$ 15,505,088
Statement of Changes in Net Assets	
Net assets at July 1, 2003	$ 14,121,106
Net change in investments by pool participants	1,383,982
Net assets at June 30, 2004	$ 15,505,088

The unrealized loss on investments held in the Treasurer's Pool was $44,361,000 as of June 30, 2004. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

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

Derivatives

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

4. CASH AND INVESTMENTS-Continued

Derivatives-Continued

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, 2004, there were approximately $350,538,000 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. The net foreign currency gain in fiscal year 2004 was $80,400,000. At June 30, 2004, forward currency contracts receivable and payable totaled $196,000,000 and $198,000,000, 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, 2004, 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, 2004.

Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records and are presented as unclassified in the preceding schedule of custodial credit risk. A corresponding liability is recorded for the fair value of the cash collateral received.

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

As of June 30, 2004, the fair value of securities on loan was $2,640,000,000. The value of the cash collateral received for those securities was $2,770,000,000. Securities lending assets (Other Investments) and liabilities (Other Payables) of $2,770,860,000 are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $8,990,000 for the year ended June 30, 2004.

For the year ended June 30, 2004, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2004 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 106,419	$ 36,333	$ 142,752
Investments	16,899,217	32,657,955	49,557,172
	$ 17,005,636	$ 32,694,288	$ 49,699,924

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 are as follows (in thousands):

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities				
Capital assets, not depreciated:				
Land	$ 276,239	$ 2,167	$ (678)	$ 277,728
Construction in progress-buildings and improvements	300,921	71,956	(285,776)	87,101
Construction in progress-infrastructure	59,402	43,188	(38,173)	64,417
Subtotal	636,562	117,311	(324,627)	429,246
Capital assets, depreciated:				
Buildings and improvements	3,368,146	302,513	(8,539)	3,662,120
Equipment	735,931	95,367	(60,037)	771,261
Infrastructure	98,487	52,720		151,207
Subtotal	4,202,564	450,600	(68,576)	4,584,588

5. CAPITAL ASSETS-Continued

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities-Continued				
Less accumulated depreciation for:				
Buildings and improvements	(1,088,022)	(62,371)	3,925	(1,146,468)
Equipment	(510,507)	(71,383)	35,450	(546,440)
Infrastructure	(5,590)	(8,836)		(14,426)
Subtotal	(1,604,119)	(142,590)	39,375	(1,707,334)
Total capital assets, being depreciated, net	2,598,445	308,010	(29,201)	2,877,254
Governmental activities capital assets, net	$3,235,007	$425,321	$(353,828)	$ 3,306,500
Business-type Activities				
Capital assets, not depreciated:				
Land	$ 117,427		$ (20)	$ 117,407
Construction in progress-buildings and improvements	208,612	$153,572	(11,028)	351,156
Subtotal	326,039	153,572	(11,048)	468,563
Capital assets, being depreciated:				
Buildings and improvements	1,091,353	11,011	(146)	1,102,218
Equipment	231,448	18,874	(32,334)	217,988
Subtotal	1,322,801	29,885	(32,480)	1,320,206
Less accumulated depreciation for:				
Buildings and improvements	(613,560)	(18,089)	159	(631,490)
Equipment	(194,168)	(13,355)	22,837	(184,686)
Subtotal	(807,728)	(31,444)	22,996	(816,176)
Total capital assets, being depreciated, net	515,073	(1,559)	(9,484)	504,030
Business-type activities capital assets, net	841,112	152,013	(20,532)	972,593
Total Capital Assets, Net	$4,076,119	$577,334	$(374,360)	$ 4,279,093

5. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:	
General government	$ 13,140
Public protection, including depreciation of infrastructure assets	75,209
Public ways and facilities, including depreciation of infrastructure assets	6,176
Health and sanitation	6,152
Public assistance	5,852
Education	1,385
Recreation and cultural services	12,439
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	22,237
Total depreciation expense, governmental activities	$ 142,590
Business-type activities:	
Hospitals	$ 12,544
Aviation	1,250
Waterworks	3,039
Community Development Commission	6,622
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,989
Total depreciation expense, business-type activities	$ 31,444

Discretely Presented Component Unit

Capital assets activity for the Children and Families First Commission component unit for the year ended June 30, 2004 was as follows (in thousands):

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets, depreciated:				
Buildings and improvements	$ 13,867			$ 13,867
Equipment	151	$ 80	$ (25)	206
Subtotal	14,018	80	(25)	14,073
Less accumulated depreciation for:				
Buildings and improvements	(5,368)			(5,368)
Equipment	(25)	(124)	25	(124)
Subtotal	(5,393)	(124)	25	(5,492)
Component unit capital assets, net	$ 8,625	$ (44)	$	$ 8,581

6. PENSION PLAN

Plan Description

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

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

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

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are extremely 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 employees. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

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

Funding Policy

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

The following employer rates were in effect for 2003-2004:

	A	B	C	D	E
General Members	15.31%	8.59%	8.21%	8.31%	7.70%
Safety Members	22.32%	18.75%			

The rates were determined by the actuarial valuation performed as of June 30, 2002 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 2003-2004, the County did not pay LACERA the full amount of the ARC. LACERA applied $126,916,000 in excess earnings reserves towards the County's required contribution.

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation, computed in accordance with GASB 27, for 2003-2004 were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 521,893
Non County entities	85
Total ARC	521,978
Interest on net pension obligation	(53,011)
Annual pension cost	468,967
Contributions made:	
County	394,977
Non County entities	85
Total contributions	395,062
Cost in excess of contributions	73,905
Net pension obligation (asset), July 1, 2003	(662,635)
Net pension obligation (asset), June 30, 2004	$ (588,730)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2002	$ 344,397	75.2%	$ (793,378)
June 30, 2003	455,452	71.3%	(662,635)
June 30, 2004	468,967	84.2%	(588,730)

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2002 using the entry age normal method. The valuation assumed an annual investment rate of return of 8%, and projected salary increases ranging from 4.78% to 10.24%, with both assumptions including a 4% inflation factor. The valuation also assumed post-retirement benefit increases of between 0% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The June 30, 2003 valuation determined the funding ratio to be 87.2% and recognized an unfunded actuarial accrued liability (UAAL) of $3.91 billion. The County contribution rate (effective for the 2004-2005 fiscal year) was, therefore, increased by 4.66% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) over the normal cost rate of 9.99%.

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.

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

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 deferred revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2004, the unamortized balance was $37,053,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2004 was $1,586,879,000. The bonds have interest rates varying from 6.77% to 9.19%.

In 1986, the County issued $461,493,000 in fixed rate pension obligation certificates to purchase annuity contracts to provide pension benefits to a specified group of LACERA members. Variable rate bonds totaling $327,400,000 were issued in May 1996 to advance refund $327,405,000 of the certificates. Interest rates on the bonds are reset weekly and varied during 2003-2004 from 0.55% to 1.17%. The fixed rate certificates which remain outstanding have a rate of 6.875%. At June 30, 2004, the total outstanding principal (including accreted interest) for the refunding bonds and remaining fixed rate certificates was $226,933,000 and has been included in the financial statements as pension bonds payable.

For the year ended June 30, 2004, the combined principal and interest payments for both the bonds and certificates were $249,492,000 and $66,623,000, respectively. For governmental activities, the total debt service was $234,261,000. For business-type activities, the total debt service was $81,854,000. At June 30, 2004, the total outstanding principal, including accreted interest of $531,462,000 on both bonds and certificates, was $1,813,812,000.

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

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
2005	$ 200,629	48,596	$ 70,121	16,983
2006	231,957	32,503	81,062	11,360
2007	140,971	141,524	49,268	49,461
2008	115,664	167,121	40,423	58,407
2009	86,377	151,001	30,188	52,773
2010-2014	174,638	366,513	61,052	128,091
Total	$ 950,236	907,258	$ 332,114	317,075
Accretions	393,820		137,642	
Total Pension Bonds Payable	$1,344,056		$ 469,756	

Swap Transaction Related to Pension Bonds

In conjunction with the issuance of $327,400,000 of variable pension refunding bonds in 1996, the County entered into a swap transaction to create a synthetic fixed interest rate. The County also received an up-front payment of $19,036,000 from the counterparty.

The bonds, and the related swap agreement, mature on June 30, 2007. As of June 30, 2004, the swap's notional amount of $184,700,000 was the same as the principal amount of the outstanding bonds. Under the swap, the County is obligated to pay the counterparty a fixed rate of 6.48% and receives a variable payment based on the market interest rate of the variable bonds. The market interest rate is reset on a weekly basis and the rate as of June 30, 2004 was 1.04%.

"Credit risk" refers to the risk that the counterparty will not fulfill its obligations. As of June 30, 2004, the County was not exposed to credit risk because the swap transaction had a negative fair value of $16,823,000. However, should interest rates change, and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aaa and AAA by Moody's and Standard and Poor's, respectively. If the counterparty's credit rating falls below Aa3 or AA-, or if the rating is suspended or withdrawn, the fair value of the swap will be fully collateralized by either U.S. Government or Government Guaranteed Agency securities. Collateral would be posted with a third-party trustee.

6. PENSION PLAN-Continued

Swap Transaction Related to Pension Bonds-Continued

The following is a summary of future funding requirements related to the variable rate pension bonds, net of swap payments associated with those bonds (in thousands):

Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2005	$ 52,900	$ 1,921	$ 10,048	$ 64,869
2006	61,300	1,371	7,170	69,841
2007	70,500	733	3,835	75,068
Total	$ 184,700	$ 4,025	$ 21,053	$ 209,778

Post-Retirement Benefits

In addition to providing pension benefits, the County provides funding for certain health care benefits for all retired employees and their eligible dependents or survivors. There are approximately 48,000 retirees presently eligible to receive such benefits. LACERA is responsible for administering the benefits to the retirees.

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

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

The cost of retiree health care is recognized when the County makes payments to LACERA. For the year ended June 30, 2004, the amounts of such payments were approximately $167,079,000, for governmental activities, and $34,328,000, for business-type activities. These amounts exclude $59,055,000 of LACERA excess earnings reserves, which were utilized to offset a portion of the total funding requirements.

7. 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, 2004 (in thousands):

Year Ending June 30	Governmental Activities
2005	$ 74,375
2006	63,526
2007	54,944
2008	46,042
2009	38,264
2010-2014	54,681
2015-2019	7,445
2020-2024	37
Total	$ 339,314

Rent expenditures related to operating leases were $79,833,000 for the year ended June 30, 2004.

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, 2004 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2005	$ 26,446	$ 480
2006	25,649	477
2007	25,070	314
2008	24,925	149
2009	20,374	145
2010-2014	49,675	148
2015-2019	25,623	
2020-2024	25,002	
2025-2029	25,002	
2030-2034	11,260	
2035-2039	27	
Total	259,053	1,713
Less: Amount representing interest	123,795	214
Present value of future minimum lease payments	$ 135,258	$ 1,499

7. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2004 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 9,578	
Buildings and improvements	133,679	$ 1,200
Equipment	46,134	2,098
Accumulated depreciation	(42,947)	(1,771)
Total	$ 146,444	$ 1,527

The following is a schedule of future minimum lease payments and the present value of future minimum lease payments for the Children and Families First Commission discretely presented component unit as of June 30, 2004 (in thousands):

Year Ending June 30	Discretely Presented Component Unit
2005	$ 665
2006	1,320
2007	1,310
2008	1,298
2009	1,287
2010-2014	7,270
2015	716
Total	$ 13,866
Less: Amount representing interest	(5,367)
Present value of future minimum lease payments	$ 8,499

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 90 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 31 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 63 years and are accounted for in the Debt Service Funds as a result of the issuance of certificates of participation related to the Marina del Rey Project area.

7. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2004 (in thousands):

Year Ending June 30	Governmental Activities
2005	$ 32,932
2006	32,799
2007	32,914
2008	32,349
2009	31,943
Thereafter	1,106,495
Total	$ 1,269,432

The following is a schedule of rental income for these operating leases for the year ended June 30, 2004 (in thousands):

	Governmental Activities
Minimum rentals	$ 33,142
Contingent rentals	16,822
Total	$ 49,964

8. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 6), capital lease obligations (see Note 7) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

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

	Original Amount of Debt	Balance June 30, 2004
Los Angeles County General Obligation Detention Facilities Bonds, 6.5% to 7.875%	$ 96,000	$ 23,470
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 2.5% to 8.5%	132,090	6,155
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	131,790
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 4.2% to 6%	510,185	376,210

8. LONG-TERM OBLIGATIONS-Continued

	Original Amount of Debt	Balance June 30, 2004
Community Development Commission Notes Payable, 3.82% to 7.91%	43,045	27,447
NPC Bonds and Bond Anticipation Notes, 4.6% to 8.97%	60,565	28,309
Marina del Rey Certificates of Participation, 4.75% to 6.5%	189,491	82,470
Marina del Rey Loans Payable, 4.5% to 4.70%	23,000	22,343
Public Buildings Certificates of Participation, 2.8% to 7.75%	1,583,114	1,026,540
Total	$ 2,780,685	$ 1,724,734

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

	Original Amount of Debt	Balance June 30, 2004
NPC Bonds and Bond Anticipation Notes, 4.6% to 8.9%	$ 35,570	$ 16,626
Public Buildings Certificates of Participation, 2.8% to 7.0%	433,967	233,455
Commercial Paper, 1.0% to 1.12%	153,800	153,800
Waterworks District Bonds, 3.3% to 8.0%	1,335	239
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,384	7,269
Total	$ 636,056	$ 411,389

General Obligation Bonds

The County issued general obligation bonds in 1986 to finance detention facilities. The Flood Control District issued general obligation bonds to finance flood control projects. Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2005	$ 11,155	2,117	$ 58	20
2006	8,995	1,379	45	15
2007	9,105	704	15	12
2008	370	9	17	11
2009			18	9
2010-2014			86	17
Total	$ 29,625	4,209	$ 239	84

8. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997 to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority 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	Interest
2005	$ 19,565	19,208
2006	20,475	18,252
2007	21,475	17,175
2008	22,630	15,989
2009	23,845	14,726
2010-2014	140,405	51,890
2015-2019	111,565	15,285
2020-2024	16,250	406
Total	$ 376,210	152,931

Certificates of Participation

The County has issued certificates of participation 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 certificates of participation are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Interest	Business-type Activities Principal	Interest
2005	$ 99,272	77,371	$ 32,132	11,893
2006	90,467	54,025	31,451	10,285
2007	90,976	52,036	23,090	8,603
2008	94,694	48,259	23,843	7,330
2009	92,021	44,363	14,525	6,320
2010-2014	327,129	180,065	77,595	19,986
2015-2019	126,516	140,416	38,195	2,633
2020-2024	120,641	76,550		
2025-2029	79,040	26,804		
2030-2034	57,225	6,659		
Total	$ 1,177,981	706,548	$ 240,831	67,050

8. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (Equipment Acquisition Internal Service Fund) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated by the five-year period, they convert to capital leases with a three-year term secured by County real property.

Community Development Commission 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.

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

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of the LAC+USC Medical Center replacement facility. 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.

Principal and interest requirements on notes, loans, and commercial paper are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2005	$ 13,125	2,553	$159,934	288
2006	8,024	2,459	4,301	246
2007	1,713	2,371	660	200
2008	1,793	2,281	710	151
2009	1,885	2,185	830	99
2010-2014	10,423	9,328	705	58
2015-2019	11,557	6,179	993	
2020-2024	10,404	2,750		
2025-2029	6,615	919		
Indeterminate maturity			2,186	
Total	$ 65,539	31,025	$170,319	1,042

8. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$ 29,625	4,209	$ 239	84
Assessment Bonds	376,210	152,931		
Certificates of Participation	1,177,981	706,548	240,831	67,050
Notes, Loans, and Commercial Paper	65,539	31,025	170,319	1,042
Subtotal		894,713		68,176
Add: Accretions	75,379			
Total Bonds and Notes Payable	$ 1,724,734		$ 411,389	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds for Public Buildings related to governmental activities.

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, 2004, the amount of outstanding bonds and certificates of participation considered defeased was $161,490,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2004 (in thousands):

	Balance July 1, 2003	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2004	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,861,158	$ 11,542	$ (147,966)	$ 1,724,734	$ 163,262
Pension bonds payable (Note 6)	1,457,732	58,329	(172,005)	1,344,056	200,629
Capital lease obligations (Note 7)	120,270	29,054	(14,066)	135,258	13,500
Accrued vacation and sick leave	584,095	46,746	(42,392)	588,449	47,021
Workers' compensation liability (Note 15)	1,917,691	567,595	(321,574)	2,163,712	392,988
Litigation and self-insurance liability (Note 15)	509,562	40,135	(164,997)	384,700	91,633
Third party payor liability	33,719	3,596	(10,803)	26,512	24,911
Total governmental activities	$6,484,227	$ 756,997	$ (873,803)	$ 6,367,421	$ 933,944

8. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Liabilities-Continued

Business-type activities:					
Bonds and notes payable	$ 420,548	$ 49,200	$ (58,359)	$ 411,389	$ 192,124
Pension bonds payable (Note 6)	509,459	20,392	(60,095)	469,756	70,121
Capital lease obligations (Note 7)	1,761	237	(499)	1,499	403
Accrued vacation and sick leave	111,187	5,906	(9,629)	107,464	9,829
Workers' compensation liability (Note 15)	366,934	79,327	(53,372)	392,889	64,366
Litigation and self-insurance liability (Note 15)	223,566	20,323	(21,796)	222,093	31,841
Third party payor liability (Note 11)	373,877	13,295	(37,002)	350,170	11,002
Total business-type activities	$ 2,007,332	$ 188,680	$ (240,752)	$1,955,260	$ 379,686

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. Amounts accreted in previous years were paid during 2003-2004, thereby reducing liabilities for Bonds and Notes Payable by $10,401,000 for governmental activities. Liabilities for Pension Bonds Payable were increased for governmental and business-type activities by $58,329,000 and $20,392,000, respectively, for interest accretions. Note 15 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

9. SHORT-TERM DEBT

On July 1, 2003, the County issued $600 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.9%. 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 2003. The notes matured and were redeemed on June 30, 2004.

10. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2004, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $101,435,000 and limited obligation improvement bonds totaling $18,390,000. 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.

10. CONDUIT DEBT OBLIGATIONS-Continued

Community Facilities and Improvement District Bonds-Continued

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund. Revenues have been recorded (proceeds from property owners) to reflect the bond proceeds issued for capital improvements.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds issued since inception of the programs approximates $1,531,639,000. The amount of bonds outstanding as of June 30, 2004 was not determinable.

The bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

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, 2004, the amount of industrial development and other conduit bonds outstanding was $27,744,000.

11. 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.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project

For fiscal year 1995-96, Federal, State, and County officials approved a Medicaid Demonstration Project ("Project") to enable the County to stabilize and restructure its health care system. The basis for the Project required a shift in emphasis from conventional inpatient care to preventive, primary, and outpatient care. The Project was initially approved for a five-year period that was scheduled to end on June 30, 2000. The status of the Project's extension for an additional five-year period is discussed in the next segment of this Note. The plan provided $366.5 million in financial assistance in 1995-96, which provided impetus and support to the restructuring of health care delivery in the County.

Medicaid Demonstration Project Extension

The Federal Health Care Financing Administration, now known as the Centers for Medicare & Medicaid Services (CMS), granted an extension and phase-out of the Project over a term of five years (July 1, 2000 through June 30, 2005), to continue to assist the County in restructuring its health care delivery system.

As part of this extension agreement, the County commits to use $300 million of tobacco litigation settlement revenues and an additional $100 million of General Fund contributions for Project-related services during the extension period. Also, as part of this extension agreement, a minimum of $40 million in State and County funds at a 2 to 1 ratio, respectively, will be made available over the course of the extension period to fund the system's workforce training needs, as identified in the CMS/Department of Labor approved work plan.

For the period July 1, 2000 through June 30, 2005, CMS will provide Federal Financial Participation (FFP) at the applicable Federal-matching rate for the Federally Reimbursable Ambulatory Care Service Costs and the Supplemental Project Pool for both the Department of Health Services and Department of Mental Health. Payments for these components will not exceed the annual and total budget limits as follows (in thousands):

Fiscal Year	Percent Limit on Demonstration FFP	Dollar Limit on Demonstration FFP
2000-01	100%	$ 246,600
2001-02	100%	246,600
2002-03	75%	185,000
2003-04	55%	135,500
2004-05	35%	86,300
2005-06 post-extension	0%	
Total		$ 900,000

To provide increased funding to the County for outpatient services, CMS approved an amendment to the State Medi-Cal Plan, effective July 1, 2000, to provide cost-based reimbursement for County-operated and contracted facilities for covered outpatient services rendered to Medi-Cal beneficiaries.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project Extension-Continued

If the County does not meet specified milestones in the "Terms and Conditions" provisions of the extension agreement, the State may impose sanctions on the County of up to 18 percent of the Supplemental Project Pool and 10 percent of the Federally Reimbursable Ambulatory Care Service Cost claim, depending on the program.

The Project Federal Financial Participation (FFP) revenues recognized in the Hospital Enterprise Funds totaled $114.1 million for the year ended June 30, 2004 and consisted of the following:

- $54.1 million in additional Medi-Cal matching funds for indigent care at health centers and outpatient facilities.

- $60.0 million in increased Medi-Cal funding for providing at least 450,000 outpatient visits.

Medi-Cal and Medicare Programs

A substantial portion of the Hospitals' revenue is derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Medi-Cal acute inpatient services are reimbursed at a contractually agreed upon per-diem rate. Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Cost Based Reimbursement Clinics (CBRC) funding became effective on July 1, 2000, as part of the 1115 Waiver Extension, and is scheduled to expire on June 30, 2005. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics and health centers (excluding clinics that provide predominately public health services). Certain other services to Medicare beneficiaries are reimbursed based on cost, subject to certain limitations. Revenues from Medi-Cal and Medicare programs represent approximately 90% and 4% respectively, of net patient care revenue for the year ended June 30, 2004.

Medi-Cal cost audit reports have been issued for all hospitals through Fiscal Year 2000-2001. Medi-Cal/Cost-Based Reimbursement Clinic Fiscal Year 2001-02 audit reports have been issued for the High Desert Hospital and audits are in progress for all the other facilities.

The Medicare audits have been completed for Fiscal Year 1998-99 at all hospitals. The notices of program reimbursement have been received for all hospitals with the exception of LAC+USC Medical Center. For Fiscal Year 1999-00, the audits have been completed with the exception of Rancho Los Amigos Medical Center which has not been scheduled. In addition, the notice of program reimbursement has not been issued for LAC+USC Medical Center. For Fiscal Year 2000-01, only Martin Luther King/Drew Medical Center has been audited and the notice of program reimbursement has been issued. For Fiscal Year 2001-02, Rancho Los Amigos Medical Center's audit has been completed. The notice of program reimbursement has been issued. For Fiscal Year 2002-2003, the audits have not been scheduled.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

The Hospitals have various outstanding appeals pertaining to Medi-Cal and Medicare audit settlements. There are also outstanding Medi-Cal appeals related to health centers. These amounts have not been recorded, as the outcome is not certain. The County believes the final resolution of the appeals will not have a material effect on its financial condition.

The Hospitals, excluding health centers, also received revenues from the following programs:

During FY 1991-92, SB 855 and SB 146 were enacted to provide higher Medi-Cal reimbursement rates to Disproportionate Share Hospitals ("DSH"). These are hospitals which provide a disproportionate share of services to Medi-Cal and other low income patients. The law requires certain public entities to contribute matching funds to the State. These funds, along with additional Federal revenues, are utilized by the State to fund the supplemental payment amounts.

SB 855 funds cannot exceed each hospital's DSH limits as mandated under OBRA '93. As a result of the original 1115 Waiver, the Department of Health Services may have received SB 855 funds beyond its OBRA '93 DSH limits for the fiscal year ended June 30, 1996 (estimated to be $104 million) in cash flow assistance which may be an obligation that is expected to be repaid in the future, and has been recorded as a liability ("Estimated Liability to Third-Party Payors") of the Hospital Enterprise Funds in the accompanying basic financial statements. Additional potential obligations totaling $89.5 million have also been recognized as liabilities in the basic financial statements as of June 30, 2004. The amount includes $61 million and $28.5 million related to Fiscal Years 1996-97 and 1997-98, respectively.

SB 1255, which became effective in 1990, established the State Disproportionate Share and Emergency Services Fund to receive contributions from public agencies. The State utilizes these funds to obtain additional Federal matching funds. The total is then distributed to the hospital applicants through a negotiation process with the California Medical Assistance Commission. To be eligible to receive funds, among other requirements, a hospital must be a disproportionate share provider.

Office of Inspector General

The Office of Inspector General (OIG) performed an audit to verify that Medi-Cal's Fiscal Year (FY) 1997-98 Disproportionate Share Hospital (DSH) payments to the six Los Angeles County hospitals did not exceed their OBRA '93 limits. The OIG Audit found that the DSH payments to four of the six LAC hospitals exceeded their respective FY 1997-98 OBRA '93 limits by more than a total of $195 million ($98 million federal share). According to the OIG, the excess payments occurred because the State's DSH payment formula did not limit hospitals' total operating expenses to amounts that would be allowable under Medicare cost principles. The State and the County strongly disagreed with the audit findings and submitted written objections to many of the points raised by the OIG.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Office of Inspector General-Continued

The OIG recommended that the State work with CMS to address and resolve the DSH payments in excess of the limits. In its approval of the State's application for renewal of its Selective Provider Contracting Program (SPCP) waiver for the period of January 1, 2003 through December 31, 2004, CMS agreed to permit the State to make DSH payments to the Los Angeles County hospitals without applying Medicare cost principles, but required the State to exclude any amounts not related to patient care from its calculations of the hospitals' operating expenses and to modify its treatment of bad debt. CMS has agreed not to pursue retroactive recovery of overpayments found by the OIG as long as the State corrects the formula in its State Plan prospectively.

Although the State has initiated action and fully intends to comply with the CMS requirements, the final state plan amendments have not been submitted to CMS for their review and approval. Accordingly, there is still some uncertainty regarding the final acceptance of the State Plan amendment and the ultimate resolution of potential liabilities that the OIG has asserted. The County believes that the state plan amendments will ultimately be submitted and approved by CMS and that the potential liabilities of $98 million will not significantly affect the County's financial condition.

Other Program Revenues

Proposition 99 imposes an additional State excise tax on cigarettes and other tobacco products. The increased taxes on tobacco products generate additional revenues for health care, research, health education, and public resources. State Assembly Bill 75 allocates these revenues to health care providers based upon their share of the financial burden for providing care to persons who are uninsured or otherwise unable to pay for care. The County's share of the AB 75 California Healthcare for the Indigent Program (CHIP) revenues for the year ended June 30, 2004 was $13.1 million.

Revenues related to the aforementioned programs are included in the accompanying basic financial statements as hospital operating revenues. Uncollected amounts are reported as Accounts Receivable. Claims for these programs are subject to audit by State and/or Federal agencies.

Intergovernmental Transfers

The County of Los Angeles provides funding for the State's share of the Medicaid Demonstration Project Supplemental Project Pool (SPP) and a portion of the State's share of the SB 855 and SB 1255 programs by transferring funds to the State from the County's General Fund. These transferred funds are referred to as intergovernmental transfers (IGT) and are used by the State to draw down federal matching funds. The IGT funds transferred to the State by the County and the matching federal funds are utilized by the State to provide supplemental funding to the County, and in some instances other providers, under the SPP, SB 855 and SB 1255 programs.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Intergovernmental Transfers-Continued

The transfer of County General Funds to the State (IGT) is initially recorded as a health expenditure of the General Fund. At the time the Hospitals recognize the supplemental funding received (net patient services revenue) under one of the aforementioned programs, the General Fund distributes the cost of the IGTs to each of the Hospitals. This cost is reflected as a non-operating expense by each Hospital in its Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2004, the cost of the IGTs and the supplemental funding received are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project (SPP)	$ 53,323	$ 113,333
SB 855	425,509	621,949
SB 1255	438,475	852,475
Total	$ 917,307	$1,587,757

Charity Care

Charity care includes those uncollectible amounts, 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, 2004, based on established rates, is as follows (in thousands):

Charges forgone	$1,456,953
Less: Federal and State subventions	13,086
Net charges forgone	$1,443,867

Restructuring of the County's Health Care Delivery System

As indicated in the "Medicaid Demonstration Project Extension" segment of this note, the County's augmented reimbursement for health services is scheduled to expire during fiscal year 2004-2005. To address projected budget deficits, the Board approved a strategic plan in January 2002 that provided several options for a redesigned Health Care Delivery System (System). The plan established the direction for the System's restructuring and included the immediate closure of five health centers, a two-phased administrative reduction, and the consolidation of certain clinical services.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Restructuring of the County's Health Care Delivery System-Continued

In June 2002, the Board adopted a redesign plan that contemplates a System based on four acute hospitals, the closure of an additional 11 health centers, and additional reductions focused on narrowing the projected deficit. The Board and County management are continuing to work closely with federal and State officials to collaborate on the resolution of the projected deficit, the restructuring process, and other matters that impact the viability of the System.

The Department's June 26, 2002, Proposed Savings Plan included reducing LAC+USC Medical Center by 100 acute beds and reducing the County's contribution to Rancho Los Amigos National Rehabilitation Center (Rancho) by either implementing an alternative governance structure or, failing that, by closing the hospital. As of June 30, 2004, the Department has not been able to implement either of these plans because of a preliminary injunction issued by a federal district court prohibiting any service reductions at these two facilities.

The County's cost of operating Rancho is approximately $60.4 million per year and the County's cost of maintaining the 100 beds at LAC+USC Medical Center is approximately $31.9 million per year.

12. 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, 2004.

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, 2004 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 3,085
	Flood Control District	4,648
	Public Library	2,465
	Regional Park and Open Space District	3,593
	Internal Service Funds	5,773
	Harbor UCLA Medical Center	55,884
	Olive View UCLA Medical Center	32,688
	LAC+USC Medical Center	227,175
	M.L. King/Drew Medical Center	26,044
	High Desert Hospital	5,323
	Rancho Los Amigos Medical Center	43,271
	Nonmajor Enterprise Funds	317
	Nonmajor Governmental Funds	44,633
		454,899

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Fire Protection District	General Fund	5,600
	Flood Control District	2
	Internal Service Funds	4
	LAC+USC Medical Center	30
	Nonmajor Governmental Funds	16
		5,652
Flood Control District	General Fund	57
	Internal Service Funds	10,237
	Nonmajor Governmental Funds	47
		10,341
Public Library	General Fund	1,166
	Nonmajor Governmental Funds	444
		1,610
Regional Park and Open Space District	General Fund	208
Internal Service Funds	General Fund	8,637
	Fire Protection District	28
	Flood Control District	14,303
	Public Library	6
	Regional Park and Open Space District	5
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	60
	M. L. King/Drew Medical Center	5
	Rancho Los Amigos Medical Center	41
	Nonmajor Enterprise Funds	3,872
	Nonmajor Governmental Funds	25,570
		52,529
Harbor UCLA Medical Center	General Fund	114,133
	Fire Protection District	25
	Olive View UCLA Medical Center	11,539
	LAC+USC Medical Center	1
	M.L. King/Drew Medical Center	104
	Rancho Los Amigos Medical Center	34
	Nonmajor Governmental Funds	27,534
		153,370

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Olive View UCLA Medical Center	General Fund	85,335
	Fire Protection District	16
	Harbor UCLA Medical Center	446
	LAC+USC Medical Center	11
	High Desert Hospital	67
	Rancho Los Amigos Medical Center	4
	Nonmajor Governmental Funds	10,509
		96,388
LAC+USC Medical Center	General Fund	247,932
	Fire Protection District	49
	Internal Service Funds	8
	Harbor UCLA Medical Center	4,517
	Olive View UCLA Medical Center	2,653
	M.L. King/Drew Medical Center	2,545
	High Desert Hospital	1,709
	Rancho Los Amigos Medical Center	477
	Nonmajor Governmental Funds	86,567
		346,457
M. L. King/Drew Medical Center	General Fund	93,833
	Fire Protection District	35
	Harbor UCLA Medical Center	6
	Olive View UCLA Medical Center	28
	LAC+USC Medical Center	434
	Rancho Los Amigos Medical Center	5
	Nonmajor Governmental Funds	18,547
		112,888
High Desert Hospital	General Fund	10,525
	Harbor UCLA Medical Center	35
	Olive View UCLA Medical Center	3
	M. L. King/Drew Medical Center	2
		10,565
Rancho Los Amigos Medical Center	General Fund	45,533
	Flood Control District	2
	LAC+USC Medical Center	5
		45,540
Nonmajor Enterprise Funds	General Fund	14
	Internal Service Funds	804
		818

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	2,662
	Flood Control District	557
	Public Library	404
	Internal Service Funds	8,664
	Olive View UCLA Medical Center	3,248
	Nonmajor Governmental Funds	7,713
		23,248
Total Interfund Receivables/Payables		$1,314,513

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the six 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, 2004 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 18
	Public Library	25,566
	Internal Service Funds	247
	Harbor UCLA Medical Center	81,570
	Olive View UCLA Medical Center	77,671
	LAC+USC Medical Center	236,710
	M.L. King/Drew Medical Center	109,762
	High Desert Hospital	29,469
	Rancho Los Amigos Medical Center	47,203
	Nonmajor Governmental Funds	106,907
		715,123
Fire Protection District	Nonmajor Governmental Funds	6,816
Flood Control District	Internal Service Funds	1,306
	Nonmajor Governmental Funds	17,521
		18,827
Public Library	General Fund	4,070
	Nonmajor Governmental Funds	793
		4,863

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Regional Park and Open Space District	Nonmajor Governmental Funds	38,888
Internal Service Funds	General Fund	1,631
Olive View UCLA Medical Center	Nonmajor Governmental Funds	311
M. L. King/Drew Medical Center	Harbor UCLA Medical Center	6
	Nonmajor Governmental Funds	95
		101
Nonmajor Enterprise Funds	Internal Service Funds	252
	Nonmajor Governmental Funds	8,228
		8,480
Nonmajor Governmental Funds	General Fund	70,312
	Public Library	332
	Internal Service Funds	2,354
	Harbor UCLA Medical Center	27,629
	Olive View UCLA Medical Center	7,406
	LAC+USC Medical Center	87,266
	M.L. King/Drew Medical Center	18,547
	Nonmajor Governmental Funds	22,468
		236,314
Total Interfund Transfers		$ 1,031,354

Short-term Advances

Advances from/to other funds at June 30, 2004 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 3,863
	Harbor UCLA Medical Center	63,797
	Olive View UCLA Medical Center	69,569
	LAC+USC Medical Center	44,094
	M.L. King/Drew Medical Center	85,679
	High Desert Hospital	2,868
	Rancho Los Amigos Medical Center	2,358
		272,228
Flood Control District	Internal Service Funds	6,712
Nonmajor Enterprise Funds	Internal Service Funds	1,173
Nonmajor Governmental Funds	Internal Service Funds	10,252
Total Short-term Advances		$ 290,365

12. INTERFUND TRANSACTIONS-Continued

Short-term Advances-Continued

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.

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

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

- 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 6.

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

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

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

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

The following schedule is a reconciliation of the budgetary and GAAP fund balances (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 872,284	$ 71,543	$ 15,102	$ 4,418	$ 125,761
Reserves and designations	1,009,571	14,093	109,997	6,949	114,126
Subtotal	1,881,855	85,636	125,099	11,367	239,887
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	99,422	(254)		127	
Reversal of accrued vacation and sick leave benefits	39,501				
Deferral of unearned investment income	(24,155)	(1,193)		(265)	
Change in revenue accruals	(108,896)	(15,765)	(4,816)	(2,092)	(1,313)
Subtotal	5,872	(17,212)	(4,816)	(2,230)	(1,313)
Fund balance - GAAP basis	$1,887,727	$ 68,424	$ 120,283	$ 9,137	$ 238,574

14. COMMITMENTS

Construction Commitments

At June 30, 2004, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately $367,061,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2004, LACERA had outstanding capital commitments to various investment managers, approximating $2,340,000,000. Subsequent to June 30, 2004, LACERA funded $110,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2004, the County had open trade commitments (forward contracts) with various brokers to purchase investments approximating $190,423,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2004 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 20, 2004, the County had purchased such investments.

15. 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 2002-2003 or 2003-2004.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation and long-term disability, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2004 were approximately $2.557 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2004. Approximately $256 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code. Workers' compensation benefits and their related costs are significantly influenced by State laws and regulations. State legislation and legal decisions have lengthened the duration of claims managed by the County. In addition, the County's program has experienced significant increases in medical and litigation expenses, as well as growth in utilization rates.

As of June 30, 2004, the County's best estimate of these liabilities is $3.163 billion. Changes in the reported liability since July 1, 2002 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2002-2003				
Workers' Compensation	$ 1,703,620	$ 855,142	$ 274,137	$ 2,284,625
Other	594,040	226,814	87,726	733,128
Total 2002-2003	$ 2,297,660	$ 1,081,956	$ 361,863	$ 3,017,753
2003-2004				
Workers' Compensation	$ 2,284,625	$ 646,922	$ 374,946	$ 2,556,601
Other	733,128	60,458	186,793	606,793
Total 2003-2004	$ 3,017,753	$ 707,380	$ 561,739	$ 3,163,394

15. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $204 million (including the $98 million discussed in Note 11) are possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

In addition to the aforementioned lawsuits, there are unasserted claims approximating $150 million as a result of a federal court decision which ordered the California Secretary of State to decertify the use of punch card voting systems. The County has implemented an interim paper-based voting system to replace the punch card system and is continuing to evaluate new technologies in this area.

In November 2003 and May 2004, the Secretary of State issued directives that will require all existing and new touch screens to have an accessible voter verifiable paper audit trail. In the opinion of County Counsel, it is reasonably possible for the County to incur costs of approximately $150 million to comply with the regulatory requirements if the County were to replace the current paper-based voting system to a touch screen voting system. However, it is also reasonable to assume that both federal and State funding would be available to offset at least a portion of such costs. During 2003-2004, the County received approximately $15.8 million from the State as advance funding to comply with some of the new requirements. County management believes that the timing of this matter is uncertain and its final outcome will not have a material affect on the County's financial condition.

Litigation Related to Pension Benefits

In addition to the aforementioned claims, the County and LACERA have been named as defendants in a number of lawsuits that seek to expand the types of employee benefits which are applied in determining pension compensation. On July 20, 2000, the Superior Court held that the following items are not includable in pension compensation: 1) the cash-out of accrued benefits (primarily unused vacation and sick leave benefits), 2) flexible benefit plan payments for insurance benefits, and 3) employer payment of member-required contributions to LACERA.

The Court subsequently held that certain contributions and benefits must be applied retroactively in Los Angeles County.

On July 11, 2003, the California Court of Appeal affirmed the trial court judgment in all respects. The California Supreme Court denied review and the judgment is now final.

LACERA's actuary has estimated that the present value of benefit increases required by the judgment is approximately $190 million and represents an unfunded actuarial accrued liability (UAAL). This estimate was included in the actuarial valuation of the County's pension plan conducted as of June 30, 2003. Revised County contribution rates were recommended by the actuary and included a provision to fund the UAAL over a rolling thirty year period. On May 18, 2004, the Board of Supervisors adopted the revised employer contributions that were recommended by the actuary and those rates became effective July 1, 2004.

16. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition. Accordingly, there is uncertainty about the validity of taxes currently being collected and as of June 30, 2004, a portion ($190 million) of the general fund's designation for budgetary uncertainties pertained to such collections.

17. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2004, the County issued $600,000,000 in 2004-05 TRANS which will mature on June 30, 2005. The TRANS are collateralized by taxes and other revenues attributable to the 2004-05 fiscal year and were issued in the form of Fixed Rate Notes at an interest rate of 1.6%.

Capital Asset Leasing Corporation Lease Revenue Bonds, 2004 Series A

On August 17, 2004, the Corporation issued $12,240,000 in lease revenue bonds. The bond proceeds, collected lease revenue and unexpended equipment acquisition funds were used to retire $20,000,000 in outstanding bond anticipation notes. The bonds were issued in conjunction with the operations of the Equipment Acquisition Internal Service Fund and will be repaid through equipment rental charges received from various other County funds. The bonds mature from December 2004, to December 2007, with interest rates ranging from 2.50% to 4.00%.

Tax-Exempt Commercial Paper

On August 20, 2004 and September 29, 2004, the Los Angeles County Capital Asset Leasing Corporation issued an additional $26,000,000 and $34,000,000, respectively, in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of the LAC+USC Medical Center Replacement Project.

The commercial paper, which was initially issued at an average rate of 1.22% and 1.69%, respectively, is secured by a long-term lease of County real estate and a letter of credit. The County pays debt service in the form of lease payments.

Capital Asset Leasing Corporation Bond Anticipation Notes

On August 24, 2004, the Corporation issued a $5,000,000 Bond Anticipation Note with an initial interest rate of 2.14%. The rate is adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2007. Proceeds of the note are being used to purchase equipment. The note is to be repaid from the proceeds of lease revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited - See accompanying independent auditors' report)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded/ (Overfunded) AAL [UAAL/(OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/(OAAL) as a Percentage of Covered Payroll ((b-a)/c)
06/30/01	26,490,000	26,489,976	(24)	100.0%	4,398,443	0.0%
06/30/02	28,262,129	28,437,493	175,364	99.4%	4,744,340	3.7%
06/30/03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%

APPENDIX C

LOS ANGELES COUNTY CALABASAS LANDFILL LINER CONSTRUCTION PROJECT CONSULTING ENGINEER'S FEASIBILITY REPORT

COUNTY OF LOS ANGELES

CALIFORNIA

December 15, 2005

Los Angeles County Treasurer
432 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

RE: Los Angeles County Calabasas Landfill Liner Construction Project Consulting Engineer's Feasibility Report

Ladies and Gentlemen:

HDR Engineering Inc. ("HDR") is pleased to submit this consulting engineering report to Los Angeles County, California (the "County") on the Calabasas Landfill Liner Construction Project (the "Project") for the proposed issuance of $38,550,000[1] Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project) Series 2005 (the "Series 2005 Bonds"), pursuant to an Indenture, dated as of December 1, 2005 between the Los Angeles County Public Works Financing Authority (the "Authority") and Deutsche Bank National Trust Company (the "Trustee"). It is our understanding that the proceeds from the Series 2005 Bonds will be used to provide funds for the Project, a debt service reserve fund and certain expenses associated with the issuance of the Series 2005 Bonds.

Summary

The County's solid waste management system (the "Regional System") includes the Calabasas Landfill (the "Landfill"), transfer stations, recycling operations and other related programs and administration activities. The Landfill provides disposal capacity for the communities of Agoura Hills, Calabasas, Hidden Hills, Malibu, and Westlake Village, the north-western portion of the City of Los Angeles, the western portion of the unincorporated County and the southern portion of Ventura County (the "Service Area"). This report summarizes our review, investigation and analysis of the feasibility of the proposed Project with consideration of specific technical and economic aspects of the Regional System and certain relevant aspects of the collection, transfer and disposal of municipal solid waste generated in the Service Area, as of the date of such report.

Project Overview

The Landfill is located between the cites of Agoura and Calabasas, California, north of the Ventura Freeway (U.S. 101) in unincorporated Los Angeles County, within the Santa Monica Mountains National Recreation Area and near the County border with Ventura County. The Landfill has been operated since 1961 on County property by the County Sanitation District No. 2 of Los Angeles County (the "District No. 2") pursuant to a Joint Powers Agreement (the "Agreement") between the District No. 2 and the County.

The Landfill has a remaining permitted disposal capacity of approximately 9.72 million tons as of July 1, 2005. However, in order to access this remaining capacity within the permitted disposal footprint of the Landfill, new landfill liners and liquids collection and removal systems ("LCRS") in the undeveloped areas of the Landfill must be installed. The Project will involve the excavation of approximately 8.1 million cubic yards of soil and the installation of 52.3 acres of liner and 0.5 million cubic yards of engineered fill. Once the new liner is in place, the Landfill will have access to the vertical airspace capacity in the existing developed area, as well as horizontal capacity in the newly developed areas. After Project completion, the Landfill is

[1] Preliminary subject to change

expected to provide disposal capacity through FY2023, based the estimated annual waste deliveries. Since the Landfill capacity is based on volume, this life will vary depending on the actual annual waste deliveries.

The Project is being designed by the District No. 2's engineering staff in three phases. The Phase I liner and LCRS has been constructed under a construction agreement (the "Construction Contract") with Sukut Construction, Inc. with the use of money advanced by the County on an interim basis. Phase IIA has been designed, bids have been received and construction is expected to be completed in August 2006, 5-6 months after notice to proceed. Phase IIB is expected to be designed and constructed in 2008, (see construction schedule - page 27 and cost breakdown - page 35).

The references, excerpts and summaries contained herein of the various Regional System agreements and other referenced documents do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact where any detailed information is required. Various Regional System documents are also summarized in the Official Statement to which this report is attached. Capitalized terms not defined herein have the meanings as set forth in such documents.

In preparation of this report, we have used and relied upon certain information provided to us by sources, which we believe to be reliable, and have made certain assumptions with respect to conditions that may exist or events that may occur in the future. While these assumptions are reasonable for the purpose of this report, they are dependent upon future events and actual conditions may differ from those assumed. Some assumptions will possibly not materialize as stated herein or may vary significantly due to unanticipated or uncontrollable events and circumstances. To the extent that actual future conditions differ from those assumed herein or provided to us by others, the actual results may vary from those forecast. Any statements made in this report involving opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact or representations that such estimates will be realized.

Conclusions

During the preparation of this feasibility report, we have reviewed the following information related to the Project: (i) the available preliminary Project layouts and schematic landfill configurations; (ii) available solid waste delivery data; (iii) Project and Landfill permits; (iv) publicly available rate information on competing facilities and (v) other information made available to us pertaining to the Project which we deemed necessary to prepare this feasibility report. Furthermore, we are knowledgeable about the design, construction and operation of landfill facilities and have evaluated operating facilities in the United States for more than 30 years.

Based on this information, HDR's experience and analyses conducted during the preparation of this report and subject to the assumptions expressed herein, HDR is of the opinion that:

1. The Project has been developed based on a well-conceived, technically-sound design and the procurement process has been advanced cooperatively by the County and District No. 2. The Project can be expected to provide an environmentally-sound, long-term disposal option for the Service Area, provided it is constructed, operated and maintained in accordance with the current design specifications and regulatory standards.
2. District No. 2 has the demonstrated management and technical experience to implement the Project in accordance with the projected schedule. The Landfill is being operated and maintained using sound landfill operating practices and District No. 2 has maintained good community relations.

3. The Project construction cost estimates and construction schedules are reasonable and are based on the results of other construction projects at the Landfill, using similar construction bidding processes. The construction schedules provide for the timely construction of the Project, barring any delays due to unforeseen events.
4. The useful life of the Landfill will vary depending on the annual tonnage delivered to the Landfill for disposal, actual compaction densities achieved, and efficient use of daily and intermediate cover material used. However, the remaining Landfill disposal capacity estimate of 9.27 million tons as of June 30, 2005 is based on reasonable assumptions. After Project completion, the Landfill is expected to provide disposal capacity through FY2023, based upon the estimated annual waste deliveries. Since the Landfill capacity is based on volume, this life will vary depending on the actual annual waste deliveries.
5. The quantity of waste generated in the Services Area is sufficient to operate the Landfill at the projected levels. The projected estimates of waste deliveries to the Landfill are reasonable based on the current delivery trends and are reasonably expected to be realized, if the Landfill is operated in a businesslike manner.
6. All environmental permits and Project permits and approvals required for the construction of the Project and the operation of the Landfill have been obtained and are current.
7. The estimated annual Landfill operating expense and revenue projections, which are based on the average historical operating experience, are reasonable barring the occurrence of any unforeseen circumstance.
8. The tip fee increases as a result of the Project are expected to be competitive to tip fees offered at other disposal facilities in the region considering increased travel distances and transportation costs.
9. The projected Net Revenues should be adequate to cover the Landfill operating expense and Base Rental payments under the Sublease, at the expected waste delivery levels. If market conditions change resulting in significantly lower waste deliveries, the County and District No. 2 have several potential options available to supplement tip fee revenue reductions, including implementing tonnage-related cost efficiency reductions (*i.e.,* staffing & equipment levels), delaying routine capital improvements, accepting waste from outside the Service Area and using competitive pricing strategies to attract additional volume.

Introduction

Historical Background

Following World War I, the rapid growth in population and the industrial expansion in Southern California resulted in an overloading of the sewage treatment facilities that were available in many of the newly established communities. This was particularly true in the County, where the greatest expansion was experienced. Public demand for all utilities was acute, especially the demand for adequate sewage collection, treatment and disposal facilities.

A regional approach to this dilemma appeared to offer the best solution and, as a result, the County Sanitation District Act (the "Act") was passed in 1923 by the California State Legislature. Under this Act, the board of supervisors of any county was authorized to form a sanitation district with boundaries determined by geographic and topographic drainage areas without regard to existing political subdivisions. Initially, the primary focus of a district was to construct, operate and maintain facilities for the collection, treatment and disposal of sewage and industrial wastes. In 1949, the Act was amended to allow sanitation districts to participate in solid waste transfer and disposal. The responsibility for collection of solid waste remained with the local community authorities.

In 1957 the Board of Supervisors of Los Angeles County banned by ordinance the use of backyard burning of solid waste in order to reduce smog. This action increased the volume of solid waste requiring disposal. As a result, the County entered into a number of agreements with the County Sanitation Districts of Los Angeles (the "Sanitation Districts") and several cities in regard to the development of a network of publicly-owned and operated sanitary landfills and a refuse transfer station to provide an integrated Regional System. These facilities, including the Landfill, are located throughout the metropolitan areas of the County and provide solid waste management services for the County in conjunction with privately-owned and operated sites. The following paragraphs describe the Regional System organization and the institutional arrangements developed to implement the Regional System.

Description of Project Participants

The following description of the principal Project participants is based on information provided by each participant and obtained from publicly available information on the participant's experience and qualifications regarding the performance of their respective obligations under the various Project Documents.

The County

Los Angeles County was established Feb. 18, 1850. Los Angeles County is one of the nation's largest counties with 4,084 square miles. It is bordered on the east by Orange and San Bernardino Counties, on the north by Kern County, on the west by Ventura County, and on the south by the Pacific Ocean, with an 81 miles long coastline. It has the largest population (10,226,506 as of January 2005) of any county in the nation. Approximately 28 percent of California's residents live in Los Angeles County.

The Board of Supervisors, created by the state Legislature in 1852, is the governing body. Five supervisors are elected to four-year terms by voters within their respective districts. The Board has executive, legislative and quasi-judicial roles. It appoints all department heads other than the assessor, district attorney and sheriff, which are elective positions.

There are 88 cities within the County, each with its own city council. All of the cities, in varying degrees, contract with the County to provide municipal services. Thirty-seven contract for nearly all of their municipal services. More than 65 percent of the County is unincorporated area.

District No. 2 and the Sanitation Districts

As a result of the Act, as amended, there are 22 active sanitation districts within the County of which each is an individual special district. Each Sanitation District has a separate Board of Directors consisting of the Mayor of each city within that district and the Chair of the Board of Supervisors for county unincorporated territory.

Due to the need for coordination, an agency known as the Sanitation Districts was formed among 25 of the separate sanitation districts working cooperatively under a Joint Administration Agreement. An oversight board, consisting of representatives from each of member sanitation districts, was formed to set policy for the Sanitation Districts. Pursuant to the Joint Administration Agreement, District No. 2 was designated to provide for the administration and engineering support for all member Sanitation Districts with a District No. 2-led administrative staff headquartered near the City of Whittier. Each sanitation district pays for its proportionate share of joint administrative costs of District No. 2. The Sanitation Districts serve about 5.1 million people in Los Angeles County over a service area that covers approximately 800 square miles and encompasses 78 cities and the unincorporated territory within the County.

The Sanitation Districts construct, operate, and maintain facilities to collect, treat, recycle, and dispose of sewage and industrial wastes. The Sanitation Districts also provide for the management of solid wastes, including disposal, transfer operations and materials recovery. In order to provide these services to the various sanitation districts, the Sanitation Districts have assembled an extensive staff to design, operate and maintain these systems with an overall budget of approximately $800 million for all the services provided by the Sanitation Districts.

The Sanitation Districts operate a comprehensive solid waste management system serving the needs of a large portion of Los Angeles County. This system includes sanitary landfills, recycling centers, transfer/materials recovery facilities, and gas-to-energy facilities. Three active sanitary landfills manage approximately 19,500 tons per day ("tpd") of which 16,000 tpd are disposed (approximately 40% of the County-wide disposal capacity) and 3,500 tpd are recycled. The Sanitation Districts also operate three landfill gas-to-energy facilities, two recycling centers, and three transfer/materials recovery facilities and participates in the operation of two refuse-to-energy facilities. In addition, the Sanitation Districts maintain closed sanitary landfill sites, and through joint powers agreements, participate in the operation of two refuse-to-energy facilities.

Comprehensive Planning and Authority

The Landfill is a cooperative effort of the County and the Sanitation Districts where the Sanitation Districts operate the Landfill on land owned by the County pursuant to the Agreement. The primary purpose of the Landfill is to provide for the management of solid waste from the nearby cites and communities in an environmentally sound and cost-effective manner.

On January 8, 1991, the County passed an ordinance (Ordinance No. 91-0003) limiting the use of the site to a wasteshed comprised of the cities of Calabasas, Hidden Hills, Agoura Hills, Westlake Village and Thousand Oaks, as well as a portion of the City of Los Angeles and certain unincorporated areas of Los Angeles County and Ventura County. The City of Malibu, which incorporated after the wasteshed was created, is within the previously created boundaries of the wasteshed and is therefore permitted to use the Landfill also.

The County has approved and issued several land use permits for the Landfill. The first Zone Exception Case (No. 3349-5, originally approved in 1958) provided that the original 300 acre

parcel could be operated as a refuse disposal site. The second Zone Exception Case (No. 8477-(5), approved in 1968) provided that an additional 80 acre parcel purchased by the Sanitation Districts in 1966 and later quitclaimed to the County, could be used as part of the disposal operation. The second parcel acquired for landfilling purposes was a 36 acre parcel, purchased by the Sanitation Districts in 1972 and later quitclaimed to the County. Its use for refuse disposal was granted under a Conditional Use Permit (No. 5022-5), which was approved in August 1972. A third parcel of approximately 89 acres was acquired to provide a new access road into the site in 1983. This parcel can not be used for disposal operations, but provides a buffer between nearby residences and locations for groundwater monitoring wells.

Organizational Agreements

Joint Powers Agreement

The Agreement was initially executed on November 1, 1960 for the purpose of acquiring the property for the Landfill development with the intention of providing a regional disposal facility that could function as a recreational facility after landfill closure. Under the Agreement, the County provided the initial capital for the purchase of the property and equipment and for development of the site. The District No. 2 was responsible for the design and installation of the facilities necessary to commence and continue the landfill operations. The prices charged for disposal are currently determined and charged by the District No. 2 at such levels necessary to provide for the development, maintenance and operation of the Landfill including sufficient monies to provide for necessary capital improvements and equipment replacement and to reimburse the County for its initial capital investment. Furthermore, funds are set aside for the redevelopment of the site, after landfill closure as a recreational facility, are also funded from Landfill revenues.

The Agreement has been amended from time to time in order to modify certain provisions or extend the agreement as follows:

- April 1, 1966 – To establish specific trust funds to meet the reserve requirements and establish requirement for additional land acquisition needed for landfill expansion.
- January 20, 1976 – To provide for the District No. 2 to quitclaim to the County the 80-acre and 36-acre parcels of land described above subject to continued District No. 2's use for landfill operations until such time as they are no longer needed.
- February 13, 1991 – To establish the limitations on the wasteshed as required under Ordinance No. 91-0003 (the “Waste-shed Ordinance”).
- June 29, 1999 – To incorporate the 89-acre parcel purchased in 1983 into the Agreement, designate closure and post closure responsibilities, allow for the development of the economic value of landfill gas, and extend the term of the landfilling activities until December 31, 2012 and annually extended thereafter until terminated by mutual agreement or the Landfill has reached final capacity.
- 2005 -To provide for the definitional modifications to the Agreement necessary for the financing of the Series 2005 Bonds.

Site Lease and Sublease

The County has entered into a lease/sublease agreement (the “Lease” and “Sublease”) with the Los Angeles County Public Works Financing Authority (the “Authority”) which leases the site and improvements from the County in consideration for advance rent payments by issuance of the Series 2005 Bonds and subsequently subleases the site and its buildings, fixtures and

improvements back to the County for its use. The Authority simultaneously provides the transfer of certain of its rights, title and interest to the Trustee, pursuant to the Sublease as security for the Series 2005 Bonds. The debt service payments for the Series 2005 Bonds will paid in the form of rent payments from the Landfill revenues.

Under the terms of agreements, the Series 2005 Bonds will be payable from Revenues (as defined in the Indenture), which consist of Base Rental and Additional Rental payments. Base Rental and Additional Rental are payable first from Net Revenues. The County and District No. 2 have agreed in these agreements to fix from time to time the prices to be charged for the disposal of refuse at the Landfill, as determined by the County, after consultation with and advisement from District No. 2, meet their obligations under these agreements. The County has agreed to set prices that will be sufficient to produce revenues, which are adequate to fund the Sanitation District's immediate requirements for the Landfill, including (1) to provide and pay for the District No. 2's cost of site development and implementation, operation and maintenance, site beautification, closure, post-closure maintenance including financial assurances as required by law, and, if necessary, liabilities and obligations assumed in agreements with others of the rights and powers granted to District No. 2 in the Agreement with respect to landfill gas generated at the Facility, (2) to fund the Net Economic Benefits Account (as provided in the Agreement), and (3) to produce Net Revenues (as defined in the Agreement) sufficient to pay debt service on the Series 2005 Bonds for each Bond Year, including provision for payment of the next succeeding installment of payments on the Series 2005 Bonds. The obligation of the County to make Base Rental or Additional Rental payments under the Sublease (as defined in the Official Statement) does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation.

Inter-local Waste Agreements

There are no inter-local agreements between the Sanitation Districts and the various communities in the Service Area relating to the delivery of waste to the Landfill.

Landfill Service Area, Quantities and Control

Landfill Service Area

The Landfill service area consists of approximately 300 square miles in western Los Angeles County and southeastern Ventura County. Municipal solid waste from portions of the County and Ventura County is disposed at the Landfill. A general location map of the Service Area boundaries is provided in Figure 1.

FIGURE 1 – SERVICE AREA BOUNDARIES

Service Area Population Projections

Los Angeles County and Ventura County have populations of approximately 10,226,506 and 813,052 people, respectively as of January 1, 2005. Population growth estimates, by the California State Department of Finance Demographic Research Unit, indicate that the population in these counties is currently increasing by approximately 1.1 to 1.2 percent per year. However, the population projections by city for the Service Area provided by the Southern California Association of Governments ("SCAG") indicate that this rate is expected to slow to between 0.5 and 1 percent per year as shown in Table 1.

TABLE 1 – SCAG POPULATION GROWTH PROJECTIONS

Area	2000	2005	2010	2015	2020	2025	2030
Los Angeles city	3,711,969	3,950,347	4,090,125	4,147,285	4,203,702	4,257,771	4,309,625
Agoura Hills city	20,622	21,998	21,998	22,000	22,000	22,000	22,000
Calabasas city	20,121	21,892	23,223	24,222	25,224	26,222	27,200
Hidden Hills city	1,891	2,000	2,000	2,000	2,000	2,000	2,000
Malibu city	12,656	13,471	13,721	14,546	15,370	16,196	17,000
Unincorporated Los Angeles Co	72,900	81,875	91,643	100,126	108,935	117,104	124,422
Westlake Village city	8,403	9,126	9,711	9,734	9,756	9,778	9,800
Thousand Oaks city	117,418	126,272	129,992	131,463	132,925	134,322	135,661
Unincorporated Ventura Co	93,111	95,859	98,122	101,425	104,680	107,817	110,827

Note: Population data for City of Los Angeles and Unincorporated Ventura County represent the entire city/county population.
Only a fraction of this population can use the Calabasas Landfill pursuant to Wasteshed Ordinance.
Source: Southern California Association of Governments

Population growth is considered the most influential factor in predicting future waste generation trends. In a stable solid waste, management system, waste can generally be expected to grow at the population growth rate with fluctuations related to economic conditions and changes in the employment mix within the service area. However, all of the communities in both Los Angeles and Ventura counties are still attempting to expand their waste diversion programs to meet the State's 50 percent 2000 diversion goal, under AB939 – Integrated Waste Management Act (see further description on Page 8). These diversion efforts will likely reduce the amount of waste directed to disposal facilities thereby countering somewhat the waste generation growth due to population.

Waste Collection Practices

Residential and commercial collection in the unincorporated areas of the County and commercial waste collection within the City of Los Angeles (the "City) is provided on a subscription basis by a multitude of private haulers *(i.e.,* service agreements with each waste generator). The City has several permitting requirements regarding the compliance with City regulations including the meeting of state recycling objectives and the payment of certain licensing fees and operation fees. The City provides residential waste collection services in certain areas. The City has a contract with Allied Waste for disposal of approximately 3,600 tons per day of residential waste at the Sunshine Canyon Landfill, which unless extended will expire in July 2006.

The other cites in the Service Area provide residential and commercial waste collection services through franchise agreements. These agreements place restrictions on the services provided and limit the rates that can be charged for those services. The franchise agreements and municipal codes in all but Malibu allow the municipality to designate the disposal location.

The municipalities within the Service Area have traditionally designated or encouraged the Landfill as the disposal location for privately-collected waste, although there has been no contractual obligation to do so.

Recycling Programs and Requirements

The State of California has instituted a series of significant legislation and regulations to encourage recycling and waste diversion programs to minimize the quantity of waste that is disposed in landfills and to maximize the recovery of recyclable materials. During the 1990's this resulted in a significant reduction in the quantities of waste disposed in landfills. The following paragraphs provide a discussion of the key initiatives that have historically impacted the waste quantities received at the landfill.

AB939-Integrated Waste Management Act

The California Integrated Waste Management Act of 1989 ("AB939") required each city, or county to prepare and adopt an Integrated Waste Management Plan on or before July 1, 1991 including a source reduction and recycling element ("SRRE"). The SRRE was to include an implementation schedule, which showed how the cities and counties would divert 25 percent of all solid waste from landfill or combustion facilities by 1995 and divert 50 percent by 2000. Under AB939, governmental units were allowed to include a credit for "transformation" or volume reduction using waste-to-energy facilities. This credit is capped at 10 percent. The law includes a $10,000 per day penalty provision for not attempting to meet the goal. It is not clear at this time whether the California Integrated Waste Management Board ("CIWMB") will invoke the penalties allowed by the law for failure to attempt to meet these diversion goals. However, the CIWMB has recently begun issuing compliance orders for non-compliant jurisdictions.

AB939 requires that each jurisdiction must have a disposal capacity component with at least 15 years of disposal capacity within their jurisdiction or have an agreement with another jurisdiction to provide this capacity. This has prompted other municipalities in the County to pursue a means of meeting this requirement.

AB1760- Metallic Waste Recovery

Legislation enacted in 1991 prohibited solid waste facilities from accepting any major appliance, vehicle or other metal discard for disposal if it was economically feasible to salvage the metallic waste for commercial recycling. This legislation became effective after January 1, 1994. In addition, AB1760 required the removal of certain hazardous materials (i.e., sodium azide canisters, PCBs or CFC refrigerants) from the metallic waste prior to transportation or recycling.

Waste Disposal

Community Disposal Data

The CIWMB requires each municipality to report the disposal location for all non-recycled waste. The Sanitation Districts provided waste disposal information for the City, the unincorporated and incorporated areas of the Service Area. Historical data on the principal disposal portion of the waste stream (i.e., MSW Waste) delivered to the Landfill by community is presented in Table 2. A review of the 2004 data indicates that the Landfill received approximately 56 percent of its waste from the City of Los Angeles, approximately 24 percent from Los Angeles County and 9 percent from Ventura County. Another 11 percent comes from unassigned sources or from transfer stations that receive an aggregated waste stream from various Service Area locations.

A review of this data shows that waste delivery from the various communities within the City of Los Angeles increased more than one hundred percent since 2001. This Landfill disposal trend is the result of a number of economic and business market factors including changes in haulers, increasing transportation costs (fuel), improvements in the general economy (increased generation) and differences in disposal fees. During the 1990's, the waste deliveries from the City of Los Angeles Department of Sanitation declined due to the Waste disposal contract with the Sunshine Canyon Landfill. It is expected to grow despite the fact that the City Sanitation Department no longer delivers a significant portion of the waste stream. In addition, the communities have increased pressures on haulers to use local material recovery and disposal facilities, and State reporting requirements regarding the diversion and disposal quantities have created additional pressures, including pressures to limit imports to other wasteshed service areas. Many communities now control the rates that can be charged by the haulers through franchise agreements, which increases the incentive to use the local disposal option. These factors have resulted in some changes in delivery waste flow patterns within the region.

Earthquake Debris

The Northridge earthquake that occurred on January 17, 1994 resulted in the generation of significant quantities of debris from clean up and demolition activities within the Landfill waste shed area. In order to preserve landfill capacity, the Sanitation Districts contracted with a company to process incoming earthquake debris to remove recyclable materials. Earthquake debris processing diverted approximately 205,000 tons of material from normal disposal in the landfill. However, for the period fiscal years 1994 to 1996, tonnages disposed in the landfill did increase significantly. For example, in fiscal year 1993 tonnages were at 699,000 tons per year, in fiscal year 1994 tonnages increased to 841,000 tons per year. If a similar event were to occur in the future, it could reduce the life expectancy of the Landfill.

TABLE 2 – MSW [1] DELIVERY TONS BY COMMUNITY (CALENDAR YEAR)

JURISDICTION	2000	2001	2002	2003	2004
BRENTWOOD/LA CITY	2,640	2,604	2,206	2,504	3,654
CANOGA PARK/LA CITY	31,695	30,135	39,694	49,428	57,331
CHATSWORTH-LA CITY	14,310	9,093	15,993	19,143	19,215
ENCINO/LA CITY	6,503	7,673	11,011	15,229	26,461
GRANADA HILLS/LA CITY	395	544	983	1,477	2,174
LOS ANGELES	1,705	4,558	735	111	115
NORTH HILLS/LA CITY (2)	3,284	1,012	553	1,572	1,448
NORTHRIDGE/LA CITY	4,168	3,069	5,917	7,181	14,899
PACIFIC PALISADES/LA CITY	3,499	3,467	2,688	4,501	5,949
RESEDA/LA CITY	13,770	15,988	21,503	29,371	42,048
SEPULVEDA/LA CITY	215	247	468	1,164	1,249
SHERMAN OAKS/LA CITY	1,922	2,874	2,494	3,077	5,803
TARZANA/LA CITY	9,568	7,678	8,451	10,919	14,030
TOPANGA /LA CITY	4,235	3,972	3,111	2,931	3,716
VAN NUYS/LA CITY	6,336	6,944	13,878	15,484	17,068
WEST HILLS/LA CITY	6,567	5,155	8,342	10,006	11,483
WINNETKA/LA CITY	1,452	1,682	2,220	3,393	2,251
WOODLAND HILLS/LA CITY	27,523	30,888	42,927	44,755	54,624
City of Los Angeles Totals	**139,785**	**137,642**	**183,200**	**222,244**	**283,519**
AGOURA HILLS (2)	27,660	27,709	18,136	16,926	14,115
AGOURA-UNICORP	1,834	632	396	1,721	4,740
CALABASAS	49,600	48,237	48,823	50,787	57,614
HIDDEN HILLS	6,320	5,179	4,325	4,935	3,120
LA COUNTY-UNICORP	2,156	3,258	5,000	5,305	3,827
MALIBU	43,177	39,718	31,541	33,125	31,457
MALIBU/LA COUNTY UNINCORP	110	198	1,567	1,325	1,743
WESTLAKE VILLAGE (2)	16,163	9,715	7,970	6,721	4,547
WESTLAKE/LA CNTY UNICORP	160	90	173	58	1,240
Los Angeles County Totals	**147,182**	**134,736**	**117,932**	**120,904**	**122,404**
BELL CANYON/VENT UNICORP (2)	1,967	755	557	504	793
LAKE SHERWOOD/VENT UNICOR	448	465	231	386	237
MOORPARK/VENT CNTY (2)	662	761	698	254	
NEWBURY PARK/UNICORP VENT	15,306	4,525	15,420	15,891	14,382
OAK PARK/VENT UNICORP (2)	3,036	2,332	1,034	1,333	1,164
THOUSAND OAKS/VENTURACNTY	16,047	26,532	14,337	17,018	25,521
VENTURA COUNTY/UNICORP	1,143	2,622	3,344	2,493	3,006
Ventura County Totals	**38,609**	**37,992**	**35,621**	**37,880**	**45,103**
Transfer/Unassigned	**10**	**2**	**2,739**	**53,958**	**55,741**
Total MSW Waste	**325,586**	**310,372**	**339,492**	**434,986**	**506,766**

Notes: (1) MSW excludes special waste categories that are required to be handled separately including: green waste, tires, bulky-waste and recycled materials. Source: Sanitation Districts' records

(2) Certain communities in close proximity to other landfills have resulted in a decline in tonnage deliveries to the Landfill that could be attributed to increases in recycling or waste diversion to an alternate disposal location.

Disposal Data by Waste Category

The Landfill is permitted to accept mixed municipal solid waste, construction and demolition debris, industrial wastes, green waste and tires. The Landfill is permitted to use green wastes and inert demolition materials as alternate daily cover for the disposed waste. In addition, segregated asphalt materials are accepted and processed for on-site reuse primarily for internal access roads

and wet weather operating areas. Table 3 shows the historical waste deliveries by waste category and fiscal year.

TABLE 3 – DISPOSAL TONNAGE BY WASTE CATEGORY (FISCAL YEAR)

	2000/01 Net Weight (Tons)	2001/02 Net Weight (Tons)	2002/03 Net Weight (Tons)	2003/04 Net Weight (Tons)	2004/05 Net Weight (Tons)
Municipal Solid Waste	320,259.70	314,314.96	378,778.63	466,185.44	518,376.45
Solid Fill	3,367.39	3,700.35	4,159.76	4,402.41	2,097.58
Hard to Handle (Bulky)	4,728.00	4,758.51	5,003.62	7,676.20	7,912.64
Tires	2,345.68	3,084.19	3,986.74	3,217.47	2,367.85
Special Handling	78.55	63.62	98.14	84.69	96.57
Minimum	12,454.27	14,776.01	16,225.50	18,430.18	19,011.54
Manifested Loads - Others	3.88	5.67	0.00	31.63	14.40
Tires-in Non-Manifested	400.28	220.05	88.66	3.80	6.73
Tires-in Non-Manifested Mini	16.00	7.00	2.50	1.00	0.50
Tires-in Minimum	13.50	16.00	8.50	4.00	3.50
Tires/White Goods/Electronics - out	-114.18	-131.09	-210.33	-358.96	-258.78
Total Disposal Tonnage	**343,553.07**	**340,815.27**	**408,141.72**	**499,677.86**	**549,628.98**
Reuse/Removal Tonnage					
Green Waste	38,775.28	51,395.79	56,813.68	56,492.36	53,812.48
Green Waste Minimum	5,798.94	6,664.53	6,562.96	5,987.59	4,605.44
Christmas Trees	38.90	14.68	8.72	33.92	3.56
Asphalt	40,291.76	35,283.58	34,194.15	33,395.60	49,413.33
Tires/White Goods/Electronics - out	114.18	131.09	210.33	358.96	258.78
Total Reuse/Removal Tonnage	**85,019.06**	**93,489.67**	**97,789.84**	**96,268.43**	**108,093.59**

Source: District No. 2 records

Competing Waste Disposal Facilities

Competing Landfills

There are a number of other landfills in the area surrounding the Service Area. However, only five of these facilities could be considered competing facilities due to their proximity to the Service Area (see Figure 2).

A review of the current posted tip fees at these landfills as shown in Table 4, indicate that the Landfill disposal costs are generally competitive with the regional disposal facilities. These posted fees include the surcharges that the local governments impose on the disposal rates. These surcharges are generally used to cover the costs of waste diversion and solid waste administration programs provided by the state and municipalities. Long-term contract tip fees may be lower than posted tip fees due to competitive market conditions (e.g., volume discounts). For example, landfills have been known to offer long-term disposal capacity for large volume deliveries (e.g., 1,000 tons per day) at as much as a 25 percent discount to the posted rates. This fact is exemplified by the City's disposal contract with Sunshine Canyon for its 3,600 tpd of waste. Under this agreement, the City pays between $24 and $25.50 per ton for the disposal of residential waste that it collects and delivers to the landfill. This rate does not include the costs to transport the waste to the landfill, which adds at least $20 per ton including transfer station costs from west Los Angeles and the Los Angeles harbor area. This rate is guaranteed by the contract lowest rate offered to any customer and is only available as a large volume discount rate. The contract has escalation provisions that apply to the rate schedule that are based on an inflation index.

FIGURE 2 – COMPETING WASTE DISPOSAL LOCATIONS

Table 4 – 2005 Posted Tip Fees at Competing Waste Facilities

Location	Scheduled Closure Date (1)	Permitted Max. Daily Tons (1)	Posted MSW Tip Fee/ton (2)	Owner/ Operator
Bradley LF	06/01/07	10,000	$ 35.90	Waste Management
Calabasas LF	**01/01/28**	**3,500**	**$ 29.67**	**County/District**
Chiquita Canyon LF	11/24/19	6,000	$ 41.00	Republic Sevices
Simi Valley LF	06/27/22	3,000	$ 40.00	Waste Management
Sunshine Canyon LF	02/01/08	12,100	$ 42.00	Allied/BFI
Toland Road LF	05/31/27	1,500	$ 42.30	Ventura County

Notes: (1) Source: California Integrated Waste Management website (www.ciwmb.ca.gov)
(2) Posted municipal solid waste MSW tip fees provided by the Sanitation Districts, which includes surcharges imposed by the local governments.

Direct hauling distances for the various communities in the Service Area were reviewed to assess the impact on the Landfill of potential delivery of waste to competing landfills, based on transportation cost differentials. Accurate information on the long-term capacity of private landfills is not readily available and therefore not analyzed. The scheduled closure date may not include all expansion plans for each facility. The direct haul distance to a competing landfill was shorter for only three of the communities that have historically delivered waste to the Landfill. These communities are Granada Hills, Northridge and Van Nuys. In 2004, the total waste delivered from these communities was approximately 34,200 tons. The differential travel distance for these three communities is between 7 and 15 miles one-way at approximately $.30 per ton round trip mile in transportation costs which equates to between $4 and $9 per ton. This differential cost alone would not close the gap in the posted tip fees. However, the waste quantity from these communities could potentially be diverted to another landfill if a more competitive rate was available.

In addition, the Bradley Landfill is scheduled to be closed in 2007, eliminating the lowest priced disposal option within reasonable transportation distance. On closure, the approximate one million tons of waste delivered to Bradley will likely go Simi Valley, Chiquita Canyon or the

Scholl Canyon (located to the east in the City of Glendale) landfills. According to reporting data none of these landfills currently receive much waste from the Service Area. The Chiquita Canyon Landfill is requesting public approval of a 98-acre expansion of that facility. The Sunshine Canyon Landfill operates two separate adjacent landfills, which were recently permitted to expand adding approximately six more years of life. However, the landfill site has additional potential un-permitted capacity of approximately 25 years which is beyond the CIWMB reported life that is shown in Table 2.

Despite these expansions, there is a general trend of depleting landfill capacity in the County resulting in increased market pressure to raise rates. The District-operated Puente Hills Landfill, the largest in the County, frequently has to close early because it has reached its permitted daily capacity, diverting haulers to other facilities. In order to provide sufficient long-term landfill capacity, the Sanitation Districts have begun efforts to develop a rail-haul disposal system to transport waste to a new landfill located more than 125 miles away. Some of the competing landfills (Chiquita Canyon, Simi Valley and Toland Road) are reportedly operating near their permit daily capacity, which would limit the amount of additional tonnage that could accept.

Historical Landfill Tip Fees

Prior to 1999, the County and the Sanitation Districts mutually agreed upon the rates to be charged at the Landfill. The 1999 amendment to the Agreement provided that the Sanitation Districts should determine the rate to be charged. The 2005 amendment to the Agreement specifies that the County has the authority to set the rates. The Sanitation Districts have periodically adjusted the tip fees at the Landfill to reflect the cost of operations. Table 5 shows the tip fee changes over the last six years.

TABLE 5 – HISTORICAL TIP FEES

Effective Date	7/1/99	7/1/02	11/1/03	4/1/05	7/1/05
Base Rate (MSW)	$ 20.75	$ 20.75	$ 21.75	$ 23.75	$ 23.75
Economic Benefit Fund Fee					$ 1.00
County Landfill Business License Tax	$ 2.08	$ 2.08	$ 2.18	$ 2.38	$ 2.48
State Solid Waste Disposal Fee paid to CA	$ 1.34	$ 1.40	$ 1.40	$ 1.40	$ 1.40
County Waste Mgmt Planning Fee	$ 0.86	$ 0.86	$ 0.86	$ 0.86	$ 0.86
Regulatory Service Fee	$ 0.14	$ 0.16	$ 0.16	$ 0.18	$ 0.18
Total MSW Rate	$ 25.17	$ 25.25	$ 26.35	$ 28.57	$ 29.67
Special Rates					
Hard to Handle	$ 31.22	$ 31.30	$ 32.40	$ 35.72	$ 36.82
Tires	$ 44.42	$ 44.50	$ 45.60	$ 52.77	$ 53.87
Special Handling	$ 38.92	$ 39.00	$ 40.10	$ 42.32	$ 43.42
Minimum (for small loads)	$ 24.00	$ 24.00	$ 25.25	$ 27.50	$ 28.00
Pull-Offs (Unloading Charge)	$ 25.85	$ 25.85	$ 25.85	$ 27.50	$ 27.50
Green Waste	$ 12.10	$ 12.10	$ 12.10	$ 13.20	$ 13.20

Note: See discussion on fee surcharges in the Financial Analysis section under Operating Expenses.

The hard-to-handle, tires, and special handling rates include price surcharges applied on top of the municipal solid waste MSW rate to recover extra costs related to handling these types of waste. The green waste rate is a reduction of the MSW rate given to customers bringing in clean loads of green waste because green waste can be beneficially used at the site for alternative daily cover. The pull-off charge is a service charge for helping to unload certain types of refuse vehicles.

However, the Minimum rate is less than the MSW rate and is a charge for small loads that are only required to pay half of the tonnage based State and local fees.

Regional Material Processing-Transfer Stations

Most of the Service Area-generated waste is direct hauled to the Landfill in collection vehicles. However, some non-recyclable materials such as process residue from material recovery/transfer stations are also delivered to the Landfill by the operators of these stations.

The transportation distances between the communities and the Landfill in the Service Area are not sufficient to encourage the development and use of a transfer station to deliver waste at this point in time. However, there are twelve material processing centers that have some un-recyclable residues as part of their sorting operations within the Service Area. All but one of these facilities is publicly owned.

Over the last two years, a substantial quantity of waste (approximately 55,000 tons per year) has been delivered to the Landfill principally from two private material recovery/transfer stations. These facilities, although located outside the Service Area, process solid waste to recover and divert recyclable materials from communities within the Service Area and deliver the un-recyclable residue to the Landfill. The waste quantity from these two transfer stations could potentially be diverted to another landfill if a more competitive rate was available.

Waste Disposal Projections

Based on the current disposal patterns, waste generation rates and population growth trends, the waste generation in the Service Area is expected to increase by approximately 1 to 1.2 percent per year. However, the historical Landfill data in Table 5 shows a higher tonnage delivery growth factor over the last three years, due to several factors including improved economic conditions, commercial business development or relocations, per capita generation changes and changes in waste delivery patterns.

The recycling efforts of the 1990's have contributed to reducing the quantities of waste requiring disposal, which in turn reduced the tonnage delivered to the Landfill. However, recoverable materials that are the easiest to recover have already been successfully diverted through the implemented program. It will therefore be more difficult to match the historical annual increases in the waste diversion or reuse rates.

Waste delivery levels in FY2005 have averaged approximately 1,775 tpd. However, market factors make it difficult to accurately predict annual disposal tonnage at the Landfill and an increase in rates above general market trends could potentially result in the diversion of some of the current waste stream to other landfills. However, as discussed above, the Sanitation Districts have begun to increase rates at the Puente Hills Landfill in preparation for the transition to remote disposal and it is anticipated that these increases will affect market pricing. Based on a review of the historical waste disposal trends, transportation distances and market forces, it is reasonable to believe that the Landfill will continue to receive average daily waste deliveries of approximately 1,775 tpd-6 (i.e., 550,250 annual disposal tons) based on the market conditions.

However, as indicated above, there is some risk that with price increases competing landfills could offer discounted prices to large volume customers or as pricing incentives in competing for collection contracts. The haul analysis indicated that there was approximately 90,000 tons that was identified as potentially at risk, due to shorter haul distances.

If competitive pricing practices result in significantly larger diversion of waste from the Landfill, the County and District No. 2 have discussed a number of options to address this tonnage loss including raising rates, or accepting waste from outside the Service Area. If the tonnage decreases are not the result of a temporary fluctuation in the waste stream, District No. 2 could reduce operating costs through efficiency adjustments in regard to staffing and equipment requirements, through the delay of routine capital improvements or utilizing competitive pricing strategies to attract additional volume.

Project and Landfill Description

Site Configuration and Utilization

The Landfill has been in operation since February 14, 1961. The site currently accepts only non-hazardous municipal solid waste. A portion of the Landfill was previously operated under permit as a Class I facility, and accepted some liquid and hazardous wastes in addition to non-hazardous and inert solid wastes. Liquid and hazardous wastes were received from September 1965 through July 31, 1980, when the Sanitation Districts voluntarily suspended the acceptance of these types of wastes at the site due to changes in regulations and based on the results of an in-depth geologic study. Under the current classification system, the Landfill is operated as a Class III sanitary landfill in compliance with federal, state and local standards.

The Sanitation Districts provide engineering design services for the Landfill and is responsible for the development of the construction drawings for the Project, which is constructed by an experienced landfill construction company selected through a competitive bidding process.

Existing Landfill Description

The total area of the Landfill is 505 acres, of which 416 acres are designated for landfill operations. The site access road is located on an 89 acre parcel which was acquired to provide separation of landfill traffic from nearby residences.

The final fill plan shows that the final fill elevations will be approximately 1,360 feet above mean sea level ("msl"). This final elevation compares to the highest point of the property located on the northwest-trending ridge of 1,435 feet above msl. During refuse disposal operations, the west-central portions and some northern portions of the landfill have been filled to elevations ranging from approximately 1,200 feet to 1,300 feet (msl) the resulting refuse-fill slopes face to the north, northeast, south-southeast and west. They rise at a 2:1 horizontal feet to vertical feet) slope ratios, with drainage/maintenance benches at approximately 40-vertical-foot intervals up to the present working deck.

Several facilities are located on the landfill to maintain operations. These facilities include:

- Internal roadway system
- Scale facility
- Field office
- Equipment service and storage facility
- Temporary Hazardous waste storage yard
- White goods storage area (paved)
- Fuel tank facility
- Flare station

Security for the site is maintained through a fence around the site with six locked gate access points.

Scale Facilities

The site's scale facility consists of four electronic computer-linked weigh scales and two scale houses. Also located in this area, are the field office building, storage shed, an air stripper and a water drop stand. Signs posted at the scale area indicate site restrictions, special notices, and the schedule of rates. Signs also instruct the drivers of each vehicle on how to proceed through the scales.

Disposal Capacity

The Landfill has a permitted daily operating capacity of 3,500 tpd and an estimated remaining tonnage capacity of approximately 21.1 million cubic yards and 9.7 million tons of waste as of June 30, 2005. Over the past five years, the amount disposed has ranged from 343,500 tons per year to 549,600 tons per year. The Project is required in order for the Landfill to continue operations in 2005. Depending on the actual future waste delivery rate, the Landfill is expected to have between 15 to 25 years of remaining life.

Factors that could affect the life of the site will include the following:

- Major shifts in waste flow to another landfill outside the wasteshed boundaries,
- Reductions in waste due to increased material recovery,
- Improvements in the use of daily or intermediate cover usage,
- Increased waste deliveries as a result of increased waste generation in the Service Area due to more rapid population growth or generation rates, or changes in the allowed Service Area, and
- Catastrophic events such as major earthquakes

Waste Diversion Programs

Green Waste Diversion

District No. 2 currently separates green waste, including brush, grass clippings and larger wood waste material. These materials are processed using a tub grinder or similar equipment to produce mulch. After grinding, green wastes are used as daily cover, a soil amendment and for other uses such as weed control. The site typically collects between 150 and 250 tons of green waste per day. Table 6 presents a summary of green wastes that were accepted between the years 2001 through 2005.

TABLE 6 – LANDFILL GREEN WASTE QUANTITIES

Fiscal Year	Tons
2001	44,613
2002	58,075
2003	63,385
2004	62,513
2005	58,421

Source: Sanitation District's records.

White Goods and Metals Salvage Program

Since 1992, the Sanitation Districts have operated a recovery program for refrigerants from refrigerators and air conditioners at the Landfill, prior to recycling the scrap metals. Both refrigerators and air conditioners are collected in a separate area of the landfill. The stockpiles units are drained of refrigerants using refrigerant recovery equipment by a trained and certified professional. To the extent possible, recovered refrigerants are recycled and are used to re-charge the air conditioning units of the onsite mobile equipment.

In January 1994, the metal salvage program was expanded to include the recovery and sale of all recoverable large metallic items and appliances as required by AB1760. This program is conducted in the same area as the refrigerant recovery area.

HHW Collection

In 1988, the County and the Sanitation Districts jointly began sponsoring household hazardous waste ("HHW") roundup events throughout the County, including a once a year event at the Landfill. Residents are allowed to bring materials such as motor oil, brake fluid, used antifreeze, paints, cleaners with acid or lye, pesticides or herbicides, household or car batteries, pool chemicals and used electronic appliances. Regular solid waste, explosives, ammunition, tires, white goods and radioactive materials are not accepted at the HHW events. The Landfill has a small temporary storage (up to 90 days) facility to store hazardous materials found in the delivered loads. Residents are allowed to dispose of HHW materials, free of charge, at 50-55 one-day events each year at various locations throughout the County or other designated locations.

Tire Processing

District No. 2 is processing waste tires at the Landfill. Tires accepted at the site are shredded and disposed in the landfill. District No. 2 has stated that it is examining alternative uses of shredded tires to achieve additional diversion. Quantities of tires accepted for shredding are presented in the Table 4 above.

Design Criteria

The following paragraphs describe the Landfill design criteria that are used by District No. 2 for construction of the principal Landfill components. In general, the design criteria are required to meet the federal requirements for landfills, which were promulgated by the United States Environmental Protection Agency in 40 CRF Part 258 ("Subtitle D") in 1993, in response to the Resource Conservation and Recovery Act ("RCRA"). These regulations have been incorporated by the state of California in the California Code of Regulations ("CCR") Title 27 Division 2.

Liner System

Subtitle D requires that a design approved by the Director of an approved State or a composite liner and a leachate collection system that is designed and constructed to maintain less than a 30-cm depth of leachate over the liner. As the initial portion of Landfill was originally constructed prior to implementation of Subtitle D regulations, the existing liner system is comprised of various liners (pre-Subtitle D liners and Subtitle D liners). Figure 3 illustrates the location of areas that were in operation prior to the construction of Subtitle D liners.

Liners Areas in No. 1 and No. 2 and most of the 80-acre liner lie within the pre-Subtitle D footprint. These liners were constructed between September 1984 and 1990 and consisted of existing in place soils.

The P-cut, D-cut, 97-cut and 99-cut liners are constructed in accordance with Subtitle D requirements as described below.

The specific liner systems for 97-cut and 99-cut include:

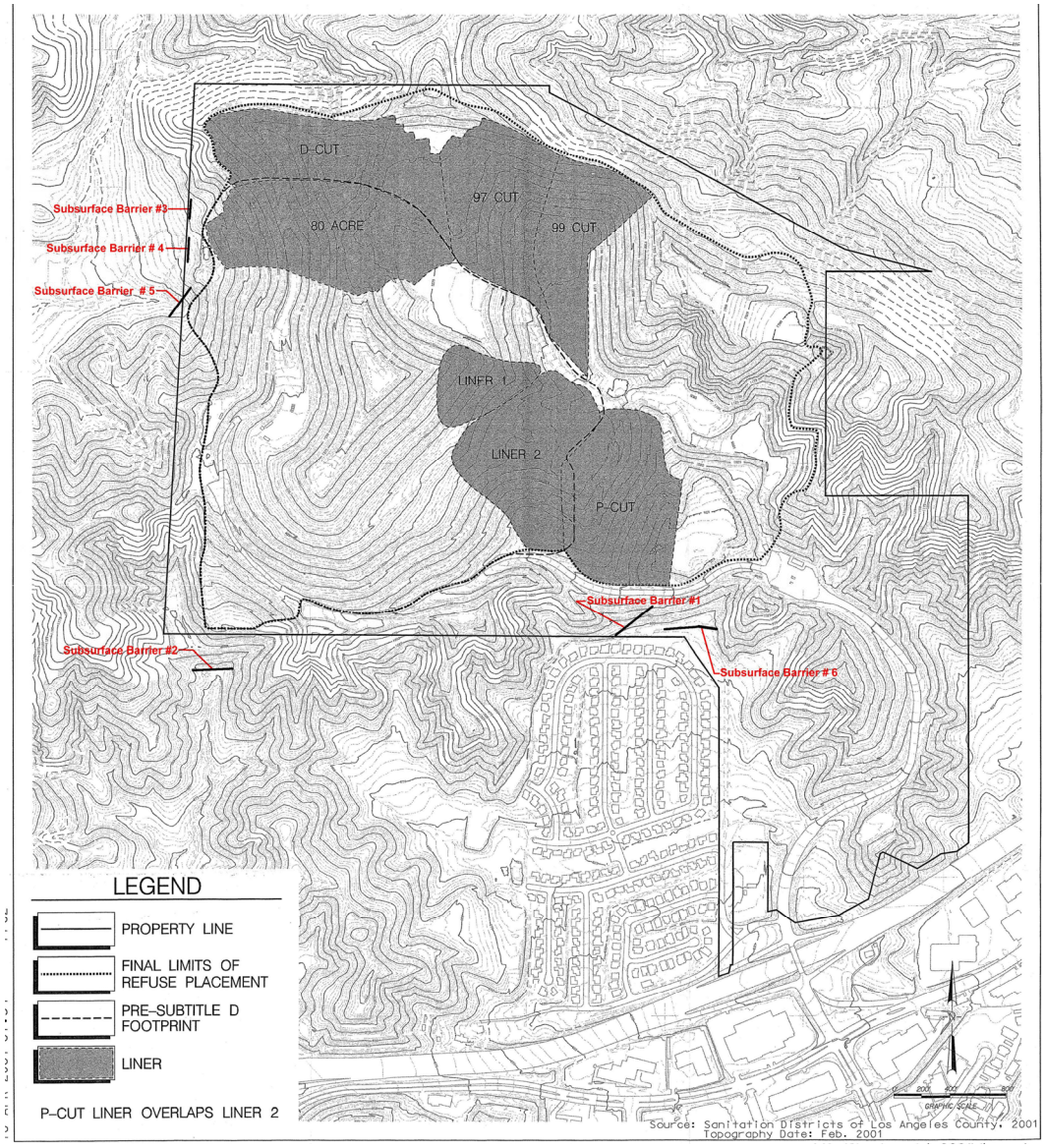
- 3 feet of a protective soil layer
- Geotextile filter materials
- 1 foot of liquid collection and removal system including: a coarse sand collection layer, having a permeability of 0.1 cm/sec, and gravel enclosed polyethylene collection and removal pipes
- Geotextile fabric cushion material
- 80-mil layer of high density polyethylene synthetic liner

- Minimum two feet of clay liner having a permeability of no more than $1*10^{-7}$ cm/sec (0.1 feet per year)

The canyon side slope area of the liners consists of the following from top to bottom:

- 3 feet of protective soil layer
- Geotextile filter material
- An LCRS consisting of a geo-net plastic drainage layer having a permeability greater than 0.1 cm/sec
- An LCRS located on engineered benches. The system would include a course sand collection layer, and polyethylene collection and removal pipes
- A 80 mil layer of high density polyethylene synthetic liner
- A geosynthetic clay liner consisting of bentonite placed between two layers of reinforced geotextile material.

FIGURE 3- EXISTING LINERS AND SUBSURFACE BARRIERS



Leachate Collection and Removal System (LCRS)

Criteria for design of any leachate collection system are developed following current federal (40 CFR) and State (27 CCR) regulations for Class III landfills. These regulations include:

- The system is designed to ensure no more than 30cm of liquid depth on the liner.
- The system conveys to a sump or other appropriate collection area, all leachate which reaches the liner;
- The system is capable of collecting and removing twice the maximum anticipated daily leachate volume from the landfill;
- The depth in the collection tank is maintained at the required level to ensure that pumps operate properly; the LCRS extends over the entire composite liner system;
- The system is sufficient in strength and thickness to prevent collapse under pressure exerted by overlying waste, cover materials, and any equipment.
- All monitoring and collection systems are designed by a California Registered Civil Engineer or an Engineering Geologist.

On the floor of the composite liner systems, an LCRS consists of two distinct components that act together to provide a reliable path for liquids to gravity flow from the liner surface. These two components are described below:

- A granular drainage layer, made up of a highly permeable coarse sand at least one-foot thick, is placed over the flexible membrane liner that covers the bottom areas.
- A dendritic collection system that is constructed into the granular drainage layer. The dendritic collection system consists of HDPE pipe surrounded by gravel drain material.

According to a CIWMB study, approximately 347,000 gallons of leachate are generated annually at the site. Liquids collected from the subsurface barrier extraction systems are treated and reused onsite for dust control purposes. Condensate from the landfill gas collection system is atomized, injected into the landfill gas flares and combusted.

Groundwater Monitoring and Protection

A series of subsurface barriers have been installed to protect the quality of subsurface and groundwater resources. A total of six barriers are installed at various locations on the landfill permit property. These subsurface barriers are constructed bentonite slurry walls. These subsurface barriers are accompanied by a series of extraction and groundwater monitoring wells.

In 1990, District No. 2 indicated their intent to establish and implement a voluntary monitoring program for the Landfill. This was in response to a statistically significant increase in water quality indicator parameters in excess of the water quality protection standards set forth in the WDR. In compliance with requirements, District No. 2 developed a verification monitoring program in 1990 and submitted the work plan to the State Director's Regional Water Quality Control Board - Los Angeles Region ("Regional Board").

The barriers and related wells and monitoring facilities are located across alluvial canyons so as to intercept any potential canyon waters before they leave the site. Figure 3 shows the locations of the subsurface barriers. The existing barrier systems were approved by the State Water Resources Control Board and the Regional Board.

Each subsurface barrier system at the landfill consists of both passive and active components. The "passive" component consists of the cement/bentonite subsurface barrier which impedes the flow of canyon water, which is constructed into the underlying bedrock.

Extraction wells, installed on the Landfill side of each barrier, monitor the quantity of canyon water collected behind the barrier and collect and remove water contained behind the barrier, thus preventing lateral migration of canyon water. The extracted canyon waters from the subsurface barriers systems are treated through air-stripping towers prior to reuse, primarily for dust control.

Monitoring wells located immediately down gradient of the barriers are used to monitor the quality of groundwater. This information provides a reliable means to determine if there has been a change in water quality immediately down gradient of the barrier, which may indicate a release from the site. Water levels are also measured in barrier monitoring wells each month.

In addition to the cement/bentonite slurry trench subsurface barrier, the subsurface barrier system also includes an active component consisting of extraction wells located immediately up gradient of the barrier, which have been installed to automatically remove canyon waters which accumulate behind the barrier.

Landfill Gas Management

The landfill gas collection system at the landfill consists of a series of collection wells and a combustion system. The gas collection system consists of a series of vertical gas wells and horizontal trenches throughout the landfill. The gas from these zones is drawn into the collection system preventing its migration and escape to the atmosphere. The collected gas is piped to either a flare or one of 10 microturbines where the methane and volatile organic compounds are destroyed through a combustion process. The microturbines generate electricity which is used on-site for support facilities; excess electrical energy produces flows into the grid.

A total of 28 gas migration probes have been installed around the boundary of the site and surface emissions measured in accordance with regulatory protocols to monitor the effectiveness of the gas collection system. The monitoring probes have been installed in accordance with California air Resources Board Guidelines, and have been approved by the Local Enforcement Agency ("LEA") and the SCAQMD to fulfill the requirements of their ongoing monitoring program.

Closure/Post Closure

The Landfill cap design is in compliance with regulations, which specify that closed landfills shall have a prescriptive final cover design consisting of three layers; a foundation layer; a low-hydraulic-conductivity layer; and an erosion resistant layer. The foundation layer must consist of not less than two feet of appropriate materials, which may be soil, contaminated soil, incinerator ash or other waste materials, provided that such materials have appropriate engineering properties to be used for a foundation layer.

The state requirements described above can be waived if certain design issues are present at the site. District No. 2 is concerned about potential settlement issues at the Landfill, which based on District No. 2's data, could settle as much as 60 feet in certain areas during the post-closure care period. Therefore, District No. 2 will continue to evaluate the feasibility of other alternatives to the prescriptive requirements to minimize maintenance issues during the post-closure period.

Landfill Operation & Maintenance

Landfill Operations

The Landfill is designed to operate in a manner consistent with federal Subtitle D regulations and the California Code of Regulations for landfills under Title 27 Division 2. These regulations require specific operating criteria to be considered in compliance with regulations, specifically control of contaminated water, gas management, application of appropriate quantities of daily and intermediate cover and surface water protection.

District No. 2 has maintained operating records for the Landfill in accordance with the regulations. The operating record is maintained at the Sanitation Districts' Joint Administration Office (JAO) in Whittier, California

The Landfill is open to the public from 8:00 am to 5:00 pm, six days per week, with the exception of certain holidays. The facility has a permitted throughput rate of 3,500 tons per day (tpd). Actual rates of disposal averaged 1,775 tons per day during FY2005. In past years, daily peaks have reached the site's capacity at 3,500tpd. District No. 2 will continuously monitor waste flows to determine the appropriate number of employees for landfill operations, as well as the numbers and types of equipment maintained.

The following presents a summary of major landfill operating parameters.

Staffing

According to information provided by the Sanitation Districts and a field investigation conducted by HDR staff, District No. 2 employs an experienced staff of approximately 40 individuals at the landfill, which are responsible for most of the design, permitting, reporting and all facility operations. This staff includes administration, engineering, equipment operators, ground maintenance workers, site attendants, mechanics and scale operators. Although District No. 2 periodically solicits services from private companies to execute various services such as consulting, engineering, water and soil testing and other site maintenance activities, much of the design and cell construction activities are performed by the staff. District No. 2 also provides comprehensive employee training, with the primary purpose is to improve and protect the health and safety of site workers.

Equipment

Equipment used at the Landfill is procured by the Sanitation Districts, which is reimbursed from Landfill revenues through rental payments for the use of the equipment. The leased equipment includes crawler tractors used for spreading and compacting waste, ripping soil, loading scrapers, building haul roads, and for performing other earthwork operations; scrapers for hauling cover material and covering the daily refuse cell; a compactor and grid-roller for various compaction operations; water trucks for dust control and fire safety, and other equipment for landfill and material recovery operations.

District No. 2 performs normal equipment maintenance at an onsite maintenance facility, but any major maintenance is normally performed by outside mechanical services.

Material Placement and Compaction

All refuse loads are weighed at the scale facility. Data is collected on the quantity of waste received and the jurisdiction of origin for each load. Loads are also screened at this point for the

presence of any radioactive wastes. After completing the weigh-in process, the trucks proceed to the appropriate disposal area.

The solid waste working face is kept to an area of approximately 30' by 100'. Compactors are used to compact the waste. At the end of each operating day, daily cover is applied to the waste. The purpose of the cover is to control disease, vectors, fires, odors, blowing litter and scavenging. District No. 2 uses excavated soil, clean fill deliveries and green waste for daily cover purposes. By the end of each day, at least 12 inches of intermediate cover are placed over surfaces that will not receive additional waste within the next 180 days, which is in compliance with Subtitle D.

Final cover must be applied after the landfill reaches final elevations and consists of a minimum of 18 inches of earthen material that has a hydraulic conductivity less than or equal to the hydraulic conductivity of any bottom liner system or natural subsoils present, or hydraulic conductivity no greater than 1 x 10-5 cm/scc, which ever is less. An erosion layer must be applied on top that consists of a minimum of 6 inches of earthen material that is capable of sustaining plant growth. District No. 2 can propose an alternative final cover design but any alternative final cover must include an infiltration barrier that achieves an equivalent reduction in infiltration as that specified in the prescriptive final cover design and an erosion layer that provides equivalent protection from wind and water erosion as that specified in the prescriptive final cover design.

In 2000, the total soil needs for the landfill, including daily intermediate and final cover was estimated to be approximately 14.4 million cubic yards over the remaining life of the site. Adequate cover material reportedly exists within the final limit of operation for the landfill to provide all of the future cover needs of the site. In addition, shredded green waste and clean fill material delivered to the site will continue to be used as daily cover. District No. 2 plans to investigate other alternative cover materials if necessary.

Emergency Planning and Response

The operating plan includes plans to reduce the potential for emergencies and to respond to situations that could negatively impact site operations. Specific plans have been prepared and are periodically updated for the following:

- Hazardous materials management
- Vandalism
- Fires
- Explosions
- Earthquakes
- Surface drainage impairments
- Gas condensate system failure

The plans include steps required to manage these events and identifies individuals who must be contacted in case of emergency situations.

Procedures for Excluding the Receipt of Hazardous Waste

The Sanitation Districts currently have a comprehensive hazardous waste screening program in place at the landfill that exceeds the requirements of Subtitle D Section 258.20. In addition to initial screening at the scales, continuous inspection at the disposal area of the landfill is conducted for hazardous, PCB, and infectious wastes. Also, a random load checking program has been implemented for several years to monitor for unacceptable waste. The minimum number of loads checked is five per day at the Landfill.

Per federal and state requirements, a memorandum outlining the standard operating procedures for the screening program has been placed in the operating record, along with the personnel

training manual. Records of the random inspection program are placed in the operating record on a monthly basis documenting the results of the program. The Director of the State Department of Toxic Substances Control or the Director's designated contact will be notified of any detection along with other agency notifications including those to the Los Angeles County Department of Health Services and the Regional Board.

Surface Drainage and Sediment Control Plan

Storm water is controlled by maintaining a minimum 2 to 3 percent slope on all operation decks to ensure that all runoff is carried to the collection and conveyance system. The system carries runoff to two natural drainage courses away from the landfill and to a Los Angeles County Flood Control District storm drain.

The control of storm water runoff is maintained by grading the operating decks to provide for rapid removal of storm water without creating excessive velocities that would cause erosion of the ground surface, while avoiding ponding water.

Landfill Operations and Groundwater Protection

Operation of the landfill includes maintenance of the groundwater protection system, including the leachate collection and treatment system, groundwater monitoring system and maintaining proper drainage on the site. Federal regulations and the Regional Board order (Order No. 93-062) specify groundwater monitoring requirements that were to be implemented at the Landfill by October 9, 1995. These requirements have been implemented and all groundwater monitoring related demonstration, certification, finding, monitoring, testing, or analytical data are placed in the operating record.

The groundwater protection plan includes methods to reduce ponded water on site by the off-site diversion of surface water and site contour maintenance.

Landfill Operations and Gas Management

The Landfill includes a system for collection and management of the landfill gas generated as a result of waste decomposition. A minimum of quarterly monitoring of facility structures and site boundary probes for the detection of explosive gases is conducted at the Landfill. A memorandum detailing the rationale for the program has been placed in the operating record. All monitoring results and notifications are also placed in the operating record.

The operational aspects of the gas system include monitoring of gas generation on site, collection and combustion of gas and continued development of the gas collection system with the development of future landfill areas.

The Landfill gas collection and control system includes 10 micro-turbines which utilize collected landfill gas to produce electricity. The micro-turbines are operated in addition to the flaring station. Each micro turbine is approximately 28 inches long by 53 inches wide by 75 inches high and produce up to 30 kW of power. The generated electricity is used on site and any excess power is sent through the electric power grid. A designated header line supplies landfill gas to the micro turbine power plant. This landfill gas is then pretreated to remove moisture, hydrogen sulfide and other contaminants prior to entering the micro-turbines. The pretreatment system includes a compressor, a coalescing filter for particulate removal, a gas chiller to reduce gas temperatures to 40 degrees F, and an activated carbon bed for hydrogen sulfide removal. The power generated by the micro-turbines is only used on-site. The project meets all applicable air quality regulations set forth by the SCAQMD.

The Project

The Landfill reached the limits of its existing liner system in mid-2005 and needed to extend the liner and leachate collection system in previously undeveloped areas of the site within the permitted disposal footprint. Available capacity is limited due to side slope stability constraints and not due to air space capacity limitations under the permit.

Project Description

The Project has been divided into three phases in order to better manage the development of the site as shown in Figure 4. Phase I, which is already under construction, will provide sufficient capacity until August 2006. Phases IIA and IIB will provide additional landfill areas essential for the full utilization of permitted capacity for the site.

FIGURE 4 – PROJECT EXPANSION PHASES

Construction Agreements

The Sanitation Districts have entered into a Construction Agreement with Sukut Construction, Inc. for the construction of the Phase I composite liner system on approximately 16 acres of the site in accordance with the plans, special provisions and standard specifications prepared by the Sanitation Districts. The scope of the Construction Agreement for a maximum lump sum price with unit pricing for quantity adjustments includes:

- sub-grade preparation and soil stockpiling
- side slope preparation with intermediate benches
- installation composite liner system
- installation of a liner liquids collection and removal system ("LCRS")

- transport and placement of a soil operations layer on top of the liner for protection

The balance of the Project will be constructed in two phases. Bids have been received for Phase IIA which includes the construction of:

- 10.6 acres of a composite liner system
- 2.5 million yards of excavation

Phase IIB will be bid in 2008 and include the construction of:

- 25.7 acres of a composite liner system
- 1.6 million cubic yards of excavation
- 0.5 million cubic yards of engineered fill

The Landfill Capital Improvement Program

District No. 2 maintains a projection of ongoing capital improvement costs for a five-year planning horizon including the current fiscal year. No capital improvements are currently budgeted beyond fiscal year 2010. The information as provided by District No. 2, which includes the Project costs financed by the Series 2005A Bonds, is shown in Table 7.

TABLE 7– BUDGETED CAPITAL IMPROVEMENT ($000)

Re-occurring CIP (1)	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Budget	FY2007 Budget	FY2008 Budget	FY2009 Budget	FY2010 Budget
General Site Improvements	$20	$2,580	$3,220	$100	$100	$100	$100	$100
Gas Control System	$1,020	$240	$580	$1,150	$800	$800	$800	$800
Site Beautification (irrigation)	$10	$280	$280	$210	$200	$200	$200	$200
Drainage Facilities	$860	$80	$40	$100	$900	$100	$100	$100
Groundwater Protection System	$170	$360	$560	$270	$100	$100	$100	$100
National Park Service Permit	$50	$50	$70	$60	$40	$40	$40	$40
Geotech and Misc.	$70	$20	$30	$300	$50	$50	$50	$50
Subtotal	$2,200	$3,610	$4,780	$2,190	$2,190	$1,390	$1,390	$1,390
Liner Construction (2)								
D-Cut Liner		$10						
Southeastern Area Liner	$4,550	$340	$90					
North Ridge Phase 1	$120	$1,420	$490	$6,030				
North Ridge Phase 2A			$10	$13,920				
North Ridge Phase 2B					$3,800	$12,450		
Misc		$50		$450	$200	$1,000		
Liner Subtotal	$4,670	$1,820	$590	$20,400	$4,000	$13,450	$0	$0
Total Capital Improvements	**$6,870**	**$5,430**	**$5,370**	**$22,590**	**$6,190**	**$14,840**	**$1,390**	**$1,390**

(1) Budgeted values are in 2005 dollars prior to escalation

(2) Liner construction budget values are escalated by 3% percent per year to the projected fiscal year of expenditure.

The capital improvements are annually budgeted and funded directly from Landfill revenues and available reserve funds. However, the Sanitation Districts need to supplement its Landfill reserves through the financing of almost the entire Project. The other CIP projects include:

- General site improvements includes access roads and relocation of facilities to accommodate the movement of the refuse placement operations
- Gas control system improvements includes additional wells, piping, flares, and microturbines, less any energy credits
- Site beatification improvements includes irrigation system expansions required under the NPS permit
- Drainage facilities improvements includes surface water run-on and run-off control features and debris basins
- Groundwater protection system including monitoring wells and other corrective action measures that may be required by regulatory agencies
- National Park Service permit includes native plant restoration and maintenance project, related property acquisitions and annual permit payments

- Geotechnical and miscellaneous improvements include geological and hydro-geological investigations and other site operational improvements that may periodically occur
- Liner construction includes the Project and other previous landfill liner construction activities which will be completed in 2008

Project Construction and Schedule

The Master Project Schedule is maintained and updated periodically by District No. 2. The overall schedule for the Project construction is to expand the landfill liner in three phases. Phase I is complete. Starting in October 2005, waste has been placed on the constructed portions of the liner. This is done during the construction period, in order to cover the plastic liner with sufficient waste to maintain the integrity of the liner. The construction period for Phase IIA is expected to be approximately 5-6 months and the improvements are scheduled to be available for use beginning in August 2006. The final Phase IIB will be designed in 2007 and is expected to begin construction in 2008 and be available for use in August 2008. Upon completion of all Project construction, the Landfill will have access to the vertical airspace capacity to reach the final permitted fill contours.

Regulatory Status

Regulatory Requirements

The 1961 commencement of disposal operations at the Landfill was authorized under the authority and approval of the County Department of Regional Planning and the Regional Board. Although very few laws or regulations addressing landfills existed at the time, the Regional Board was authorized by the state legislature to regulate discharges of non-hazardous and hazardous wastes for the protection of water quality. Waste Discharge Requirements were issued to the Landfill based upon site investigations by both the state and the Regional Board and prescribed general operating requirements. The local Air Pollution Control District and the Los Angeles County Department of Health Services also monitored landfills for the purpose of nuisance control.

The federal Resource Conservation and Recovery Act, approved in 1976, directed the United States Environmental Protection Agency (the "EPA") to publish guidelines for solid waste management. The EPA first promulgated guidelines in 1979 as Criteria for Classification of Solid Waste Disposal Facilities and Practices. These regulations established cursory minimum national criteria for landfills. The regulations were significantly revised and expanded in 1991 into a set of detailed requirements (40 CFR Parts 257 and 258, hereafter referred to as "Subtitle D") which became effective in 1993. The new requirements address issues of location restriction, facility operation and design criteria, groundwater monitoring and corrective action, closure and post-closure care, and financial assurance.

Under the 1993 Subtitle D regulations, states were required to develop programs to implement Subtitle D, and the EPA was required to determine whether the states had developed adequate regulatory programs to implement Subtitle D. In 1993, the California State Water Resources Control Board ("SWRCB") and the CIWMB submitted an application for program approval to the EPA. The EPA Regional Administrator for Region IX has fully approved California's landfill regulatory program. State regulations were subsequently revised to incorporate federal Subtitle D requirements. Under the approved program with respect to protecting the waters of the state, the SWRCB and the Regional Board are the designated agencies regulating the disposal of solid waste and enforcing federal Subtitle D groundwater protection and monitoring requirements. The CIWMB regulates all other aspects of solid waste disposal. CIWMB regulations are implemented and enforced on the local level by designated LEAs. The Los Angeles County Department of Health Services is the LEA for the Landfill.

Subtitle D Requirements

Subtitle D regulations require landfill owners or operators to make various demonstrations of site suitability, to develop specified operating programs, and to compile and maintain an operating record. The principal provisions relating to landfill location are discussed below while the construction and operational criteria issues have previously been discussed under the sections on Landfill Design Criteria and Landfill Operations and Maintenance.

Since the Landfill has been operating since 1961, the principal current areas of concern relate to bird impacts on airports or contamination due to unstable geologic formations or floods. The Landfill is not located within 10,000 feet of a runway end used by turbojet aircraft nor within 5,000 feet of a runway end used by piston-type aircraft (Subtitle D §258.10) and is not located within the 100-year floodplain (Subtitle D §258.11).

A review of the Sanitation Districts-provided documents indicates that thorough evaluations regarding unstable areas, including natural and man-made features have been undertaken to

ensure that the integrity of the structural components of the site will not be disrupted. When necessary these are delineated with field studies that may include, but not be limited to, geologic mapping, drilling, sampling, geologic logging, seismic investigations, trenching, and hydrogeologic analysis. When unstable areas are found that could potentially impact a landfill structural component, the findings from the field investigations are used as design parameters for the development of plans and specifications for the structural components of the landfill.

The Landfill was analyzed as part of a report covering all of the Sanitation Districts-operated landfills entitled the "Seismic and Unstable Area Analysis at the Puente Hills, Spadra, Scholl Canyon, and Landfill Prepared in Compliance with 40 CFR §258.14, 258.15, and 23 CCR §2547", prepared by the County Sanitation Districts of Los Angeles County, dated October, 1993.

Status of Permits

The Landfill is operated in accordance with many permits; some are issued by the CIWMB, LEA, SWRCB, and Regional Board; however, others are issued by the Los Angeles County Department of Regional Planning Commission, the SCAQMD and the National Park Service. All of these agencies are authorized to enforce applicable federal laws and regulations. The permits for the Landfill are addressed in more detail below.

Land Use Permit

Conditional Use Permit (Case No. 5022-(5)) was issued by the Los Angeles County Regional Planning Commission on August 9, 1972. This Conditional Use Permit granted the Sanitation Districts the approval for expansion of the Landfill operation to include the 36.3 acre parcel, and is the current land use permit for the entire Landfill site.

Solid Waste Facilities Permit

The site is currently operating under Solid Waste Facilities Permit (SWFP) No. I9-AA-0056 that was issued by the Los Angeles County Department of Health Services on August 5, 2002, subsequent to concurrence by the CIWMB on July 23, 2002. The next application for the five (5) year permit review is due August 5, 2007.

Waste Discharge Requirements

The State Water Resources Control Board requires Class III solid waste facilities to obtain Waste Discharge Requirements ("WDR"). The Regional Board issues WDR for waste discharges to land, as required by 27 CCR. The WDR establish conditions for the protection of groundwater and surface water, specify the types of wastes that may be accepted at the facility, and include a comprehensive water quality Monitoring and Reporting Program.

The WDR (Order No. 89-053) for the Calabasas Landfill were first issued by the RWQCB on May 22, 1989, together with Monitoring and Reporting Program No. 4992. On September 27, 1993, the Regional Board adopted Order No. 93-062 to include Federal requirements, which specify additional provisions and monitoring requirements for the Landfill. On May 15, 2000, the Sanitation Districts submitted *Final Amended Report of Waste Discharge, Corrective Action Program and Engineering Feasibility Study - Calabasas Landfill* to the Regional Board. Based on this report, on June 29, 2000, the Regional Board issued amended WDR for the areas affected by the Corrective Action Program (Order No. 00-077), with Amended Monitoring and Report Program No. 4992.

SCAQMD Permits-To-Construct/Operate

The SCAQMD issues permits that allow the construction and operation of air pollutant emissions units such as the landfill gas control system at the landfill, volatile liquid storage tanks, etc. The permits govern all aspects of the construction, maintenance, operation, and monitoring of environmental control systems, and other landfill facilities, related to air emissions. To obtain these permits the Sanitation Districts are required to submit detailed plans and drawings for the proposed systems. The District No. 2 holds current individual SCAQMD permits for each potential emission source, including its condensate\leachate storage tanks, landfill gas system, fuel storage and dispensing system, and ten microturbines.

In accordance with 40 CFR 70, Title V Operating Permits, an application was filed on March 23, 1998 for the Landfill (application number 3410014). Preparation of a draft Title V permit by SCAQMD is currently pending. After SCAQMD has prepared the draft Title V permit it will be made available for public review and comment and will be sent to EPA for review and comment. A final Title V permit will then be issued, incorporating all pertinent public and EPA comments. No significant changes are currently anticipated. Once issued, the Title V permit will replace all of the individual Permits to Operate in force at that time.

National Pollutant Discharge Elimination System Permit

Section 403 of the Federal Clean Water Act requires industries, including landfills, to obtain National Pollutant Discharge Elimination System ("NPDES") Permits for storm-water discharges. The regulations allow authorized states, including California, to issue general or individual permits to regulate industrial storm water discharges. The SWRCB has elected (per Order 97-03-DWQ) to issue a general permit (CAS000001) for all industrial discharges requiring NPDES permits.

In accordance with the statewide general permit (issued November 19, 1991) District No. 2 filed a Notice of Intent (on March 30, 1992) to obtain coverage under the general permit, and developed a Storm Water Pollution Prevention Plan ("SWPPP") to identify sources of pollution and identify methods to reduce the potential discharge of pollutants. Currently the site is covered by the general permit issued by the SWRCB.

National Park Service Special Use Permit

Federal regulations (36 CFR Part 6) require landfills operating within units of the National Park System ("NPS") to obtain a Special Use Permit from the NPS. Because the Landfill is located within the Santa Monica Mountains National Recreation Area, a Special Use Permit is required. The NPS issued a Special Use Permit for the Landfill on November 13, 2003. A copy of this permit is provided in Appendix L. The permit contains provisions that protect resources and visitor use and enjoyment within the Santa Monica Mountains National Recreation Area consistent with the requirements of 36 CFR Part 6. Restoration of the Landfill to a condition satisfactory to the NPS after Landfill closure is a condition of the permit. If the NPS determines that restoration work is not possible on all or part of the Landfill, the County may be required to conduct restoration or mitigation measures of comparable value elsewhere in the Park. District No. 2 plans to apply for renewal of this permit in 2008.

Industrial Waste Disposal Permit

Permit No. 10014 was issued by the Los Angeles County Department of Public Works on July 5, 1989. This permit granted District No. 2 the approval to dispose of landfill canyon water and landfill gas condensate to the local sewer. The permit limits the effluent flow to 80 gpm and

imposes quality limitations on the effluent. However, all water is currently treated with an air stripper and reused onsite.

Permit Compliance

Compliance documents provided by the Sanitation Districts were examined and the applicable regulatory agencies were contacted to determine the current compliance status of the Landfill. A summary of the pertinent information is summarized in the following sections.

Analysis of Radioactive Constituents

In 2002, the SWRCB required several landfills throughout the state, including the Sanitation Districts' Landfill, to analyze for radioactive constituents in background and down-gradient ground waters and in LCRS liquids. The results of the required sampling program were submitted in January 2003. At a March 2003 workshop, SWRCB staff suggested that the Sanitation Districts further investigate the source of uranium and gross beta results at the Landfill. The follow-up reports show that background uranium occurs in Landfill bedrock at elevated levels and that uranium daughter products and naturally occurring potassium40 account for the measured gross beta levels. Discussions with the Regional Board indicate that there is currently no intent by the Regional Board to require any further action at this time.

Landfill Operations

During 2004, operations at the Landfill reportedly complied with all Federal, State, County and City sanitary health codes, rules, regulations, and ordinances pertinent to the disposal of wastes at the landfill. Review of CIWMB records indicates that there have been no enforcement action records under Solid Waste Facilities Permit.

Groundwater Monitoring

The presence of volatile organic compounds ("VOCs") in the groundwater down-gradient of Barriers 1, 2, and 5 is the only water quality concern. No landfill effect has been detected at Barriers 3 and 4, which are down-gradient of the lined 80-Acre and D-Cut areas. Furthermore, no landfill effect has been detected at Barrier 6 located down-gradient of the Southeastern Cut landfill cell. Monitoring data collected during 2004 indicate that groundwater quality at the Landfill is in general similar to that of previous years. Based on a review of the document titled "Landfill 2004 Water Quality Monitoring Annual Report", dated May 15, 2005, District No. 2 has taken actions to appropriately address the issues of groundwater contamination from the pre-Subtitle D Landfill. In addition, the remediation efforts undertaken by District No. 2 appear to be having an effect on reducing contamination levels in the impacted area, based on groundwater monitoring data.

Discussions with the Regional Board indicate that although the VOC issues discussed above still exist, the levels have either remaining steady or are decreasing. This indicates that the corrective action plan developed by District No. 2 for the Landfill and approved by the Regional Board is effective in reducing groundwater impacts. At this time, the Regional Board considers the monitoring program to be "very routine" and there is currently no intent by the Regional Board to take any enforcement action against the Landfill.

In addition to the VOC issue discussed above, the following parameters were detected at levels higher than the applicable concentration limits:

- Barrier 3- pH – some samples in each quarter of 2004 (remained relatively stable in range between 7.0 and 7.2, versus limit of 7.21)

- Barrier 3 total dissolved solids – one sample in May 2004 (676 mg/l and 961 mg/l in a duplicate sample, versus limit of 671 mg/l)
- Barrier 3 chloride – one sample in November 2004 (47 mg/l, versus limit of 41.9 mg/l)
- Barrier 4 pH – third quarter 2004 (values of 5.88 and 5.84, versus limit of 5.92)
- Barrier 6 pH – second quarter 2004 (values of 6.87, versus limit of 6.94)

In each of these cases, the Regional Board agreed with the Sanitation Districts that these results did not require any follow-up investigation or re-testing to further characterize water quality. To date, the Regional Board has not issued any notices of violations or consent decrees regarding the exceedance of groundwater quality parameters and discussions with Regional Board personnel indicate that none are currently pending or planned.

Air Quality

A review of SCAQMD records over the last three years indicates that the Landfill has been in compliance and has not received any notices of violation or notices to comply.

NPDES Storm-water

An unauthorized storm water discharge occurred between 10:00 p.m. August 31, 2005, and early Thursday morning, September 1, 2005. The discharge was verbally reported to the Regional Board on Thursday, September 1, 2005 and in a written report dated September 8, 2005. The report detailed the details surrounding the occurrence of the discharge and steps taken by the facility to prevent reoccurrence in the future.

Discussions with the Regional Board personnel indicate that the type of occurrence discussed above is not uncommon. The Regional Board monitors the types and frequency of such events to ensure that facilities are taking appropriate steps to prevent such occurrences to the extent practicable. At this time, the Regional Board is satisfied with the Landfill's response to this type of event and does not currently plan to take any enforcement action against the Landfill. As a general program improvement effort, the Regional Board is conducting ongoing dialogue with District No. 2 with respect to the Landfill (as well as other area facilities) to continue to improve surface water quality. The Regional Board again stressed that this is a general effort and not one directed specifically at the Landfill.

Financial Analysis

Historical Revenues and Expenses

The Sanitation Districts have provided the essential governmental function of solid waste management for the Service Area since 1961. Tables 8 and 9, respectively shows the historical Landfill revenues and expenses from FY2001 thorough FY2005, based on records and reports provided by the Sanitation Districts.

TABLE 8– HISTORICAL OPERATING EXPENSES ($000)

Budget Category ($000)	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual
Landfill O&M	$5,130	$5,465	$5,122	$5,776	$6,177
Equipment Rental	$2,092	$1,676	$1,439	$2,182	$2,015
Inter-Departmental Transfers					
Solid Waste Overhead	$256	$262	$280	$353	$359
JAO Overhead	$277	$272	$320	$508	$573
Taxes and Fees					
Economic Benefits Fund	--	--	--	--	--
Landfill Business License Tax	$820	$800	$850	$1,080	$1,250
Solid Waste Disposal Fee	$460	$460	$530	$670	$770
Waste Mgmt Planning Fee	$300	$290	$350	$430	$470
Regulatory Service Fee	$50	$50	$70	$90	$100
Site O&M Expense Subtotal	**$9,385**	**$9,275**	**$8,961**	**$11,089**	**$11,714**
Capital Improvements	$3,300	$2,720	$6,870	$5,460	$5,370
Park & Recreation Fund	$0	$0	$0	$0	$0
Closure / Post-Closure Fund	$0	$0	$0	$1,100	$1,000
Trust Fund Transfers	$0	$0	$0	$0	$0
Debt Service	--	--	--	--	--
Total Landfill Expenses	**$12,685**	**$11,995**	**$15,831**	**$17,649**	**$18,084**
Trust Fund Balance (Yr-End) (1)	**$18,767**	**$16,921**	**$9,631**	**$6,772**	**$1,074**

Notes: (1) Refers to the Los Angeles County Trust Fund and excludes Equipment Pool (as discussed on pg. 37)

The majority of the year-to-year Landfill O&M costs shown in Table 8 are a function of annual inflationary cost changes. However, a portion of these costs are also a function of the quantity of waste disposed, which accounts for much of the cost increase in these categories after FY2002. The installation of landfill gas microturbines resulted in some decline in electrical usage cost beginning FY2003. The annual changes in the Taxes and Fees category are similarly affected by the quantity of waste disposed at the Landfill. In addition to the Landfill operating expenses, the Landfill has capital improvements costs and must make payments to reserve accounts for closure/post closure and park and recreation funds.

Tip fee revenues as shown in Table 9 include all customer gate fees for disposal services. Interest and Other Revenues includes revenues from the sale of recovered metals and interest on fund balances. The JAO Liability Reserve Fund was established in June 2001 to cover the Joint Administration Office ("JAO") for any catastrophic event such as an earthquake for replacement of contents and for the costs of continuing to conduct business.

The estimated cost of $11 million was proportioned 2/3 to the Sanitation Districts' sewerage facilities and 1/3 to the Sanitation Districts' solid waste facilities (basically based on number of employees). The JAO Liability Reserve entry represents quarterly payments from the Landfill to cover its share of the funding obligation which was not fully paid. There remains approximately $21,000 to transfer which is budgeted to be repaid in FY 2006. The Other Sources entry represents fund transfers from the Los Angeles County Refuse Disposal Trust Fund (the "Trust Fund" see page 37) for the Landfill development projects and includes advances for the Project which will be reimbursed from the Series 2005 Bonds.

TABLE 9 - HISTORICAL REVENUES ($000)

	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual
Tipping Fees	$9,357	$9,944	$11,377	$14,518	$15,850
Interest	$212	$103	$116	$93	$82
JAO Liability Reserve (1)	$84	$141	-$40	-$40	-$40
Other Sources	$710 (2)	$2,433 (3)	$7,271 (4)	$2,579 (5)	$5,550 (6)
	$10,363	**$12,621**	**$18,724**	**$17,150**	**$21,442**

Notes:

1. Transfers related to establishing the JAO Liability Reserve, to be completed in FY 2006 ($21,000)
2. Transfer from the Los Angeles County Refuse Disposal Trust Fund
   Irrigation System - 2000 $710,000
3. Transfers from the Los Angeles County Refuse Disposal Trust Fund
   Gas Collection System - 2001 $585,000
   Liquids Management System $826,000
   Supplemental Agreement to the Gas Collection System - 2001 $158,575
   Drainage Facilities - 2002 $863,500
4. Transfers from the Los Angeles County Refuse Disposal Trust Fund
   Southeastern Composite Liner System $4,950,000
   Gas Collection System - 2002 $275,000
   Geologic Assessment and Geotechnical Analysis of the North Ridge Cut Area $1,532,576
   Gas Collection System - 2003 $513,000
5. Transfer from the Los Angeles County Refuse Disposal Trust Fund
   Earthmoving Services for the North Ridge Cut - Phase 1 (2003) $2,579,270
6. Transfers from the Los Angeles County Refuse Disposal Trust Fund
   Earthmoving Services for the North Ridge Cut - Phase 1 (2004) $1,400,000
   North Ridge Liner - Phase 1 $4,150,000

Capital Sources and Uses of Funds

The Series 2005 Bonds are being used to fund the Project. The advance funding for Phase I of the Project which was provided by the County will be reimbursed by a portion of proceeds from the Series 2005 Bonds. A detailed breakdown of the sources and uses is provided in the following sections.

Estimated Project Construction Costs

The estimated construction cost of the Project includes all of the estimated direct costs to complete the design, construction, and equipment installation of the various phases of the Project as currently defined. A breakdown of the estimated construction cost of the Project and the basis for such costs are summarized in Table 10.

TABLE 10- CONSTRUCTION COST BREAKDOWN

Construction Activity	Cost Estimate	Status	Notes
Phase I Construction			
Excavation (4.0 Million CY)	$5,170,000	Complete	2,350,000 CY moved by contractor @ $2.20/CY
Liner Construction (16.0 acres plan view)	$5,380,410	Complete (1)	$336,276 per acre from bid tabulation
Construction Quality Assurance	$753,257	Complete (1)	Based on 14% of Liner Costs
Phase I Subtotal	**$11,303,667**		
Phase IIA Construction			
Excavation (2.5 Million CY) (2)	$6,500,000	Ongoing	1,800,000 CY moved by contractor @$3.62/CY
Clay Materials Delivery and Placement (3)	$1,000,000		Engineering estimate
Liner Construction (10.6 acres plan view)	$5,641,370		Bid price
Construction Quality Assurance	$789,792		Based on Historical Costs
Phase IIA Subtotal	**$13,931,162**		
Phase IIB Construction			
Excavation (1.6 Million CY) (2)	$3,800,000		990,000 CY moved by contractor @ $3.84/CY
Engineered Fill (0.5 Million CY) (3)			By District No. 2 operating personnel
Liner Construction (25.7 acres plan view)	$9,168,599		Per acre bid from Phase I - Inflated 6%
Construction Quality Assurance	$1,283,604		Based on Historical Costs
Contingency	$2,000,000		For potential increases in material costs
Phase IIB Subtotal	**$16,252,203**		
Total for Phase I, IIA and IIB	**$41,487,032**		

Notes:
(1) Complete pending final invoicing
(2) Assumes District No. 2 excavates portion of earthwork as part of daily operations. (Costs not included in total.)

Capital Funding Mechanism

The proceeds from the Series 2005 Bonds will be used to finance the direct costs included in the estimated construction costs of the Project and the indirect costs relating to the bond issuance. Interest revenues on amounts to be deposited in the Project Fund are expected to fund a portion of the Phase IIA and Phase IIB capital improvements. A summary of the sources and uses of the required funds are provided in Table 11.

TABLE 11– EST. BOND PROCEEDS SOURCES AND USES

Sources of Funds	Amount (1)
Bond Principal	$38,550,000
Premium / (Discount)	$710,759
Total Sources of Funds	$39,260,759
Uses of Funds	
Net Funds Available for Construction	$23,740,746
Debt Service Reserve Fund	$3,855,000
Costs of Issuance	$711,039
Reimbursements	
Trust Fund (Phase I)	$6,500,000
Trust Fund (Phase IIA)	$4,150,000
Capital Projects Reimbursement	$300,000
Rounding Amount	$3,974
Total Uses of Funds	$39,260,759

(1) Preliminary subject to change

Base Case Operating Revenues and Expenses

Under the Agreement, the County has agreed to establish solid waste tip fees, in consultation with the District No. 2 at the Landfill, which together with other Landfill revenues, will be adequate to produce revenues:

- to fund the immediate requirements for Landfill operating costs, including:
  - site development and implementation;
  - operation and maintenance;
  - site beautification;
  - closure/post-closure maintenance, including financial assurances as required by law;
  - District No. 2 liabilities and obligations with others undertaken to meet performance requirements under the Agreement;
- to fund the Net Economic Benefits Account;
- to produce Net Revenues sufficient to pay annual debt service payments on the Series 2005 Bonds, including provision for the next debt service installment.

Income and expense projections for the Landfill, reflecting the current projected waste disposal quantities, anticipated revenues and expanded Landfill operation, together with the other assumptions relative to such Base Case projections are summarized in the following paragraphs.

Operating Revenues

District No. 2 is projected to derive revenues in FY 2006 for the operation of the Landfill from the various sources as shown in Table 12.

These revenue sources can generally be categorized in two major categories, which are described in more detail in the following paragraphs:

- Solid waste disposal fees
- Interest on operating reserves

TABLE 12– PROJECTED REVENUES ($000)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Tipping Fees	$17,631	$18,778	$19,866	$20,665	$21,232
Interest & Other Revenue(1)	$309	$669	$398	$44	$54
JAO Liability Reserve(2)	-$21				
Other Sources	$34,691	$0	$0	$0	$0
	$52,609	**$19,447**	**$20,264**	**$20,710**	**$21,286**

Notes:
(1) Includes interest on unexpended Phase II project bond proceeds
(2) The JAO Liability Reserve represents the final payments discussed above under Historical Revenues and Expenses

Disposal Fees

The County intends to establish Landfill tip fees for its MSW Waste each fiscal year, based on the anticipated budgetary requirements for waste disposal in the region. Corollary increases in the tip fees for the other waste categories, including green waste, would also be established annually. The disposal fees are charged to all solid waste delivered to the Landfill from Service Area sources. Private haulers, municipalities and other credit customers are billed on a monthly basis for the waste deliveries.

The Base Case assumes that annual waste delivery of 550,250 tons is received throughout the term of the Series 2005 Bonds and that the historical tonnage tip fee categories will remain proportionally the same. The base tip fees are assumed to be increased annually in the first quarter of each calendar year based on an inflationary index after an initial increase of $1.50 in January 2006. An additional increase of $0.25 above inflation is also anticipated in January 2007 and 2008.

Operating Reserves

District No. 2 established an operating fund for the Landfill with the County Treasurer when the Landfill commenced operations, referred to as the Calabasas Landfill Working Capital Fund ("Working Capital Fund"). The monies held in the fund are used to pay the normal capital and operating costs of the Landfill, which are subject to cash flow fluctuations. The monies in the Working Capital Fund are invested in the County's Pooled Specific Investment Fund, but may be invested elsewhere under District No. 2's Investment Policy. All interest earnings accrue to the Working Capital Fund. The cash balance in the Working Capital Fund is currently at minimum levels necessary to address operating cash flow fluctuations and maintain operations at the Landfill. The majority of the proceeds from the Series 2005 Bonds will be deposited in the Capital Project Fund held and invested by the County Treasurer. Funds from the Capital Project Fund will be disbursed to the Landfill as required to complete the Project. A portion of the proceeds from the Series 2005 Bonds will reimburse funding advances provided to the Project from the Trust Fund. For the purpose of this report, interest projections are calculated quarterly, based on the estimated quarterly end balance, at an assumed interest rate of 3 percent.

Los Angeles County Refuse Disposal Trust Fund ("Trust Fund")

The Trust Fund was established by the County and District No. 2 for the purpose of using surplus monies derived from charges made by District No. 2 for refuse disposal to provide for the refuse disposal needs of the County by implementing and expanding existing sites and by acquiring and implementing new refuse disposal and transfer facilities. The cash balance of the Trust Fund was approximately $1.01 million as of September 30, 2005. Assuming expenditure consistent with historical practices, approximately $0.80 million can be considered to be a reserve available for use at the Landfill. Use of the money would require the approval of the County.

Los Angeles County Refuse Disposal System Equipment Pool ("Equipment Pool")

The Equipment Pool was established at the same time as the Trust Fund. The Equipment Pool purchases, sells, and maintains the mobile equipment used at the Landfill and Scholl Canyon Landfills. The landfills rent the equipment from the Equipment Pool and pay monthly equipment rental charges to the Equipment Pool, based on the miles driven or hours operated. The Sanitation Districts are responsible for setting the equipment rental rates. The amount of funds available in the Equipment Pool was approximately $2.96 million as of September 30, 2005. Funds held in the Equipment Pool can be considered to be a reserve available for use at the Landfill. However, the amount that could be made available would be dependent on anticipated equipment purchases by the Equipment Pool. Use of the money would require the approval of the County and the funds would need to be repaid to the Equipment Pool in a reasonable time period.

Landfill Park and Recreation Fund

The Agreement for the Landfill states that upon District No. 2's surrender of filled Landfill areas to the County, monies from the Trust Fund shall be transferred to a Special Accumulated Capital Outlay Fund to be established by the County for the purpose of beautifying and improving said filled areas for park and recreational purposes. The amount of monies to be transferred shall be $5,000 per acre, multiplied by the Engineering News Record Construction Cost Index ("ENR CCI") from a July 1965 base index. District No. 2 has established the Calabasas Landfill Park and Recreation Fund to set aside funds for eventual transfer to the Trust Fund for this purpose. Due to operational needs at the Landfill, it is anticipated that no areas will be surrendered to the County prior to the completion of disposal operations and closure of the Landfill. The cash balance of the Park and Recreation Fund was approximately $0.37 million as of September 30, 2005. The money held in the fund can be considered to be a reserve available for use at the Landfill. The funds would need to be repaid to the fund by closure of the Landfill.

Operating Expenses

District No. 2 will incur expenses from the normal operation of the Landfill, which includes the following:

- the operating of the Landfill and for the other disposal site components
- equipment rental (repair and replacement)
- capital improvement projects
- closure and post-closure financial assurance payments to meet regulatory requirements;
- fund reserve payments for the redevelopment of the site as a recreational facility after closure
- Sanitation Districts operating and administrative expenses; and
- Debt service payments for the Series 2005 Bonds

For the purposes of projections, future Landfill operating expenses have been aggregated into the following categories as shown in Table 13.

TABLE 13 - PROJECTED EXPENSES ($000)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Landfill O&M	$6,201	$6,450	$6,707	$6,933	$7,141
Equipment Rental	$2,007	$1,899	$2,024	$2,243	$2,311
Capital Improvements	$22,640	$6,230	$14,850	$1,882	$1,937
Inter-Department Transfers					
Solid Waste Overhead	$356	$373	$391	$405	$417
JAO Overhead	$563	$590	$619	$642	$661
Taxes and Fees					
Economic Benefit Fund	$528	$537	$547	$550	$550
Landfill Business License Tax	$1,433	$1,534	$1,630	$1,701	$1,753
Solid Waste Disposal Fee	$739	$752	$765	$770	$770
Waste Mgmt Planning Fee	$454	$462	$470	$473	$473
Regulatory Service Fee	$100	$102	$104	$105	$105
Park & Recreation Fund	$0	$0	$0	$0	$644
Closure / Post-Closure Fund	$2,438	$1,631	$1,684	$1,711	$1,726
Trust Fund Transfers	$4,147	$0	$0	$0	$0
Net Debt Service on Series 2005 Bonds	$1,768	$2,758	$2,818	$2,874	$2,936
Total Expenses	**$43,372**	**$23,319**	**$32,608**	**$20,290**	**$21,424**
Trust Fund Balance (Yr-End)	$17,677	$13,805	$1,461	$1,881	$1,743

Landfill O&M Costs

Landfill O&M costs represent the normal operating costs, which are likely to occur every year and include costs that are related specifically to landfill operations. Based on historical average costs, the costs for these services are estimated by District No. 2 to be approximately $6.18 million in FY2005 dollars.

Equipment Rental

This category includes Sanitation District equipment rental, major repair, and replacement costs for the on-site equipment used for Landfill Operations. Based on the historical data, District No. 2 estimates the average cost per cubic yard of waste disposed is $2.08 in FY2005 dollars, escalated by an estimated inflation rate of three percent per year. These charges flow into the Equipment Pool.

Capital Improvements

This operating cost includes the escalated capital improvement costs, which have been projected by District No. 2 through 2010 as previously shown in Table 13. Although it is difficult to anticipate all the capital projects that will be needed in the future, District No. 2 has estimated that average annual capital improvements expenditures will be approximately $1.35 million per year in 2005 dollars escalated by an estimated inflation rate after the Project is complete.

Inter-Departmental Transfers

Since District No. 2 is required to provide county-wide planning and administrative services, disposal facilities operated by District No. 2 are assessed overhead charges to cover these costs. For accounting purposes, these charges are credited to two separate accounts:

- Solid Waste Overhead Account for engineering and planning services
- Joint Administrative Office Overhead for accounting, personnel and administrative services

Projection of these costs into the future is based on the escalation of FY 2005 costs for these services at an escalation rate of three percent per year. Based on data provided by District No. 2, these cost categories are approximately $360,000 and $570,000, respectively in FY 2005 dollars.

Fees and Taxes

The Landfill is assessed a number of fees and taxes by various governmental units to cover certain administration, impact and oversight costs, which are:

- Net Economic Benefits Fee to the County ($1 per ton)
- Landfill Business License Tax to the County (10% of tip fee revenues)
- Solid Waste Disposal fee to the State of California ($1.40 per ton)
- Waste Management Planning Fee to the County Public Works ($0.86 per ton)
- Regulatory Service Fee to the County Department of Health Services ($0.19 per ton)

The Landfill Net Economic Benefits Account has been established as provision to the current amendment to the Agreement for the purpose of habitat rehabilitation which will be managed by the County Supervisory District No. 3. The funding has been established at $1.00 per ton, effective June 30, 2005. All of these fees are set by legislative actions and are assumed to remain fixed for the purpose of this report.

Closure/Post Closure Funding

The payments toward closure-post closure are to satisfy State regulatory requirements to fund a financial assurance mechanism for closure and post-closure maintenance of the site. District No. 2 uses a fund build-up method allowed by the State to accumulate the necessary funds in the Closure/Post-Closure Fund held by the Sanitation Districts to provide this financial assurance. The fund build-up is required to be completed by the time the site closes. The State specifies a formula based on annual tonnage and remaining capacity that determines the amount that must be contributed each year to the fund. Most importantly, the State requires that an operator maintain the minimum required fund balance, which is reported annually. District No. 2 lets interest earnings accumulate in the Closure/Post-Closure Fund and makes transfers from the site fund as required to meet the total annual contribution requirement. Since District No. 2 made a large initial and continued contribution to the fund when the State requirements first came into effect, a large portion of the money has already been set aside for closure and post-closure. Therefore, the actual fund balance has been much greater than the minimum required fund balance which enabled District No. 2 to stop making transfers and rely only on interest earning contributions to the fund balance over the last several years. District No. 2 began making transfers to this fund again in FY2004. Since the Landfill closure date is a function of the

tonnage received, the amount contributed to this account each year is based on the tons received and the interest earnings on the escrowed amount.

Parks and Recreation Redevelopment Funding

As discussed above the Park and Recreation Fund has been established for site beautifications of the Landfill, which provides funding for park and recreation, be provided to the County ($5,000 per acre increased by the ENR CCI from July 1965). However, the funds do not have to be available until closure. Due to the large capital improvement costs in the last five years, District No. 2 has deferred contributions to this fund until after the liner project have been completed. Since the Landfill closure date is a function of the tonnage received, the amount contributed to this account each year is based on the tons received and the interest earnings on the escrowed amount.

Trust Fund Transfers

Trust fund charges shown in Table 13 are for the reimbursement of the County Trust Fund historical advances to the Landfill, which are expected to be paid in full in FY2006.

Debt Service Requirements

The estimated annual net debt service expense as provided by the underwriter for the Series 2005 Bonds.

Net Operating Revenue Summary

A summary of the net operating revenues and expenses, prior to capital improvements, interest on the unexpended Series 2005 Bond proceeds, Trust Fund transfer and other revenues has been provided in Table 14 to demonstrate net operating revenues available for net debt service.

TABLE 14– NET OPERATING REVENUES ($000)

Projected Operating Revenues	FY 2006 Budget	FY 2007 Budget	FY 2008 Budget	FY 2009 Budget	FY 2010 Budget
Tipping Fees	$17,631	$18,778	$19,866	$20,665	$21,232
Interest & Other Revenue	$65	$31	$20	$44	$54
JAO Liability Reserve	-$21				
Other Sources					
	$17,675	**$18,809**	**$19,886**	**$20,710**	**$21,286**
Projected Operating Expenses					
Landfill O&M	$6,201	$6,450	$6,707	$6,933	$7,141
Equipment Rental	$2,007	$1,899	$2,024	$2,243	$2,311
Capital Improvements					
Solid Waste Overhead	$356	$373	$391	$405	$417
JAO Overhead	$563	$590	$619	$642	$661
Economic Benefit Fund	$528	$537	$547	$550	$550
Landfill Business License Tax	$1,433	$1,534	$1,630	$1,701	$1,753
Solid Waste Disposal Fee	$739	$752	$765	$770	$770
Waste Mgmt Planning Fee	$454	$462	$470	$473	$473
Regulatory Service Fee	$100	$102	$104	$105	$105
Park & Recreation Fund	$0	$0	$0	$0	$644
Closure / Post-Closure Fund	$2,438	$1,631	$1,684	$1,711	$1,726
	$14,817	**$14,330**	**$14,940**	**$15,534**	**$16,550**
Net Operating Income (Available for Debt Service)	**$2,857**	**$4,479**	**$4,946**	**$5,176**	**$4,735**
Net Debt Service	$1,768	$2,758	$2,818	$2,874	$2,936

Principal Assumptions and Conclusions

Principal Assumptions

In preparation of this feasibility report, we have used and relied upon certain information provided to us by sources which we believe to be reliable, and have made certain assumptions with respect to conditions which may exist or events which may occur in the future. While these assumptions are reasonable for the purpose of this report, they are dependent upon future events and actual conditions may differ from those assumed. Some assumptions will possibly not materialize as stated herein or may vary significantly due to unanticipated or uncontrollable events and circumstances. To the extent that actual future conditions differ from those assumed herein or provided to us by others, the actual results may vary from those forecast. Any variation in revenues or costs for operations will result in a change of the fees and assessments.

The Landfill revenue and expense projections set forth in this report are based upon contractual commitments and cost estimates discussed throughout this report. A summary of the principal assumptions utilized in preparing the Landfill revenue and expense projections, which we believe to be reasonable, are set forth below.

1. The respective obligations of the County, Sanitation Districts, District No. 2 and the Contractor, as set forth in various Landfill-related contracts and agreements, will be met throughout the term of the Series 2005 Bonds. We have made no determination as to the validity or enforceability of any ordinance, contract, agreement, rule, or regulation applicable to the Landfill and its operations.

2. The Phase IIA and IIB design documents, as revised to reflect Project-specific details, will be materially consistent with the existing construction document and the construction documents, when finalized, will provide equitable terms and conditions to assure the successful completion of the Project on time and in budget.

3. All licenses, permits and approvals necessary to operate the Landfill will be renewed, affirmed, issued, approved or obtained on a timely basis.

4. The County and the Service Area communities will continue to support on-going operation of the Landfill throughout the term of the Series 2005 Bonds and take reasonable efforts to direct their waste deliveries to the Landfill.

5. The population in the County and Service Area communities will increase in accordance with the Southern California Council of Governments projections. The current per capita waste generation rate will remain generally constant throughout the term of the Series 2005 Bonds.

6. The level of recycling which occurs in the Service Area will be consistent with the County's recycling expectations.

7. District No. 2 will continue to employ qualified and competent personnel who will operate the Landfill in accordance with the Joint Powers Agreement, maintain and replace the equipment in accordance with generally accepted engineering practices, and will operate the Landfill in a sound and businesslike manner.

8. No material delays or shutdowns of Landfill components will occur as a result of unforeseen circumstance during the term of the Series 2005 Bonds.

9. Changes in environmental laws, regulation, and enforcement policies or energy regulatory law will not adversely affect future Landfill revenues, operating expenses or capital expenditures.

10. Any increases in debt service or operating costs due to the Project will be handled through an appropriate increase in the tip fee for solid waste disposal services by the Sanitation Districts, County and its municipalities, through acceptance of waste from outside the current Service Area or through other available revenue enhancement or cost reduction mechanisms that may be appropriate in a competitive marketplace.

11. The projected rate of escalation applied to expenses and revenues reasonably reflects actual levels of inflation and the prevailing conditions of the economy. Since there is no way of accurately predicting future economic conditions, no assurances can be given regarding the impact of future economic conditions on the revenues and expenses provided in Exhibit 1.

12. After the 2005 amendment to the Agreement, the County will adjust the tip fees for disposal of solid waste at Landfill in order to maintain waste flows, and when combined with any other Landfill revenues, will adequately compensate for any significant changes in budgeting assumptions affecting revenue or expense projections.

Conclusions

Based on our review, investigation and analysis during the preparation of this report and our experience, and subject to the assumptions set forth in this report, we are of the opinion that:

1. The Project has been developed based on a well-conceived, technically-sound design and the procurement process has been advanced cooperatively by the County and District No. 2. The Project can be expected to provide an environmentally-sound, long-term disposal option for the Service Area, provided it is constructed, operated and maintained in accordance with the current design specifications and regulatory standards.
2. District No. 2 has the demonstrated management and technical experience to implement the Project in accordance with the projected schedule. The Landfill is being operated and maintained using sound landfill operating practices and District No. 2 has maintained good community relations.
3. The Project construction cost estimates and construction schedules are reasonable and are based on the results of other construction projects at the Landfill, using similar construction bidding processes. The construction schedules provide for the timely construction of the Project, barring any delays due to unforeseen events.
4. The useful life of the Landfill will vary depending on the annual tonnage delivered to the Landfill for disposal, actual compaction densities achieved, and efficient use of daily and intermediate cover material used. However, the remaining Landfill disposal capacity estimate of 9.27 million tons as of June 30, 2005 is based on reasonable assumptions. After Project completion, the Landfill is expected to provide disposal capacity through FY2023, based upon the estimated annual waste deliveries. Since the Landfill capacity is based on volume, this life will vary depending on the actual annual waste deliveries.
5. The quantity of waste generated in the Services Area is sufficient to operate the Landfill at the projected levels. The projected estimates of waste deliveries to the Landfill are reasonable based on the current delivery trends and are reasonably expected to be realized, if the Landfill is operated in a businesslike manner.

6. All environmental permits and Project permits and approvals required for the construction of the Project and the operation of the Landfill have been obtained and are current.
7. The estimated annual Landfill operating expense and revenue projections, which are based on the average historical operating experience, are reasonable barring the occurrence of any unforeseen circumstance.
8. The tip fee increases as a result of the Project are expected to be competitive to tip fees offered at other disposal facilities in the region considering increased travel distances and transportation costs.
9. The projected Net Revenues should be adequate to cover the Landfill operating expense and Base Rental payments under the Sublease, at the expected waste delivery levels. If market conditions change resulting in significantly lower waste deliveries, the County and District No. 2 have several potential options available to supplement tip fee revenue reductions, including implementing tonnage-related cost efficiency reductions (*i.e.,* staffing & equipment levels), delaying routine capital improvements, accepting waste from outside the Service Area and using competitive pricing strategies to attract additional volume.

Glossary

"AB939" means California Integrated Waste Management Act of 1989

"Agreement" means Joint Powers Agreement

"Authority" means Los Angeles County Public Works Financing Authority

"CCR" means the California Code of Regulations

"CIWMB" means California Integrated Waste Management Board

"Construction Contract" means the construction agreement with Sukut Construction, Inc.

"County" means Los Angeles County, California

"District No. 2" means County Sanitation District No. 2 of Los Angeles County

"ENR CCI" means the Engineering News Record, Construction Cost Index

"EPA" means United States Environmental Protection Agency

"HDR" means HDR Engineering Inc.

"HHW" means household hazardous waste

"JAO" means Joint Administration Office

"LCRS" means the liquids collection and removal system in the Landfill

"Landfill" means Calabasas Landfill

"LEA" means Local Enforcement Agency

"MSW" means municipal solid waste

"NPDES" means National Pollutant Discharge Elimination System

"NPS" means National Park System

"Project" means Calabasas Landfill Expansion Project

"Trustee" means Deutsche Bank National Trust Company

"RCRA" means Resource Conservation and Recovery Act

"Regional Board" means Regional Water Quality Control Board

"Regional System" means the County's solid waste management system

"Sanitation Districts" means County Sanitation Districts of Los Angeles County

"SCAQMD" means South Coast Air Quality Management District

"Series 2005 Bonds" means Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project) Series 2005

"Service Area" means the communities of Agoura Hills, Calabasas, Hidden Hills, Malibu, and Westlake Village, the north-western portion of the City of Los Angeles, the western portion of the unincorporated County and the southern portion of Ventura County

"SCAG" means Southern California Association of Governments

"SRRE" source reduction and recycling element

"Subtitle D" means 40 CRF Part 258

"SWFP" means Solid Waste Facilities Permit

"SWRCB" means California State Water Resources Control Board

"SWPPP" means Storm Water Pollution Prevention Plan

"tpd" means tons per day

"Trust Fund" means Los Angeles County Refuse Disposal Trust Fund

"VOCs" means volatile organic compounds

"WDR" means Waste Discharge Requirements

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Indenture, the Site Lease and the Sublease, not previously described in this Official Statement, are summarized below. These summaries do not purport to be comprehensive and are qualified in their entirety by reference to the full terms of the documents.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Sublease or the Indenture, to which reference is made. The following definitions are equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not otherwise defined herein will have the meaning assigned to such term in the Indenture or, if not defined therein, in the Sublease.

"Act" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means Bonds issued pursuant to a Supplemental Indenture in accordance with the Indenture.

"Additional Rental" means all amounts payable by the County to the Authority or to the Trustee or any other person as Additional Rental pursuant to the Sublease.

"Authority" or "LACPWFA" means the Los Angeles County Public Works Financing Authority created pursuant to the Act, together with its successors and assigns in accordance with the Indenture.

"Base Rental" means all amounts payable by the County to the Authority as Base Rental Payments pursuant to the Sublease.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation and any issuer or issuers of a policy or policies of municipal bond insurance obtained by the Authority to insure the payment of principal or accreted value of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer shall be by action of a majority of all Bond Insurers (based upon the aggregate principal amount of Outstanding Bonds insured by each such Bond Insurer) if there is more than a single Bond Insurer. The Bond Insurer with respect to the Series 2005 Bonds means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

"Bonds" means the Series 2005 Bonds and any Additional Bonds issued in accordance with the Indenture.

"Business Day" means any day other than a Saturday or Sunday or a day upon which the banking institutions in the State of New York or the State of California or day upon which the Trustee is authorized by law to remain closed.

"Code" means the Internal Revenue Code of 1986 and the regulations issued thereunder or any successor thereto.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement executed by and among the County, the Authority and the Trustee, dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the County or the Authority and related to the authorization, execution and delivery of the Sublease, the Indenture and

the sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, premiums of any Bond Insurer, fees and charges for preparation, execution and safekeeping of the Bonds, title search and title insurance fees, fees of the Authority and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all Outstanding Bonds, assuming that all Outstanding Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), and (2) that portion of the principal amount of all Outstanding Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be.

"Effective Date" means the date of issuance and delivery of the Series 2005 Bonds.

"Event of Default" will have the meaning specified in the Indenture. See "Indenture-Defaults and Remedies."

"Financial Guaranty Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series 2005 Bonds as provided therein.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, who shall be under no liability by reason of such selection.

"Fiscal Year" means the twelve month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the County; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the County; and (3) is not connected with the Authority or the County as a member, officer or employee of the Authority or the County, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the County.

"Interest Payment Date" means December 1 and June 1, commencing on June 1, 2006.

"Leased Premises" means the Site and all buildings, fixtures and improvements currently thereon, (together with such additional buildings, fixtures and improvements as may be made and included as part of the Leased Premises, as further described in the Sublease as the "Project").

"Maximum Annual Debt Service" means, as of any date, with respect to Bonds, the maximum amount of Debt Service coming due on such Bonds in the then current or any future Fiscal Year.

"Net Revenues" means Net Revenues produced by the operation of the Leased Premises, as defined in the Joint Powers Agreement dated as of November 1, 1960, as amended to the date hereof.

"Opinion of Counsel" means a written opinion of independent counsel of recognized national standing in the field with respect to which the opinion is being provided, appointed and paid by the Authority.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds paid or deemed to have been paid within the meaning of the defeasance Section of the Indenture; and (3) Bonds in lieu of or in substitution for which other Bonds will have been executed, issued and delivered by the Authority pursuant to the Indenture.

"Permitted Investments" means any of the following obligations if and to the extent that, at the time of making such investment, they are permitted by applicable law:

A. Bond Insurer will allow the following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts.

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. Bond Insurer will allow the following obligations to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration

- Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by Bond Insurer

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks including the Trustee, its holding company, if any, and their affiliates which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated, based on an irrevocable escrow account or fund (the "escrow") in the highest rating category of Moody's or S&P or any successors thereto;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment Agreements with a provider rated at least "A" by S&P approved in writing by Bond Insurer (supported by appropriate opinions of counsel);

(9) The Local Agency Investment Fund of the State of California;

(10) The County Treasurer's investment pool, provided that the investment pool is rated in a rating category not less than the rating on then applicable general fund debt of the County; and

(11) Other forms of investments (including repurchase agreements) with a provider rated at least "A" by S&P approved in writing by Bond Insurer.

C. The value of the above investments shall be determined as follows:

a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine

the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;

b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

c) As to any investment not specified above: the value thereof established by prior agreement among the Authority, the Trustee, and Bond Insurer.

"Project" means the public improvement projects, equipment and furnishings, generally described in Exhibit B to the Sublease.

"Project Costs" means all costs of the Project and of expenses incident thereto (or for making reimbursements to the Authority or the County or any other person, firm or corporation for such costs theretofore paid by him or it), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs.

"Reserve Fund Requirement" means, at any time of calculation, with respect to all Outstanding Bonds, an amount equal to the least of (i) the Maximum Annual Debt Service for the Bonds, (ii) 125% of the average annual Debt Service for the Bonds, and (iii) ten percent (10%) of the stated principal amount of the Bonds. The Reserve Requirement may be satisfied by cash, a municipal bond reserve fund surety policy or letter of credit satisfactory to the Bond Insurer, or a combination of the two.

"Revenues" means (i) all rents, receipts, installment payments, and other income derived by the Authority or the Trustee pursuant to or otherwise under or in respect of the Sublease (or, in the case of a termination of the Sublease pursuant to Section 2 thereof, all rents, receipts, installment payments, and other income received by the Authority from the ownership, operation or reletting of the Leased Premises), and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Indenture (other than the Project Fund), but not including amounts, including investment income, received for or on deposit in the Rebate Fund; provided that such term shall not include amounts payable by the County to the Authority or to the Trustee or any other person as Additional Rental pursuant to the Sublease.

"Series 2005 Bonds" means the Lease Revenue Bonds (Calabasas Landfill Project), Series 2005 issued under the Indenture.

"Site" means that certain real property described in that Site Lease dated as of December 1, 2005, between the County and the Authority.

"State" means the State of California.

"Sublease" means that certain Sublease and Option to Purchase, dated as of December 1, 2005, by and between the Authority and the County.

"Supplemental Indenture" means any indenture then in full force and effect that has been duly executed and delivered by the Authority and the Trustee amendatory of the Indenture or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means the Tax Compliance Certificate relating to the Bonds, dated as of the date of original delivery of the Bonds, the Authority and the County, as the same may be amended from time to time.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means revenue bonds or other securities the interest on which is Tax-Exempt.

"Term" means the terms of the Sublease as provided therein.

"Trustee" means Deutsche Bank National Trust Company, or any other association or corporation that may at any time be substituted in its place as provided in the Indenture.

"Written Request of the Authority" means an instrument in writing signed by the Chair, Vice Chair, Treasurer or Controller of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Written Request of the County" means an instrument in writing signed by any officer of the County or their authorized representatives, or by any other officer of the County duly authorized by the County Board of Supervisors to the Trustee for that purpose.

INDENTURE

The Indenture provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain funds and accounts for the Bonds and the Revenues pledged for the Bonds, certain covenants of the Authority, defines events of default and remedies, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Indenture setting forth the terms of the Bonds and the redemption provisions thereof are set forth elsewhere in this Official Statement. See "THE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Pledge of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Project Fund and the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Indenture, and such Revenues will not be used for any other purpose while any Bonds remain Outstanding except for such purposes as are permitted under the Indenture. This pledge will constitute a pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Indenture (excluding amounts on deposit in the Project Fund and the Rebate Fund) for the payment of the interest and premium, if any, on and principal of the Bonds in accordance with the terms of the Indenture and the Bonds.

All Revenues when and as received shall be received by the Authority in trust under the Indenture for the benefit of the Holders will be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund, which fund is created and which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds shall be Outstanding. All Revenues shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except as provided in the Indenture. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided in the Indenture, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority, as provided in the Indenture.

The Authority assigns to the Trustee all of the Authority's rights and remedies under the Site Lease and the Sublease (other than certain rights retained by the Authority with respect to certain payments and indemnification). The assignment of the Site Lease and the Sublease to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Indenture will be subject to the provisions thereof. The Trustee will have no responsibility for the representations, covenants or warranties of the Authority under the Site Lease or the Sublease.

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Indenture, the Authority will not be required to advance any money derived from any source other than the Revenues as provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants contained in the Indenture. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Indenture, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Indenture. The Bonds are not a debt of the Authority, the State or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Creation of Funds and Accounts

In order to carry out and effectuate the pledge, assignment, charge and lien contained in the Indenture, the Trustee agrees to maintain in trust for Holders so long as any Bonds will be Outstanding under the Indenture the following Funds and Accounts. All Revenues and all other amounts pledged and assigned under the Indenture will be accounted for through and held in trust in the Revenue Fund, and the Authority will have no beneficial right or interest in any of the Revenues except only as provided in the Indenture.

Interest Account. On or before each Interest Payment Date, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money that is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. On or before the 20th day of the month prior to each Interest Payment Date, the Trustee will notify the County of the amount, if any, on deposit in the Interest Account and the amount still required for payment of interest on the Bonds on the immediately following Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest payable on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account, On or before each June 1, commencing June 1, 2006, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the payment of principal required to be made on such June 1. On or before each May 20, the Trustee will notify the County of the amount, if any, on deposit in the Principal Account, and the amount required for payment of principal on the immediately following June 1.

All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it will become due and payable, whether at maturity or redemption.

Reserve Fund. All money in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts, except that so long as the Authority is not in default under the Indenture, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement will be transferred, as provided in the Indenture, to the Rebate Fund, if necessary, or to the Revenue Fund to pay principal of the Bonds. Amounts on deposit in the Reserve Fund will be applied by the Trustee to the final payment of the Bonds when such amount equals the principal of and interest on the Bonds Outstanding.

Surety Bond or Insurance Policy. Subject to the written consent of the Bond Insurer, a surety bond or insurance policy issued to the Trustee, on behalf of the Holders, by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the Bonds (a "municipal bond insurer") may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of such municipal bond insurer will be rated "Aaa" by Moody's and "AAA" by S&P.

If the claims paying ability of a municipal bond insurer falls below an "Aaa" rating by Moody's or an "AAA" rating by S&P, the Authority will use its best efforts to procure a replacement surety bond or insurance policy within 30 days from the date of the decline in such claims paying ability, meeting the requirements set forth above to the extent that, in the judgment of the Authority, such a substitute or replacement surety bond or insurance policy is available upon reasonable terms and at a reasonable cost, or will use its best efforts to deposit into the Reserve Fund a letter of credit meeting such requirements in order to provide that there will be on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

Letter of Credit. Subject to the written consent of the Bond Insurer, a letter of credit may be deposited in the Reserve Fund to meet the Reserve Fund Requirement, provided that any such letter of credit must be issued or confirmed by a state or national bank or a foreign bank with an agency or branch located in the continental United States which has outstanding an issue of unsecured long term debt securities rated at least equal to the second highest rating category (disregarding rating subcategories) by Moody's and S&P, but in no event less than the rating on the Bonds given by any rating agency which has a then currently effective rating on the Bonds.

In the event that unsecured long-term debt securities of the state, national or foreign bank which has issued or confirmed any letter of credit are downgraded by Moody's or S&P to a rate below the requirements set forth above, the Authority will use its best efforts to obtain a substitute or replacement letter of credit within 30 days from the date of such downgrading from a state, national or foreign bank meeting the requirements set forth above, to the extent that, in the judgment of the Authority, such a substitute or replacement letter of credit is available upon reasonable terms and at a reasonable cost, or will use its best efforts to deposit into the Reserve Fund a replacement surety bond or insurance policy meeting the requirements set forth above in order to provide that there will be on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

Unless the Bonds have been fully paid and retired, the Trustee will draw the full amount of any letter of credit credited to the Reserve Fund for such Bonds on the third Business Day preceding the date such letter of credit (taking into account any extension, renewal or replacement thereof) would otherwise expire, and will deposit moneys realized pursuant to such draw in the Reserve Fund.

Release of Moneys in Reserve Fund. If the Authority replaces a cash-funded Reserve Fund, in whole or in part, with a surety bond, insurance policy or letter of credit in accordance with the Indenture, amounts on deposit in the Reserve Fund will be transferred and/or applied by the Trustee as directed by the County, in writing.

Issuance of Additional Bonds

In addition to the Series 2005 Bonds authorized under the Indenture, the Trustee, the Authority and the County may by execution of a Supplemental Indenture, without the consent of the Holders, provide for the issuance and sale of Additional Bonds payable from Revenues. The Trustee may authenticate and deliver such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes, but such Additional Bonds may only be issued and sold subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

(a) neither the County nor the Authority will be in default under the Indenture or the Sublease;

(b) upon the issuance of such Additional Bonds, the amount on deposit in the Reserve Fund, together with the amount available under all Reserve Facilities, will be at least equal to the Reserve Fund Requirement (calculated with respect to all Outstanding Bonds and Additional Bonds);

(c) payments of principal of such Additional Bonds will be payable only on June 1 of any particular year;

(d) the aggregate principal amount of Bonds issued and sold and at any time Outstanding under the Indenture will not exceed any limit imposed by law or by the Indenture; and

(e) the Sublease will have been amended so as to increase the Base Rental Payments payable thereunder by any amount necessary to provide for the payment of the principal of and interest on all Outstanding Bonds, including without limitation such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of such principal of and interest; provided, however, that no such amendment will be made such that the sum of Base Rental Payments plus Additional Rental Payments, in any Rental Period, will be in excess of the annual fair rental value of the Leased Premises after taking into account the use of the proceeds of any Additional Bonds issued and sold in connection therewith (evidence of the satisfaction of such condition will be made by a certificate of the County).

Any Additional Bonds will be on a parity with the Series 2005 Bonds and each Holder thereof will have the same rights upon an event of default as the Holder of any other Series 2005 Bonds issued and sold under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are issued and sold.

Whenever the County or the Authority will determine to authorize the issuance of any Additional Bonds, the Trustee, the Authority and the County will enter into a Supplemental Indenture, without the consent of the Holders of any Bonds, providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Before such Additional Bonds will be issued and sold, the County and the Authority will file or cause to be filed the following documents with the Trustee:

(a) an Opinion of Counsel setting forth (i) that the issuance and sale of the Additional Bonds have been duly authorized by the Authority, (ii) that said amendments to the Sublease and the Supplemental Indenture are authorized or permitted by the Indenture and, when duly executed and delivered by the parties thereto, will be valid and binding obligations of the County and the Authority, as applicable, and (iii) that the execution and delivery of the Supplemental Indenture and the amendments to the Sublease, in and of themselves, do not adversely affect the exclusion from gross income for federal income tax purposes of interest on Outstanding Bonds;

(b) certification in writing by the County that the requirements of the Indenture for the issuance of Additional Bonds have been met, which will include written certification as to the fair rental value of the Leased Premises, after giving effect to the issuance of the Additional Bonds, and to the use of proceeds received therefrom;

(c) certified copies of the resolutions of the Authority and the County authorizing the execution and delivery of the Supplemental Indenture and the amendment to the Sublease required by the Indenture;

(d) executed counterparts or duly authenticated copies of the Supplemental Indenture and the amendment to the Sublease required by the Indenture, with satisfactory evidence that such amendment to the Sublease has been duly recorded;

(e) the written consent of the Bond Insurer to the issuance of such Additional Bonds; except that such consent shall not be required for Additional Bonds issued as fixed rate bonds to refund Outstanding Bonds the issuance of which does not result in an increase of Maximum Annual Debt Service on all Bonds Outstanding after

the issuance of such Additional Bonds as compared to Maximum Annual Debt Service on all Outstanding Bonds before the issuance of such Additional Bonds.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of said instruments that all applicable provisions of the Indenture have been complied with so as to permit the issuance and sale of the Additional Bonds in accordance with the Supplemental Indenture, the Trustee will authenticate and deliver said Additional Bonds.

Application of Insurance Proceeds and Eminent Domain Awards

In the event of any damage to or destruction of any part of the Leased Premises covered by insurance, the Authority, except as provided in the Indenture, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Premises, and the Trustee will hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Leased Premises to at least the same good order, repair and condition as it was prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will invest said proceeds in Permitted Investments pursuant to the Written Request of the County, as agent for the Authority under the Sublease, and withdrawals of said proceeds will be made from time to time upon the filing with the Trustee of a Written Request of the County, stating that the County has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Leased Premises, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The County will file a written certificate with the Trustee to the effect that sufficient funds from insurance proceeds or from any funds legally available to the County, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Leased Premises. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance will be paid to the Trustee as Base Rental Payments and applied in the manner provided by the Indenture. Alternatively, the County, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Leased Premises, or that portion, in the case of partial damage or destruction of the Leased Premises, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Leased Premises, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Premises and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Indenture. The County will not apply the proceeds of insurance as set forth in the Indenture to redeem the Bonds in part due to damage or destruction of a portion of the Leased Premises unless the Trustee receives a certificate of the Authority that the Base Rental Payments on the undamaged portion of the Leased Premises will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

The proceeds of any award made in eminent domain proceedings for the taking of the Leased Premises or a portion thereof, shall be deposited with the Trustee as required by the Sublease and used for the redemption of Outstanding Bonds pursuant to the Indenture. Prior to any such partial redemption, the Authority shall provide the Trustee a written certificate to the effect that the Base Rental payments to be paid with respect to the portion of the Leased Premises not subject to the eminent domain proceedings and remaining subject to the Sublease will be sufficient to pay the principal and interest on the Bonds remaining unpaid after such redemption.

Investments

Subject to certain provisions of the Indenture, all money held by the Trustee in any of the accounts or funds established pursuant thereto will be invested in Permitted Investments at the Written Request of the Authority; provided that in the absence of a Written Request, the Trustee will invest moneys in Permitted Investments described in clause (B)(5) of the definition thereof. Investments (except investment agreements) in Indenture funds and accounts will be valued at the market value thereof, exclusive of accrued interest. Investments purchased with funds on deposit in the Revenue Fund will mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Project Fund will mature not later than the dates upon which such funds will need to be expended for costs of the Project (or will be invested in repurchase agreements or investment agreements described in the definition of Permitted Investments). Investments (except

investment agreements or repurchase agreements) purchased with funds on deposit in the Reserve Fund will have a term to maturity not greater than five years.

Subject to the Indenture, all interest or profits received on amounts in the Project Fund will be retained in the Project Fund. All interest or profits received amounts in the Reserve Fund, the Interest Account and the Principal Account will be credited or charged to the respective fund or account from which such investments are made. The Trustee will not be liable for any losses on such investments.

Certain Covenants

Collection and Pledge of Revenues. The Authority covenants it will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Indenture, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Indenture.

The Authority will punctually pay, from the Revenues, the interest and redemption premiums, if any, on and the principal of every Bond issued under the Indenture in strict conformity with the terms of the Indenture and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained in the Indenture and in the Bonds.

Arbitrage Covenants; Rebate Fund.

(a) The Authority covenants with all persons who hold or at any time held Bonds that the Authority will not directly or indirectly use the proceeds of any of the Bonds or any other funds of the Authority or permit the use of the proceeds of any of the Bonds or any other funds of the Authority or take or omit to take any other action which will cause any of the Bonds to be "arbitrage bonds" or to be otherwise subject to federal income taxation by reason of Sections 103 and 141 through 150 of the Code and any applicable regulations promulgated thereunder. To that end the Authority covenants to comply with all covenants set forth in the Tax Certificate, which is incorporated in the Indenture by reference as though fully set forth in the Indenture.

(b) There is created under the Indenture a Rebate Fund, which fund the Authority agrees and covenants to maintain with the Trustee. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be directed in writing by the County as necessary in order for the Authority and the County to comply with the terms and requirements of the Tax Certificate. Subject to the transfer provisions provided in paragraph (c) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States Government, and neither the County, the Authority nor the Bondholders shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed as provided in the Indenture, the Lease Agreement and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the directions of the County, including supplying all necessary information requested by the County and the Authority in the manner set forth in the Tax Certificate, and shall not be required to take any actions thereunder in the absence of written directions from the County.

(c) Upon receipt of the County's written instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States Government, as so directed. In addition, if the County so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the County's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement shall be withdrawn and remitted to the County upon its written request. The Trustee may rely conclusively upon the County's determinations, calculations and certifications required by the Indenture. The Trustee shall have no responsibility to independently make any calculation or determination or to review the County's calculations under the Indenture.

(d) Notwithstanding any provision of the Indenture, the obligation of the County to pay the Rebate Requirement to the United States Government and to comply with all other requirements of the Indenture, the Sublease and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

(e) Notwithstanding any provisions of the Indenture and the Sublease, if the County shall provide to the Authority and the Trustee an Opinion of Bond Counsel that any specified action required under the Indenture and the Sublease is no longer required or that some further or different action is required to maintain the Tax-Exempt status of interest on the Bonds, the County, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this above and the covenants under the Indenture shall be deemed to be modified to that extent.

Defaults and Remedies

Events of Default. Events that constitute an "event of default" under the Indenture include:

(a) a default made by the Authority in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;

(b) a default made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) a default made by the Authority in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Authority, and such default continues for a period of 30 days after the Authority has been given notice in writing of such default by the Trustee;

(d) if the Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property; or

(e) if an Event of Default has occurred under the Sublease.

Acceleration of Bonds. In each and every case during the continuance of an Event of Default the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding (with the written consent of the Bond Insurer), by notice in writing to the Authority, and to the Bond Insurer, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. The Trustee will promptly notify all Holders by first class mail of any such event of default that is continuing.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the Authority will deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then and in every such case the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding (with the written consent of the Bond Insurer), or the Bond Insurer, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All moneys in the accounts and funds held pursuant to the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture and all Revenues (other than Revenues on deposit in the Project Fund and the Rebate Fund) thereafter received by the Authority under the Indenture will be transmitted to the Trustee and will be applied by the Trustee in the following order:

First, to the payment of the reasonable fees, costs and expenses of the Trustee in providing for the declaration of such event of default, and in the exercise of any remedies, including reasonable compensation to their accountants and counsel together with interest on any amounts advanced as provided in the Indenture including further, any outstanding sums owed under the Indenture and then to the payment of the reasonable costs and expenses of the Holders, if any, in carrying out the provisions of the Indenture, including reasonable compensation to its accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Limitation on Holders' Right to Sue. No Holder of any Bond issued under the Indenture will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Indenture, unless (a) such Holder will have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Indenture; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name and the Bond Insurer, if any, will have consented to such request; (c) said Holders will have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Bond Insurance. Unless and to the extent the Bond Insurer shall be in default in its payment obligations under the Financial Guaranty Insurance Policy, the Bond Insurer, acting alone, will have the right to direct all remedies in the event of a default. The Bond Insurer will be recognized as the registered owner of each bond that it insures for the purposes of exercising all rights and privileges available to Holders. The Bond Insurer will have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a Holder in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Bond Insurer's prior written consent.

Amendment of Documents

Indenture. The Indenture and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Indenture that will become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues superior to or, except as provided in the Indenture, on a parity with the pledge, charge and lien created by the Indenture for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority, or the County without their prior written assent thereto, respectively.

The Indenture and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Indenture which will become binding upon adoption without the consent of any

Holders, and only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Indenture to be performed by the Authority other agreements and covenants thereafter to be informed by the Authority, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Authority may deem desirable or necessary and not inconsistent with the Indenture; or

(c) to add to the agreements and covenants required in the Indenture, such agreements and covenants as may be necessary to qualify the Indenture under the Trust Indenture Act of 1939, or maintain the Tax-Exempt status of the Bonds; or

(d) to provide procedures relating to separating the right to receive interest on the Bonds from the right to receive principal thereon, in accordance with the Code.

Sublease, Site Lease. The Authority will not supplement, amend, modify or terminate any of the terms of the Sublease or Site Lease, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee. The Trustee will give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Holders, or (b) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding and the Bond Insurer to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Base Rental Payments to be made to the Authority or the Trustee by the County pursuant to the Sublease, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Sublease (except as expressly provided in the Sublease), in each case without the written consent of all of the Holders of the Bonds then Outstanding and the Bond Insurer.

Discharge of Indenture

If the Authority will pay or cause to be paid or there will otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture and therein, and all amounts due and owing to the Trustee have been paid in full, then the Holders of such Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee will pay over or deliver to the Authority or, at its direction, to the County, all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds; except for amounts in the Project Fund, which the Trustee, will, at the Written Request of the Authority, pay to the County.

Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Indenture, (2) there will have been deposited with the Trustee either (A) money in an amount which will be sufficient or (B) Permitted Investments of the type described in clause "A" of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if

any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Notwithstanding anything in the Indenture to the contrary, in the event that any interest and/or principal due on the Bonds will be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Indenture and all covenants, agreements and other obligations of the Authority to the Holders of the Bonds will continue to exist and will run to the benefit of the Bond Insurer, and the Bond Insurer will be subrogated to the rights of such Holders.

Any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, will be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Holders will not look to the Trustee for the payment of such Bonds.

The Trustee

The Trustee will receive all money that the Authority is required to deposit with the Trustee under the Indenture and will allocate, apply and use such money as provided in the Indenture and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds.

The Authority may at any time (with the consent of the Bond Insurer), unless there exists an Event of Default, remove the Trustee and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving prior written notice of such resignation to the Authority and the Bond Insurer and by mailing by first class mail to the Holders notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee acceptable to the Bond Insurer by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which Court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Indenture.

Provisions With Respect To the Bond Insurer

Notwithstanding any other provision of the Indenture, so long as the Bond Insurance Policy shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(a) At least one (1) business day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is

applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified Bond Insurer at least one (1) business day prior to an Interest Payment Date, Bond Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) business day next following the date on which Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, shall, after giving notice to Bond Insurer as provided in (a) above, make available to Bond Insurer and, at Bond Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Obligor maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under the Indenture.

(c) The Trustee or Paying Agent, if any, shall provide Bond Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from Bond Insurer under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (1) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from Bond Insurer.

(d) The Trustee or Paying Agent, if any, shall, at the time it provides notice to Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from Bond Insurer (i) as to the fact of such entitlement, (ii) that Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment. (iii) that should they be entitled to receive full payment of principal from Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to Bond Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted Bond Insurer under the Indenture, Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note Bond Insurer's rights as subrogee on the registration books of the Obligor maintained by the Trustee or Paying Agent, if any, upon receipt from Bond Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note Bond Insurer's rights as subrogee on the registration books of the Obligor maintained by the Trustee or Paying Agent, if any, upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

So long as the Bond Insurer is not in default under the Financial Guaranty Insurance Policy, the Bond Insurer's consent shall be required in lieu of Holders consent, for the initiation or approval of any action which requires the consent of the Holders, including, but not limited to, consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture or any amendment, supplement or change to or modification of the Sublease; and (ii) removal of the Trustee and selection and appointment of any successor trustee. Notwithstanding anything to the contrary in the Indenture, the rights given to the Bond Insurer under the Indenture to give consents, directions and approvals shall not be effective so long as it is in default of its obligations under the Financial Guaranty Insurance Policy.

So long as the Bond Insurer is not in default under the Financial Guaranty Insurance Policy, any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Holders who hold Bonds absent a default under the Financial Guaranty Insurance Policy.

Notwithstanding anything to the contrary in the Indenture, so long as the Bond Insurer is not in default under the Financial Guaranty Insurance Policy, upon the occurrence and continuance of an Event of Default as defined under the Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders or the Trustee for the benefit of the Holders under the Indenture.

Notwithstanding any other provision of the Indenture, in determining whether any actions taken pursuant to the terms and provisions of the Indenture or under the Sublease are adverse to the interests of the Holders of the Bonds, the effect on the Holders shall be considered as if there were no Financial Guaranty Insurance Policy.

The rights of the Bond Insurer to direct or consent to actions under the Indenture or the Sublease shall be suspended during any period in which the Bond Insurer is in default in its payment obligations under the Financial Guaranty Insurance Policy (except to the extent of amounts previously paid by the Bond Insurer and due and owing to the Bond insurer) and shall be of no force or effect in the event the Financial Guaranty Insurance Policy is no longer in effect or the Bond Insurer asserts that the Financial Guaranty Insurance Policy is not in effect.

THE SITE LEASE

Under the Site Lease, the County has leased the Leased Premises to the Authority for a term expiring upon the earlier of (i) June 1, 2022, or (ii) the date of termination of the Sublease. The Site Lease specifies that, at the termination thereof, any title to and any interest of the Authority in the Leased Premises shall vest in the County.

THE SUBLEASE

Term

The term of the Sublease begins on the Closing Date and ends on June 1, 2022, or at such earlier time as (i) no Base Rental payments remain to be paid thereunder or (ii) the County has exercised its right to purchase the whole of the Authority's interest in the Leased Premises. At the end of the term of the Sublease, all of the Authority's right, title and interest in and to the Leased Premises shall be transferred directly to the County, or at the option of the County, to any assignee or nominee of the County, free and clear of any interest of the Authority.

Rental

Under the Sublease, the County promises to pay rental in amounts not in excess of the fair rental value for the Lease Premises in each Fiscal Year. The Sublease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Leased Premises subject to the terms of the Sublease.

Base Rental

The County agrees to pay first, from Net Revenues and then from any legally available funds, Base Rental with respect to the Leased Premises in the amounts set forth in the Sublease. In the event that the County exercises its option, pursuant to the Sublease, to purchase the Authority's right, title and interest in and to the Leased Premises or any portion thereof, then from and after the date of such purchase, the Base Rental due under the Sublease will be reduced in an amount equal to the principal and interest of the Series 2005 Bonds redeemed or provided for. The obligation of the County to pay Base Rental will commence on the Closing Date.

The Base Rental payable by the County under the Sublease will be payable thirty days in advance of each June 1 and December 1 of each year during the term of the Sublease, but such Base Rental shall not be delinquent unless remaining unpaid until such June 1 or December, as the case may be (each a "Base Rental Payment Date"), commencing June 1, 2006. In order to secure its obligations to pay the Base Rental due in each Lease Year, the County agrees to deposit with the Trustee, for application to the Revenue Fund, amounts equal to the Base Rental due with respect to each such Base Rental Payment Date. The County's obligation to make such deposits will be discharged to the extent of that portion of all amounts on deposit in the Principal Account and the Interest Account of the Revenue Fund which are not required to pay the redemption price of Series 2005 Bonds called for redemption on any such Base Rental Payment Date.

Base Rental is subject to abatement as described in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Abatement."

Additional Rental

In addition to the Base Rental set forth in the Sublease, the County agrees to pay as Additional Rental all of the following: (i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises or upon any interest of the Authority, the Trustee or the Owners therein or in the Sublease or the Site Lease, and all amounts payable pursuant to the Sublease provisions on taxes, governmental and utility charges; (ii) insurance premiums, if any, on all insurance required under the provisions of the Sublease; (iii) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Series 2005 Bonds or otherwise) of the Trustee in connection with the Indenture, the Site Lease, or the Sublease; and (iv) any other fees, costs or expenses incurred by the County or the Authority in connection with the execution, performance or enforcement of the Sublease or any assignment thereof or of the Indenture or any of the transactions contemplated thereby or related to the Leased Premises.

The County will pay amounts constituting Additional Rental directly to the person or persons to whom such amounts shall be payable. The County will pay all such amounts of Additional Rental when due or at such later time as such amounts may be paid without penalty or, in any case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental then due and payable and the purpose thereof.

Insurance

The County covenants to secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Sublease, the following insurance: (1) a policy or policies of insurance against loss or damage to the Leased Premises known as "all risk," including earthquake and flood. Such insurance shall be maintained as of any time in an amount not less than the lesser of (i) the full replacement value of the Leased Premises, or (ii) the aggregate Base Rental remaining unpaid under the Sublease. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 for all losses in any year; (2) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from the condition of, or operations involving, the Leased Premises. Such insurance shall afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose; (3) to the extent that the Leased Premises qualify for such insurance, boiler and machinery coverage against loss or damage by explosion of

steam boilers, pressure vessels and similar apparatus now or hereinafter installed in an amount not less than $5,000,000 per accident; (4) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the California Labor Code, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Leased Premises and to cover full liability for compensation under any such aforesaid act; (5) rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Premises as a result of any of the hazards required to be covered pursuant to clause (1) above in an amount sufficient at all times to pay an amount not less than the fair rental value thereof during any period when there is substantial interference with the County's right to the use or possession of the Leased Premises or any portion thereof as a result of the occurrence of such hazards. Such rental interruption insurance shall be payable for a period adequate to cover the period of repair or reconstruction; provided, however, that such policy shall provide that the aggregate amount payable thereunder shall not be less than an amount equal to two years Base Rental; (6) a CLTA policy or policies of title insurance for the Leased Premises in an amount not less than the aggregate Base Rental payable under the Sublease as of the Closing Date. Such policy or policies of title insurance will insure the subleasehold interest of the County in the Leased Premises created pursuant to the Sublease, subject to such encumbrances as will not, in the opinion of the County, materially affect the use and possession of the Leased Premises and will not result in the abatement of Base Rental payable by the County thereunder. Notwithstanding the generality of the foregoing, the County is not required to maintain or cause to be maintained more insurance than is specifically referred to in the Sublease or, except with respect to rental interruption insurance, any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that if the County determines that any such insurance, except for "all risk" and rental interruption insurance, is not offered by reputable insurers at a reasonable cost on the open market, or for any other reason the County elects, with respect to those risks set forth above for which self-insurance is permitted, not to maintain the insurance with outside insurers as described above, it will self-insure those risks for which insurance is otherwise required.

Proceeds of insurance under clauses (1), (3), (5) and (6) above will be deposited with the Trustee for application in accordance with the Indenture. Proceeds of insurance maintained under clauses (2) and (4) above will be paid to the County.

The County shall annually certify to the Bond Insurer that the insurance policies required by the Sublease are in full force and effect, and will provide the Bond Insurer with copies of such policies upon request.

Eminent Domain Awards

Any award made in eminent domain proceedings for the taking of the Leased Premises or a portion thereof will be paid to the Trustee for application in accordance with the provisions of the Indenture.

Replacement, Maintenance and Repairs

The County will, at its own expense, maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition thereof will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices will immediately, without further act, become part of the Leased Premises without cost to the Authority. The County will repair or replace the Leased Premises or any portion thereof which is, destroyed, damaged or stolen to such an extent that there is substantial interference with the use and right of possession by the County of the Leased Premises or any portion thereof which would result in an abatement of rental payments or any portion thereof pursuant to the Sublease, to at least substantially the same condition and fair rental value as that which existed prior to the damage, destruction or theft whether or not there are sufficient insurance proceeds to pay for such repair or replacement; provided, however, that the County shall not be required to repair or replace any such portion of the Leased Premises if insurance proceeds or other legally available funds are applied to the redemption of a portion of the Outstanding Series 2005 Bonds such that, either: (1) no Base Rental payments remain to be paid under the Sublease; or (ii) the annual fair rental value of the portion of the Leased Premises not so destroyed, damaged or stolen (as set forth in a written appraisal from a qualified appraiser, who may need not be an employee of the County) will be at least 100% of the maximum amount of Base Rental becoming due under the Sublease in the then current Lease Year or any subsequent Lease Year. Notwithstanding any other provision of the Sublease,

any substitutions and removal of property constituting the Leased Premises will be subject to the consent of the Bond Insurer at any time that the Financial Guaranty Insurance Policy is in effect with respect to the Bonds.

The County shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Premises.

Liens

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

Laws and Ordinances

The County agrees to observe and comply with all rules, regulations and laws applicable to the County with respect to the Leased Premises and the operation thereof. The cost, if any, of such observance and compliance will be borne by the County, and the Authority shall not be liable therefor. The County further agrees to place, keep, use, maintain and operate the Leased Premises in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Assignment and Sublease

The County will not mortgage, pledge, assign or transfer any interest of the County in the Sublease by voluntary act or by operation of law, or otherwise; provided, however, that the County may sublease all or any portion of the Leased Premises, may grant concessions to others involving the use of all or any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use all or a portion of the Leased Premises, and may assign its right to purchase the Authority's right, title and interest in the Leased Premises, or any portion thereof, pursuant to the Sublease. The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease, notwithstanding any subletting or granting of concessions which may be made. The County has covenanted that it will not sublease or permit the use of all or any portion of the Leased Premises to or by any person so as to cause the portion of any Base Rental payment comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding the foregoing, the County has agreed in the Sublease not to grant any subleases thereunder without the consent of the Bond Insurer at any time that the Financial Guaranty Insurance Policy with respect to the Bonds remains in effect.

Additions and Improvements

The County has the right during the Term of the Sublease to make any additions or improvements to the Leased Premises, to attach fixtures, structures or signs and to affix any personal property to the Leased Premises, so long as the fair rental value of the Leased Premises is not thereby materially reduced. All such additions and improvements which are made to the buildings, improvements or fixtures included in the Leased Premises on the Closing Date or are otherwise not capable of removal without damaging such property will become part of the Leased Premises, but title to all other additions and improvements, including, but not limited to, equipment or personal property placed by the County on the Leased Premises, will remain in the County. The title to any additions, improvements, personal property, equipment or fixtures placed on the Leased Premises by any sublessee

or licensee of the County will be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement will not be inconsistent with the Sublease.

Taxes, Other Governmental Charges and Utility Charges

The Authority and the County contemplate that the Leased Premises will be used for a governmental or proprietary purpose of the County and, therefore, that the Leased Premises will be exempt from all taxes presently assessed and levied. Nevertheless, the County will pay or cause to be paid from Net Revenues during the Term of the Sublease, as the same respectively become due, all taxes, utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Premises; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, the County will be obligated to pay only such installments as are accrued during such time as the Sublease is in effect, and provided further that the County may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner which does not in the opinion of Independent Counsel adversely affect the County's leasehold interest in the Leased Premises or the County's right to the use and possession thereof or adversely affect the estate of the Authority in and to any portion, of the Leased Premises or its rights or interests under the Sublease or subject any portion of the Leased Premises to loss or forfeiture.

Events of Default

"Events of default" by the County under the Sublease consist of (i) failure to have on deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Sublease; (ii) failure by the County to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Sublease; (iii) breach of any other terms, covenants or conditions contained in the Sublease or in the Indenture, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after receipt of written notice thereof from the Authority or the Trustee to the County; provided, however, that if the failure stated in such notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the County within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of the Owners.

Remedies

So long as the Authority or the Trustee does not terminate the County's right to possession of the Leased Premises, the Sublease will continue in effect and the Authority or the Trustee will have the right to enforce all of its rights and remedies under the Sublease, including the right to recover Base Rental payments as they become due under the Sublease pursuant to Section 1951.4 of the California Civil Code. All damages and other payments received by the Authority pursuant to the exercise of its rights and remedies pursuant to the Sublease will be applied in the manner set forth in the Indenture. Each and every remedy available to the Authority under the Sublease will be available to any assignee of the rights of the Authority under the Sublease and its cumulative and the exercise of one remedy will not impair the right of the Authority to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Authority under the Sublease, the Authority or its assignee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law except as otherwise expressly provided in the Sublease.

Neither the Authority nor the Trustee will exercise its remedies under the Sublease so as to cause any Base Rental payment comprising interest to be includable in gross income for federal tax purposes or subject to State personal income taxes. Notwithstanding any other provision of the Sublease or the Indenture, in no event will the Authority or the Trustee have the right to accelerate the payment of any Base Rental under the Sublease.

Amendment

The conditions under which the Sublease may be amended are set forth in the Indenture and described above in this Appendix D.

Option to Purchase

The County has the exclusive right and option, which will be irrevocable, to purchase on any Business Day during the Term of the Sublease the Authority's right, title and interest in all of the Leased Premises, or in any portion thereof, but only if the County is not in default under the Sublease or the Indenture and so long as the purchase is made in accordance with the provisions of the Sublease.

The option price for the purchase of the Authority's right, title and interest in all of the Leased Premises will be the amount necessary to pay or redeem (or make provision for such payment or redemption in accordance with the Indenture) of a portion of the Outstanding Series 2005 Bonds such that no Base Rental payments remain to be paid. Subject to the following paragraph, the County will exercise its option to purchase the Authority's right, title and interest in all of the Leased Premises by a County Representative giving notice thereof to the Authority and to the Trustee and Bond Insurer not later than five days prior to the Business Day on which it desires to so exercise its purchase option.

The option price for the purchase of the Authority's right, title and interest in a portion of the Leased Premises will be the amount necessary to pay or redeem a portion (or make provision for such payment or redemption in accordance with the Indenture) of a portion of the outstanding Series 2005 Bonds such that the annual fair rental value of that portion of the Leased Premises remaining subject to the Sublease after such purchase will be at least 100% of the maximum amount of Base Rental payable from sources other than Net Revenues coming due in the then current or in any subsequent Lease Year. Subject to the following paragraph, the County will exercise its option to purchase the Authority's right, title and interest in a portion of the Leased Premises by giving the following to the Authority and the Trustee not later than five days prior to the Business Day on which it desires to so exercise its purchase option: (i) notice by a County Representative of such exercise; and (ii) a certificate of a County Representative who may but need not be an employee of the County evidencing that the annual fair rental value of the property which will constitute the Leased Premises after such purchase will be at least equal to 100% of the maximum amount of Base Rental payable from sources other than Net Revenues becoming due under the Sublease in the then current Lease Year or in any subsequent Lease Year as a result of the payment or redemption of Outstanding Series 2005 Bonds with the option price to be paid by the County pursuant to this paragraph.

If the Business Day on which the County intends to exercise its option under the Sublease, in accordance with the terms of the Indenture is a date on which Outstanding Series 2005 Bonds are subject to optional redemption, then the County shall give notice to the Trustee and Bond Insurer of its intention to exercise its option under the Sublease not later than five days prior to the date on which the Trustee is required to send notice of redemption to the Owners pursuant to the Indenture, and on such purchase date the County shall deposit with the Trustee an amount equal to the option price determined by reference to the applicable provisions of the Sublease, which amount shall be in addition to the Base Rental due on such date.

If the Business Day on which the County intends to exercise its option under the Sublease is not a date on which Series 2005 Bonds are subject to optional redemption pursuant to the terms of the Indenture, then the option price shall be payable in installments. Each such installment (x) shall be payable at each time at which Base Rental would have been payable had such option not been exercised, until the due date of the final installment specified in the Sublease, and (y) shall equal the Base Rental payment referred to in clause (x) above plus any premium required pursuant to the Sublease, as applicable. The portion of each such installment of Base Rental referred to in clause (x) above shall bear interest until paid at a rate equal to the rate which would have been payable with respect to such Base Rental. At the option of the County, the final installment shall be payable on (A) the final date Base Rental would have been payable had such option not be exercised, or (B) the first date on which the Series 2005 Bonds are subject to optional redemption pursuant to the terms of the Indenture in an amount equal to the amount determined by reference to the applicable provisions of the Sublease; provided, however, that the County must designate the date of such final installment not later than the date on which such purchase option granted is exercised, and provided further, that the County may not choose a final installment date described in clause (A) of this sentence if to do so would in the opinion of Independent Counsel cause the portion of any Base Rental payment comprising interest to be included in gross income for federal income tax purposes or be subject to State personal income taxes.

In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the County, concurrently with the exercise of its option under the Sublease, will deposit or cause to be deposited with the Trustee, in trust, cash and/or investments of the type described in the Indenture in such amount as will together with the interest to accrue on such investments without the need for further investment, be fully sufficient to

pay the installments (including all principal, premium, if any, and interest) referred to in the immediately preceding paragraph, at the times at which such installments are required to be paid. Such deposit will be in addition to the Base Rental, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the County will be remitted to the County.

On any Business Day on which the County shall have exercised the option to purchase and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Authority shall execute and deliver to the County a quitclaim deed conveying to the County or its designee the Authority's interest so purchased. If the County exercises the option to purchase the Authority's right, title and interest in all of the Leased Premises prior to the expiration of the term of the Sublease, the Authority shall execute and deliver the quitclaim deed as aforesaid and the Sublease will terminate, but such termination shall not affect the County's obligation to pay the option price on the terms set forth in the Sublease.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and the Authority, the County and the Underwriter take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriter 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix E. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bond 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of the Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interest in the Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Bonds for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Bonds 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 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant

and not of DTC (nor its nominee), the Trustee, or the Authority, 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 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

None of the Authority, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

None of the Authority, the Trustee or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other 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. None of the Authority, the Trustee or the Underwriter is responsible or liable for the failure of DTC or any Participants to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

PROPOSED FORM OF APPROVING OPINION

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

[Date of Delivery of Bonds]

Los Angeles County Public Works Financing Authority
Los Angeles, California

County of Los Angeles
Los Angeles, California

Los Angeles County Public Works Financing Authority
Lease Revenue Bonds (Calabasas Landfill Project), Series 2005

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of $38,475,000.00 aggregate principal amount of Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project), Series 2005 (the "Bonds"), dated the date hereof. In such connection, we have reviewed: a Sublease and Option to Purchase, dated as of December 1, 2005 (the "Sublease"), between the County of Los Angeles (the "County") and Los Angeles County Public Works Financing Authority (the "LACPWFA"); an Indenture, dated as of December 1, 2005, by and between the LACPWFA and Deutsche Bank National Trust Company, as trustee (the "Trustee"), (the "Indenture"); a Site Lease, dated as of December 1, 2005, between the County and the LACPWFA; a Tax Certificate of the LACPWFA with Exhibits, dated the date hereof (collectively the "Tax Certificate"); opinions of the County Counsel, counsel to the LACPWFA and counsel to the Trustee; certificates of the County, the Trustee, the LACPWFA and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Sublease.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the County and the LACPWFA. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the County and the LACPWFA in the Sublease, the Indenture, the Tax

Certificate and other relevant documents to which each is a party. The accuracy of certain of those representations and certifications, and compliance by the County and the LACPWFA with certain of their covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Bonds, the Sublease, the Indenture, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or interest in, any of the property described in or subject to the Sublease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the LACPWFA.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the LACPWFA.

3. The Sublease has been duly authorized, executed and delivered by the County and the LACPWFA and constitutes the valid and binding obligation of the County and of the LACPWFA, respectively. The obligation of the County to pay the Base Rental and Additional Rental during the term of the Sublease constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject

to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of December 1, 2005, is by and between LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the "LACPWFA") and the COUNTY OF LOS ANGELES, a political subdivision organized and existing under and by virtue of the laws of the State of California (the "County").

W I T N E S S E T H :

WHEREAS, the County has executed and delivered a Sublease and Option to Purchase, dated as of December 1, 2005, by and between the LACPWFA and the County, pursuant to which the County has agreed to make payments of Base Rental (the "Base Rental");

WHEREAS, the LACPWFA has issued its Lease Revenue Bonds (Calabasas Landfill Project) Series 2005 (the "Bonds") pursuant to the Indenture, dated as of the date hereof (the "Indenture"), by and among the LACPWFA, the County and Deutsche Bank National Trust Company, as trustee (the "Trustee"), which Bonds are payable solely from the Base Rental and other available funds as described in the Indenture;

WHEREAS, this Disclosure Agreement is being executed and delivered by the County and the LACPWFA for the benefit of the holders and beneficial owners of the Bonds and in order to assist the underwriters of the Bonds in complying with Securities Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 2 and 3 hereof.

"Disclosure Representative" means the Treasurer and Tax Collector of the County or his or her designee, or such other officer or employee as the County shall designate in writing to the LACPWFA from time to time.

"Dissemination Agent" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule, or any successor Dissemination Agent designated in writing by the County and which has filed with the LACPWFA a written acceptance of such designation. As of the date of this Disclosure Agreement, the County has not appointed a Dissemination Agent.

"Listed Events" means any of the events listed in subsection (a) of Section 4 hereof.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" means the Official Statement, dated December 20, 2005, relating to the Bonds.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

"Treasurer" means the Treasurer of the LACPWFA.

Section 2. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to (if one has been appointed), not later than February 1 in each year, commencing with the report for the 2004-2005 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 hereof. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 hereof; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection (f) of Section 4 hereof.

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to each Repository, the County shall provide such Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories an Annual Report by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit A to this Disclosure Agreement.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the County and (if the Dissemination Agent is not the Treasurer) the Treasurer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 3. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements in a format

similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

(ii) Summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the fiscal year of the County most recently ended;

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

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

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

(vi) The ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

(c) Updated information for the prior fiscal year comparable to the information contained in the table entitled "- Historical Revenues" under the heading "CALABASAS LANDFILL" and under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Base Rental and Additional Rental."

(d) In addition to any of the information expressly required to be provided under subsections (a), (b) and (c) of this Section, the County shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

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

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

(vii) Modifications to rights of security holders.

(viii) Contingent or unscheduled Bond calls.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the County has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the County shall promptly file or cause to be filed a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (viii) and (ix) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

(d) Each notice of the occurrence of a Listed Event shall be so captioned and prominently state the title, date and CUSIP numbers of the Bonds or, with respect to a notice of the occurrence of a Listed Event relating to all issues of the County, the CUSIP number of the County.

(e) The County may satisfy its obligations hereunder to file any notice, document or information with each Repository by filing the same with any dissemination agent or conduit, including the Municipal Advisory Council of Texas or any other “central post office” or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to each applicable Repository, to the extent permitted by the Commission or Commission staff or required by the Commission. For this purpose, permission shall be deemed to have been granted by the Commission staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the Commission staff to the effect that using the agent or conduit to transmit information to each Repository will be treated for purposes of the Rule as if such information were transmitted directly to each Repository.

Section 5. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection (f) of Section 4 hereof.

Section 6. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time the Dissemination Agent shall resign from or be unable to fulfill its obligations hereunder as Dissemination Agent and there is not any other designated Dissemination Agent, the Treasurer shall be the Dissemination Agent.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the LACPWFA may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the LACPWFA or nationally recognized bond counsel, materially impair the interests of holders.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories.

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice

of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the County or the LACPWFA to comply with any provision of this Disclosure Agreement, any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or LACPWFA, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the County or the LACPWFA to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of the County and the Dissemination Agent. The Dissemination Agent (if one has been appointed) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, attorneys and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible for the form or content of any Annual Report or any other document provided to it hereunder.

Section 11. Bond Insurer. Ambac Assurance Corporation (the "Bond Insurer") shall be provided a copy of all Annual Reports and Notices provided pursuant to this Disclosure Agreement for so long as it shall maintain its Financial Guaranty Insurance Policy in effect for the Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Treasurer, the LACPWFA, the Bond Insurer, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COUNTY OF LOS ANGELES

By:_____
Authorized Officer

ATTEST:
VIOLET VARONA-LUKENS
Executive Officer-Clerk of the Board

By _____
Deputy

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:_____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Participant:	County of Los Angeles
Name of Issue:	Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project) Series 2005
Date of Issuance:	_____, 2005

NOTICE IS HEREBY GIVEN that the County of Los Angeles (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 11.11 of the Indenture, dated as of December 1, 2005, by and among Deutsche Bank National Trust Company as Trustee, the County and the Los Angeles County Public Works Financing Authority. [The County anticipates that the Annual Report will be filed by _____.]

Dated: _____

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, on behalf of the County of Los Angeles

cc: County of Los Angeles

APPENDIX H

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

COUNTY OF LOS ANGELES

CALIFORNIA

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

SPECIMEN

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

SPECIMEN

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

President

Secretary

Authorized Representative