NEW ISSUE – BOOK-ENTRY-ONLY **RATINGS: 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.

$217,585,000
LOS ANGELES COUNTY
Public Works Financing Authority
Lease Revenue Refunding Bonds
(2006 Master Refunding Project) Series A

$103,410,000
LOS ANGELES COUNTY
Public Works Financing Authority
Lease Revenue Refunding Bonds
(2006 Master Refunding Project) Series B

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

The Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series A (the "2006 Series A Bonds") are being issued pursuant to an Indenture of Trust, dated as of December 1, 2006 (the "Series A Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Series A Trustee"). The Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series B (the "2006 Series B Bonds" and together with the 2006 Series A Bonds, the "Bonds") are being issued pursuant to an Indenture of Trust, dated as of December 1, 2006 (the "Series B Indenture"), by and among the County, the Authority and U.S. Bank National Association, as trustee (the "Series B Trustee"). Principal of and interest on the 2006 Series A Bonds are payable from Base Rental payments to be made by the County under a Sublease and Option to Purchase, dated as of December 1, 2006 (the "Series A Sublease"), by and between the County and the Authority, relating to certain real property and improvements located thereon, as more particularly described herein (the "Series A Facilities"). Principal of and interest on the 2006 Series B Bonds are payable from Base Rental payments to be made by the County under a Sublease and Option to Purchase, dated as of December 1, 2006 (the "Series B Sublease" and together with the Series A Sublease, the "Subleases"), by and between the County and the Authority, relating to certain real property and improvements located thereon, as more particularly described herein (the "Series B Facilities"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The proceeds of the 2006 Series A Bonds, together with a portion of moneys held in certain funds and accounts attributable to the Series A Prior Obligations (defined herein), will be used to current refund all of the Authority's outstanding Series A Prior Obligations, fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the 2006 Series A Bonds. The proceeds of the 2006 Series B Bonds, together with a portion of moneys held in certain funds and accounts attributable to the Series B Prior Obligations (defined herein), will be used to advance refund all of the Authority's outstanding Series B Prior Obligations, fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the 2006 Series B Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS" herein.

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 with respect to interest semiannually each March 1 and September 1, commencing on September 1, 2007. 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 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 D – "Book-Entry Only System" attached hereto.

The Bonds are subject to optional and mandatory redemption, including mandatory sinking fund redemption, prior to maturity as described herein. See "THE BONDS – Redemption of the 2006 Series A Bonds" and "--Redemption of the Series B Bonds" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE RESPECTIVE SUBLEASES AND FROM AMOUNTS HELD BY THE RESPECTIVE TRUSTEES IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE RESPECTIVE INDENTURES. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL 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 PAY BASE RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a Municipal Bond New Issue Insurance Policy to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company. See "BOND INSURANCE" herein and APPENDIX G – "Form of Municipal Bond New Issue Insurance Policy" attached hereto.

FGIC

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 are 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 Underwriters by their 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 through the facilities of DTC in New York, New York on or about December 13, 2006.

Citigroup **Morgan Stanley & Co. Incorporated**

A. G. Edwards **Cabrera Capital Markets Inc.** **E. J. De La Rosa & Co. Inc.** **Loop Capital Markets LLC**

Dated: November 29, 2006

MATURITY SCHEDULE

$217,585,000
Los Angeles County Public Works Financing Authority
Lease Revenue Refunding Bonds
(2006 Master Refunding Project) Series A

(Base CUSIP: 54473E)

Due (Sept. 1)	Principal Amount	Interest Rate	Yield	CUSIP**	Due (Sept. 1)	Principal Amount	Interest Rate	Yield	CUSIP**
2007	$28,705,000	4.000%	3.400%	KY9	2012	$2,960,000	4.000%	3.550%	LG7
2008	12,390,000	3.750%	3.420%	KZ6	2012	18,215,000	5.000%	3.550%	LH5
2008	19,725,000	5.000%	3.420%	LA0	2013	8,525,000	4.000%	3.560%	LJ1
2009	29,240,000	4.000%	3.460%	LB8	2013	13,805,000	5.000%	3.560%	LK8
2010	5,005,000	4.000%	3.480%	LC6	2014	7,050,000	4.000%	3.590%	LL6
2010	19,735,000	5.000%	3.480%	LD4	2014	16,035,000	5.000%	3.590%	LM4
2011	4,670,000	4.000%	3.520%	LE2	2015	9,295,000	4.000%	3.650%	LN2
2011	21,160,000	5.000%	3.520%	LF9	2016	1,070,000	3.625%	3.690%	LP7

$103,410,000
Los Angeles County Public Works Financing Authority
Lease Revenue Refunding Bonds
(2006 Master Refunding Project) Series B

(Base CUSIP: 54473E)

Due (Sept. 1)	Principal Amount	Interest Rate	Yield	CUSIP**	Due (Sept. 1)	Principal Amount	Interest Rate	Yield*	CUSIP**
2007	$1,115,000	3.500%	3.400%	LQ5	2017	$3,055,000	5.000%	3.760%	MA9
2008	2,205,000	3.500%	3.420%	LR3	2018	3,215,000	5.000%	3.810%	MB7
2009	2,285,000	3.500%	3.460%	LS1	2019	3,375,000	5.000%	3.850%	MC5
2010	2,365,000	3.500%	3.480%	LT9	2020	3,545,000	5.000%	3.880%	MD3
2011	2,450,000	3.500%	3.520%	LU6	2021	3,720,000	4.250%	3.910%	ME1
2012	2,540,000	3.500%	3.550%	LV4	2022	3,895,000	5.000%	3.930%	MF8
2013	2,630,000	3.500%	3.560%	LW2	2023	4,095,000	5.000%	3.950%	MG6
2014	2,720,000	3.500%	3.590%	LX0	2024	4,305,000	5.000%	3.970%	MH4
2015	2,820,000	3.625%	3.650%	LY8	2025	4,525,000	5.000%	3.990%	MJ0
2016	2,925,000	3.625%	3.690%	LZ5	2026	4,755,000	5.000%	4.010%	MK7

$27,700,000 5.000% Term Bonds due September 1, 2031 Yield – 4.050% CUSIP**: ML5

$13,170,000 5.000% Term Bonds due September 1, 2033 Yield – 4.080% CUSIP**: MM3

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* The yields on the 2006 Series B Bonds maturing on and after September 1, 2017 are calculated to the first optional call date of September 1, 2016, at par.

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

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(2006 Master Refunding Project) Series A and Series B

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

Sachi A. Hamai
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

Fieldman, Rolapp & Associates
Financial Advisor

U.S. Bank National Association
Trustee

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 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 shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and Authority.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS 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 UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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TABLE OF CONTENTS
(continued)

$217,585,000	**$103,410,000**
Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series A	**Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series B**

INTRODUCTION

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

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series A in the aggregate principal amount of $217,585,000 (the "2006 Series A Bonds") pursuant to an Indenture of Trust, dated as of December 1, 2006 (the "Series A Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Series A Trustee"), and the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series B in the aggregate principal amount of $103,410,000 (the "2006 Series B Bonds" and, together with the 2006 Series A Bonds, the "Bonds") pursuant to an Indenture of Trust, dated as of December 1, 2006 (the "Series B Indenture" and, together with the Series A Indenture, the "Indenture"), by and among the County, the Authority, and U.S. Bank National Association, as trustee (the "Series B Trustee").

The proceeds of the 2006 Series A Bonds, together with that portion of moneys held in certain funds and accounts attributable to the Series A Prior Obligations (defined below), will be used to current refund all of the Authority's outstanding Lease Revenue Refunding Bonds, 1996 Series A (County of Los Angeles 1996 Master Refunding Project) (the "1996 Series A Bonds"), all of the Authority's outstanding Lease Revenue Refunding Bonds, 1996 Series B (County of Los Angeles 1996 Master Refunding Project) (the "1996 Series B Bonds"), and all of the Authority's outstanding Lease Revenue Refunding Bonds (1997 Master Refunding Project) Series A (the "1997 Bonds" and, together with the 1996 Series A Bonds and the 1996 Series B Bonds, the "Series A Prior Obligations"), fund a Reserve Fund for the 2006 Series A Bonds (the "Series A Reserve Fund"), and pay certain costs of issuance incurred in connection with the issuance of the 2006 Series A Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS" herein.

The proceeds of the 2006 Series B Bonds, together with that portion of moneys held in certain funds and accounts attributable to the County of Los Angeles Certificates of Participation (Antelope Valley Courthouse Project) Series 2000 A (the "Series B Prior Obligations" and, together with the Series A Prior Obligations, the "Prior Obligations"), will be used to advance refund all of the Series B Prior Obligations, fund a Reserve Fund for the 2006 Series B Bonds (the "Series B Reserve Fund"), and pay certain costs of issuance incurred in connection with the issuance of the 2006 Series B Bonds. See "PLAN

OF REFUNDING" and "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS" herein.

Security and Sources of Payment for the Bonds

The County will lease certain real property and the improvements located thereon, as more particularly described herein (the "Series A Facilities"), to the Authority pursuant to a Lease, dated as of December 1, 2006 (the "Series A Lease"), by and between the County and the Authority. The County will lease the Series A Facilities from the Authority pursuant to a Sublease and Option to Purchase, dated as of December 1, 2006 (the "Series A Sublease"), by and between the County and the Authority. Base Rental payments (the "Series A Base Rental Payments") to be made by the County under the Series A Sublease will be used to pay principal of and interest on the 2006 Series A Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Base Rental" herein.

The County will lease certain real property and the improvements located thereon, as more particularly described herein (the "Series B Facilities" and, together with the Series A Facilities, the "Facilities"), to the Authority pursuant to a Lease, dated as of December 1, 2006 (the "Series B Lease" and, together with the Series A Lease, the "Leases"), by and between the County and the Authority. The County will lease the Series B Facilities from the Authority pursuant to a Sublease and Option to Purchase, dated as of December 1, 2006 (the "Series B Sublease" and, together with the Series A Lease, the "Subleases"), by and between the County and the Authority. Base Rental payments (the "Series B Base Rental Payments" and, together with the Series A Base Rental Payments, the "Base Rental Payments"), to be made by the County under the Series B Sublease will be used to pay principal of and interest on the 2006 Series B Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Base Rental" herein.

The Series A Base Rental Payments and the Series B Base Rental payments are scheduled to be sufficient to pay principal of and interest on the 2006 Series A Bonds and the 2006 Series B Bonds, respectively, when due. The County has covenanted in the respective Subleases to take such action as may be necessary to include all respective Base Rental and Additional Rental (defined below) payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental payments, except to the extent such payments are abated in accordance with the respective Subleases. See APPENDIX C – "Summary of Principal Legal Documents," – "The Indentures" and "– The Subleases" attached hereto.

The County's obligation to pay Base Rental under a Sublease will be abated during any period in which, by reason of material damage, destruction, theft, title defects or condemnation, there is substantial interference with the use or possession by the County of the Facilities subject to such Sublease, or any material portion thereof. Failure of the County to pay such Base Rental during any such period shall not constitute a default under such Sublease, or under the related Indenture or Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" 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 with respect to interest semiannually each March 1 and September 1, commencing on September 1, 2007. 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 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 D – "Book-Entry Only System" attached hereto.

The Bonds are subject to optional and mandatory redemption, including mandatory sinking fund redemption, prior to maturity as described herein. See "THE BONDS – Redemption of the 2006 Series A Bonds" and "--Redemption of the Series B Bonds" herein.

Limited Obligation

The Bonds are special obligations of the Authority payable solely from the respective Base Rental payments received pursuant to the respective Subleases and from amounts held by the respective Trustees in certain funds and accounts established by the respective Indentures. The obligation of the County to pay Base Rental 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 pay Base Rental constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power and has no obligation to pay Base Rental payments.

Municipal Bond New Issue Insurance Policy

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a Municipal Bond New Issue Insurance Policy (the "Policy") to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company (the "Insurer"). See "BOND INSURANCE" herein and APPENDIX G – "Form of Municipal Bond New Issue Insurance Policy" attached hereto.

The County

The County is located in the southern coastal portion of the State and covers 4,084 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and is more populous than 42 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, and tourism. For additional economic, demographic and financial information with respect to the County, see APPENDIX A – "The County of Los Angeles Information Statement" and APPENDIX B – "The County of Los Angeles Audited Financial Statements for the Fiscal Year Ended June 30, 2005" attached hereto.

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, which obligations were outstanding in the approximate principal amount of $696,315,000 as of June 30, 2006, 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.

Continuing Disclosure

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, 2007, 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 Underwriters of the Bonds in complying with the Rule. See "CONTINUING DISCLOSURE" herein and APPENDIX E – "Form of Continuing Disclosure Certificate" 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 REFUNDING

Series A Prior Obligations

The proceeds of the 2006 Series A Bonds, together with that portion of moneys held in certain funds and accounts attributable to the Series A Prior Obligations, will be used to effect the current refunding of: (i) all of the 1996 Series A Bonds currently outstanding in the aggregate principal amount of $106,120,000, (ii) all of the 1996 Series B Bonds currently outstanding in the aggregate principal amount of $77,930,000, and (iii) all of the 1997 Bonds currently outstanding in the aggregate principal amount of $87,950,000.

The Series A Prior Obligations were issued to refund certain obligations of the County and to finance additional public capital improvements of the County.

The County intends to refund the Series A Prior Obligations by depositing into separate escrow funds with respect to each series of Series A Prior Obligations (collectively, the "Series A Escrow Funds") a portion of the proceeds of the 2006 Series A Bonds and moneys held in certain funds and accounts attributable to the respective series of Series A Prior Obligations. The Escrow Funds will be established under respective escrow agreements, dated as of December 1, 2006, by and between the County and U.S. Bank National Association, as escrow agent thereunder and as trustee for the Series A Prior Obligations (the "Series A Prior Trustee"). Moneys deposited in the Series A Escrow Funds will be held in cash and invested as required pursuant to the respective trust agreement and indenture for the Series A Prior Obligations (collectively, the "Series A Prior Indentures"), as applicable, such that the amounts in the respective Series A Escrow Funds, together with the earnings to accrue on the investments therein, and without the need for further investment, will be sufficient to pay when due the respective series of Series A Prior Obligations, including all principal, redemption premium, if any, and interest payable with respect thereto.

Upon deposit into the Series A Escrow Funds of the cash and investments pursuant to the Series A Escrow Agreement, instructions to the Series A Prior Trustee in accordance with the defeasance provisions of the Series A Prior Indentures and either notice of the redemption of the Series A Prior Obligations or irrevocable instructions from the County to the Series A Prior Trustee to give such notice of redemption, as applicable, the Series A Prior Obligations shall no longer be deemed outstanding under the Series A Prior Indentures and the obligations of the parties to the Series A Prior Indentures with respect to the Series A Prior Obligations shall cease and terminate (except the obligations to make payments from the Series A Escrow Funds and to maintain the necessary mechanics therefor). Barthe & Wahrman, PA (the "Verification Agent"), a firm of independent certified public accountants, will verify the mathematical computations used to determine the sufficiency of the deposits into the Escrow Funds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

The Series A Prior Obligations are set forth in the following table:

SERIES A PRIOR OBLIGATIONS

Series	Maturity Dates	Principal Amounts	Redemption Price	Redemption Date	CUSIP[1]
1996 Series A Bonds	September 1, 2007	$15,310,000	102%	March 1, 2007	CQ5
	September 1, 2008	15,430,000	102	March 1, 2007	CR3
	September 1, 2009	9,810,000	102	March 1, 2007	CS1
	September 1, 2010	10,450,000	102	March 1, 2007	CT9
	September 1, 2011	11,010,000	102	March 1, 2007	CU6
	September 1, 2012	11,595,000	102	March 1, 2007	CV4
	September 1, 2013	12,215,000	102	March 1, 2007	CW2
	September 1, 2014	12,720,000	102	March 1, 2007	CX0
	September 1, 2015	6,295,000	102	March 1, 2007	CY8
	September 1, 2016	1,285,000	102	March 1, 2007	CZ5
1996 Series B Bonds	September 1, 2007	$7,550,000	102%	March 1, 2007	DM3
	September 1, 2008	7,930,000	102	March 1, 2007	DN1
	September 1, 2009	8,335,000	102	March 1, 2007	DP6
	September 1, 2010	8,885,000	102	March 1, 2007	DQ4
	September 1, 2011	9,365,000	102	March 1, 2007	DR2
	September 1, 2012	9,865,000	102	March 1, 2007	DS0
	September 1, 2013	10,385,000	102	March 1, 2007	DT8
	September 1, 2014	10,815,000	102	March 1, 2007	DU5
	September 1, 2015	4,800,000	102	March 1, 2007	DV3
1997 Bonds	March 1, 2007[2]	$13,435,000	100%	March 1, 2007[3]	FM1
	March 1, 2008	13,900,000	101	March 1, 2007	FN9
	March 1, 2009	14,485,000	101	March 1, 2007	FP4
	March 1, 2010	14,875,000	101	March 1, 2007	FQ2
	March 1, 2011	9,695,000	101	March 1, 2007	FR0
	March 1, 2012	10,040,000	101	March 1, 2007	FS8
	March 1, 2015	11,520,000	101	March 1, 2007	FV1

(1) Base CUSIP: 54473E.
(2) Escrowed to maturity.
(3) Maturity.

Series B Prior Obligations

The proceeds of the 2006 Series B Bonds, together with that portion of moneys held in certain funds and accounts attributable to the Series B Prior Obligations, will be used to effect the current refunding of all of the Series B Prior Obligations currently outstanding in the aggregate principal amount of $110,105,000.00

The Series B Prior Obligations were issued to finance the acquisition, construction and improvement of the Series B Facilities.

The County intends to refund the Series B Prior Obligations by depositing into an escrow fund (the "Series B Escrow Fund") a portion of the proceeds of the 2006 Series B Bonds and moneys held in certain funds and accounts attributable to the Series B Prior Obligations. The Series B Escrow Fund will be established under an escrow agreement, dated as of December 1, 2006 (the "Series B Escrow Agreement"), by and between the County and U.S. Bank National Association, as escrow agent thereunder and as trustee for the Series B Prior Obligations (the "Series B Prior Trustee"). Moneys deposited in the Series B Escrow Fund will be held as cash and invested as required pursuant to the trust agreement for the Series B Prior Obligations (the "Series B Prior Indenture"), such that the amounts in the Series B Escrow Fund, together with the earnings to accrue on such investments, and without the need for further investment, will be sufficient to pay when due the Series B Prior Obligations, including all principal, redemption premium, if any, and interest payable with respect thereto.

Upon deposit of the cash and investment into the Series B Escrow Fund pursuant to the Series B Escrow Agreement, instructions to the Series B Prior Trustee B in accordance with the defeasance provisions of the Series B Prior Indenture and either notice of the redemption of the Series B Prior Obligations or irrevocable instructions from the County to the Series B Prior Trustees to give such notice of redemption, as applicable, the Series B Prior Obligations shall no longer be deemed outstanding under the Series B Prior Indenture and the obligations of the parties to the Series B Prior Indenture with respect to the Series B Prior Obligations shall cease and terminate (except the obligations to make payments from the Escrow Fund and to maintain the necessary mechanics therefor). The Verification Agent will verify the mathematical computations used to determine the sufficiency of the deposits into the Escrow Funds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

The Series B Prior Obligations are set forth in the following table:

SERIES B PRIOR OBLIGATIONS

Maturity Dates	Principal Amounts	Redemption Price	Redemption Date	CUSIP[(1)]
November 1, 2007[(2)]	$1,915,000	100%	November 1, 2007[(3)]	AX7
November 1, 2008[(2)]	1,995,000	100	November 1, 2008[(3)]	AY5
November 1, 2009[(2)]	2,085,000	100	November 1, 2009[(3)]	AZ2
November 1, 2010[(2)]	2,175,000	100	November 1, 2010[(3)]	BA6
November 1, 2011	2,275,000	100	November 1, 2010	BB4
November 1, 2012	2,395,000	100	November 1, 2010	BC2
November 1, 2013	2,535,000	100	November 1, 2010	BD0
November 1, 2014	2,685,000	100	November 1, 2010	BE8
November 1, 2015	2,845,000	100	November 1, 2010	BF5
November 1, 2016	3,015,000	100	November 1, 2010	BG3
November 1, 2017	3,180,000	100	November 1, 2010	BH1
November 1, 2018	3,345,000	100	November 1, 2010	BJ7
November 1, 2019	3,530,000	100	November 1, 2010	BK4
November 1, 2020	3,735,000	100	November 1, 2010	BL2
November 1, 2021	3,960,000	100	November 1, 2010	BM0
November 1, 2022	4,195,000	100	November 1, 2010	BN8
November 1, 2027	24,670,000	100	November 1, 2010	BT5
November 1, 2033	39,570,000	100	November 1, 2010	BZ1

(1) Base CUSIP: 54473E.
(2) Escrowed to maturity.
(3) Maturity.

DESCRIPTION OF THE FACILITIES

The following are descriptions of the Facilities. The County currently has full use and possession of all of the Facilities, and upon the issuance of the Bonds and the defeasance of the Prior Obligations there will be no senior liens or other encumbrances on the Facilities other than encumbrances permitted under the respective Subleases. Each Sublease requires that the County obtain a standard CLTA policy of title insurance with respect to the Facilities, subject to certain permitted encumbrances. The County may modify or amend the description of the Facilities, release from the respective Leases or Subleases any portion of the Facilities or substitute other property and/or improvements for the Facilities or any portion thereof upon compliance with all of the terms set forth therein and in the respective Indentures. See APPENDIX C – "Summary of Principal Legal Documents – Subleases – Substitution or Removal of Property" attached hereto.

Series A Facilities

Lynwood Regional Justice Center. The Lynwood Regional Justice Center is located on approximately 19 acres of land located at 11705 Alameda Street in the City of Lynwood, and consists of a complex of buildings including a sheriff's station of approximately 62,000 gross square feet of space, two detention facilities with a combined rated capacity of 1,014 beds and occupying approximately 418,000 gross square feet of space, courts and court-related buildings of approximately 70,000 gross square feet of space, a support building that includes a central energy plant, and 156,000 gross square feet of parking area, including grade level parking and a multi-story parking garage.

Central Jail Expansion ("Twin Towers"). The Central Jail Expansion (also known as the "Twin Towers") is constructed on a site of approximately 9 acres owned by the County on the 400 block of Bauchet Street, in the City of Los Angeles. It includes a self-contained maximum security detention facility in two high rise housing towers of seven and eight stories, with a combined rated and non-rated capacity of 2,312 beds and a total of 832,200 gross square feet of space; an inpatient medical and mental health facility in a separate tower of about 101,000 gross square feet of space housing 200 nonrated, fully licensed, inpatient care beds for the maximum security population. Total space is approximately 1,245,400 gross square feet.

Series B Facilities

Antelope Valley Courthouse. The Antelope Valley Courthouse is located on a 17-acre site at the intersection of 4th Street West and Avenue M in the City of Lancaster in Los Angeles County. The courthouse consists of a five story building of approximately 380,000 square feet, and houses 21 courtrooms, related facilities including a cafeteria, and surface and underground parking.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE BONDS

The proceeds of the Bonds and the portion of moneys held in certain funds and accounts attributable to the Prior Obligations are expected to be applied approximately as set forth below:

Sources of Funds:	Series A Bonds	Series B Bonds	Total
Principal Amount of the Bonds	$217,585,000.00	$103,410,000.00	$320,995,000.00
Net Original Issue Premium	8,438,421.75	6,127,344.60	14,565,766.35
From Prior Obligations Funds and Accounts	80,570,321.82	14,525,278.64	95,095,600.46
TOTAL SOURCES	$306,593,743.57	$124,062,623.24	$430,656,366.81

Uses of Funds:	Series A Bonds	Series B Bonds	Total
1996 Series A and B Bonds Escrow Fund	$192,580,847.00		$192,580,847.00
1997 Bonds Escrow Fund	89,955,550.07		89,955,550.07
Series B Prior Obligations Escrow Fund		$116,337,581.14	116,337,581.14
Reserve Fund	22,602,342.18	6,922,050.94	29,524,393.12
Costs of Issuance[(1)]	1,455,004.32	802,991.16	2,257,995.48
TOTAL USES	$306,593,743.57	$124,062,623.24	$430,656,366.81

(1) Includes underwriter's discount, bond insurance premium, title insurance costs, financial advisor fees, rating agency fees, escrow agent fees, bond counsel fees, verification agent 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 respective Indentures for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General

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 with respect to interest semiannually each March 1 and September 1, commencing on September 1, 2007. 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 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 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 D – "Book-Entry Only System" attached hereto.

Redemption of the 2006 Series A Bonds

No Optional Redemption. The 2006 Series A Bonds are not subject to optional redemption.

Mandatory Redemption. The 2006 Series A Bonds are subject to mandatory redemption prior to maturity, as a whole or in part at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, on any date following the deposit of such moneys, from amounts deposited in the Redemption Account pursuant to the Series A Indenture following an event of damage, destruction, theft or condemnation of the Series A Facilities or any portion thereof or loss of the use or possession of the Series A Facilities or any portion thereof due to a title defect.

Selection of 2006 Series A Bonds for Redemption. Whenever provision is made in the Series A Indenture or the Series A Sublease for the redemption of the 2006 Series A Bonds and less than all Outstanding 2006 Series A Bonds are to be redeemed, the Authority shall give written instruction to the Trustee of the principal amount of each maturity of 2006 Series A Bonds to be redeemed. Within a maturity, the Trustee shall select 2006 Series A Bonds for redemption by lot. Redemption by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any 2006 Series A Bond to be redeemed shall be in Authorized Denominations and all 2006 Series A Bonds to remain Outstanding after any redemption in part shall be in Authorized Denominations.

Redemption of the 2006 Series B Bonds

Optional Redemption. The 2006 Series B Bonds maturing on or after September 1, 2017 are subject to redemption prior to maturity from amounts deposited with the Series B Trustee by the County in furtherance of the exercise of the County's option to purchase the Authority's right, title and interest in the Series B Facilities or any portion thereof in accordance with the Series B Sublease and from any other funds legally available therefor, as a whole or in part on any date, on or after September 1, 2016, at a redemption price equal to the principal amount thereof, without premium, plus accrued but unpaid interest to the redemption date:

Mandatory Redemption. The 2006 Series B Bonds are subject to mandatory redemption prior to maturity, as a whole or in part at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, on any date following the deposit of such moneys, from amounts deposited in the Redemption Account pursuant to the Series B Indenture following an event of damage, destruction, theft or condemnation of the Series B Facilities or any portion thereof or loss of the use or possession of the Series B Facilities or any portion thereof due to a title defect.

Redemption from Sinking Account Installments. The 2006 Series B Term Bonds maturing on September 1, 2031, shall be subject to mandatory redemption, in part, by lot, on September 1, 2027 and on each September 1 thereafter prior to maturity, from Sinking Account Installments on deposit in the Principal Account of the Bond Fund, at a redemption price equal to the principal amount of such 2006 Series B Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date as indicated on the following table:

2006 Series B Term Bonds Maturing September 1, 2031

Redemption Date (September 1)	**Principal Amount**
2027	$5,000,000
2028	5,255,000
2029	5,525,000
2030	5,810,000
2031(maturity)	6,110,000

The 2006 Series B Term Bonds maturing on September 1, 2033, shall be subject to mandatory redemption, in part, by lot, on September 1, 2032 and on each September 1 thereafter prior to maturity, from Sinking Account Installments on deposit in the Principal Account of the Bond Fund, at a redemption price equal to the principal amount of such 2006 Series B Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date as indicated on the following table:

2006 Series B Term Bonds Maturing September 1, 2033

Redemption Date (September 1)	**Principal Amount**
2032	$6,420,000
2033(maturity)	6,750,000

Selection of 2006 Series B Bonds for Redemption. Whenever provision is made in the Series B Indenture or the Series B Sublease for the redemption of the 2006 Series B Bonds (other than from Sinking Account Installments) and less than all Outstanding 2006 Series B Bonds are to be redeemed, the Authority shall give written instruction to the Series B Trustee of the principal amount of each maturity of 2006 Series B Bonds to be redeemed. Within a maturity, the Series B Trustee shall select 2006 Series B Bonds for redemption by lot. Redemption by lot shall be in such manner as the Series B Trustee shall determine; provided, however, that the portion of any 2006 Series B Bond to be redeemed shall be in Authorized Denominations and all 2006 Series B Bonds to remain Outstanding after any redemption in part shall be in Authorized Denominations.

Notice of Redemption

Whenever redemption is authorized or required pursuant to an Indenture, the Authority shall give the appropriate Trustee at least 45 days prior written notice, at the expense of the Authority, specifying the date and amount of the redemption of the appropriate Bonds and such Trustee shall give notice of such redemption at least 30 but not more than 45 days prior to the redemption date to the Owners of such Bonds designated for redemption, by first class mail at their addresses appearing in the Bond Register. Neither failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Effect of Notice of Redemption

The Bonds to be redeemed shall be due and payable on the date of redemption set forth in the Redemption Notice with respect thereto. If on such redemption date money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the appropriate Trustee so as to be available therefor on such redemption date, and if a Redemption Notice shall have been given as described in the appropriate Indenture, then, from and after such redemption date, no additional interest shall become due on such Bonds to be redeemed.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Base Rental

Base Rental payments under the respective Subleases are scheduled to be sufficient to pay principal of and interest on the respective Bonds when due. The County has covenanted in the Subleases to take such action as may be necessary to include all Base Rental and Additional Rental due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated in accordance with the respective Subleases. See APPENDIX C – "Summary of Principal Legal Documents" attached hereto.

Subject to the provisions of each Sublease relating to abatement, the County's obligation to make Base Rental payments in the amounts and on the terms and conditions specified thereunder will be absolute and unconditional without any right of set-off or counterclaim. Each Sublease provides that the covenants on the part of the County therein contained are deemed to be and are construed to be ministerial duties imposed by law, and that 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 the 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 such Sublease. Each Sublease provides that the County will pay from legally available funds Base Rental thereunder for the right to use and possession of the respective Facilities in the amounts, at the times and in the manner set forth in such Sublease.

Notwithstanding any other provision of the Subleases or the Indentures, in no event will the Authority or any assignee of the rights of the Authority thereunder have the right to accelerate the payment of any Base Rental thereunder or otherwise declare any Base Rental not then in default to be immediately due and payable.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE RESPECTIVE SUBLEASES AND FROM AMOUNTS HELD BY THE RESPECTIVE TRUSTEES IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE RESPECTIVE INDENTURES. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL 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 PAY BASE RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

A table of the aggregate annual Base Rental payments to be made by the County under the Subleases is set forth below. Under the Subleases, the County is to make Base Rental payments on each February 15 for the immediately succeeding March 1 interest payment, and on each August 15 for the immediately succeeding September 1 payment of principal and interest.

SCHEDULE OF BASE RENTAL PAYMENTS

Fiscal Year Ending 6/30	Series A Base Rental			Series B Base Rental			
	Principal	Interest	Total	Principal	Interest	Total	Grand Total
2007	-	-	-	-	-	-	-
2008	$28,705,000.00	$11,294,681.04	$39,999,681.04	$1,115,000.00	$5,807,050.94	$6,922,050.94	$46,921,731.98
2009	32,115,000.00	7,881,525.00	39,996,525.00	2,205,000.00	4,711,343.76	6,916,343.76	46,912,868.76
2010	29,240,000.00	6,571,287.50	35,811,287.50	2,285,000.00	4,632,768.76	6,917,768.76	42,729,056.26
2011	24,740,000.00	5,393,012.50	30,133,012.50	2,365,000.00	4,551,393.76	6,916,393.76	37,049,406.26
2012	25,830,000.00	4,177,137.50	30,007,137.50	2,450,000.00	4,467,131.26	6,917,131.26	36,924,268.76
2013	21,175,000.00	3,040,162.50	24,215,162.50	2,540,000.00	4,379,806.26	6,919,806.26	31,134,968.76
2014	22,330,000.00	2,009,962.50	24,339,962.50	2,630,000.00	4,289,331.26	6,919,331.26	31,259,293.76
2015	23,085,000.00	952,462.50	24,037,462.50	2,720,000.00	4,195,706.26	6,915,706.26	30,953,168.76
2016	9,295,000.00	224,687.50	9,519,687.50	2,820,000.00	4,096,993.76	6,916,993.76	16,436,681.26
2017	1,070,000.00	19,393.75	1,089,393.75	2,925,000.00	3,992,865.63	6,917,865.63	8,007,259.38
2018				3,055,000.00	3,863,475.00	6,918,475.00	6,918,475.00
2019				3,215,000.00	3,706,725.00	6,921,725.00	6,921,725.00
2020				3,375,000.00	3,541,975.00	6,916,975.00	6,916,975.00
2021				3,545,000.00	3,368,975.00	6,913,975.00	6,913,975.00
2022				3,720,000.00	3,201,300.00	6,921,300.00	6,921,300.00
2023				3,895,000.00	3,024,875.00	6,919,875.00	6,919,875.00
2024				4,095,000.00	2,825,125.00	6,920,125.00	6,920,125.00
2025				4,305,000.00	2,615,125.00	6,920,125.00	6,920,125.00
2026				4,525,000.00	2,394,375.00	6,919,375.00	6,919,375.00
2027				4,755,000.00	2,162,375.00	6,917,375.00	6,917,375.00
2028				5,000,000.00	1,918,500.00	6,918,500.00	6,918,500.00
2029				5,255,000.00	1,662,125.00	6,917,125.00	6,917,125.00
2030				5,525,000.00	1,392,625.00	6,917,625.00	6,917,625.00
2031				5,810,000.00	1,109,250.00	6,919,250.00	6,919,250.00
2032				6,110,000.00	811,250.00	6,921,250.00	6,921,250.00
2033				6,420,000.00	498,000.00	6,918,000.00	6,918,000.00
2034				6,750,000.00	168,750.00	6,918,750.00	6,918,750.00
Total	$217,585,000.00	$41,564,312.29	$259,149,312.29	$103,410,000.00	$83,389,216.65	$186,799,216.65	$445,948,528.94

Reserve Funds

On the date of issuance of the Bonds, a portion of the proceeds of the Series A Bonds will be deposited in the Series A Reserve Fund, and a portion of the proceeds of the Series B Bonds will be deposited in the Series B Reserve Fund.

Amounts held in the Series A Reserve are available only to pay principal of and interest on the Series A Bonds, and amounts held in the Series B Reserve Fund are available only to pay principal of and interest on the Series B Bonds.

Each Reserve Fund will be held by the respective Trustees and will be kept separate and apart from all other funds and moneys held by the respective Trustees. The respective Trustees will administer the Reserve Funds as provided in the respective Indentures. Each Reserve Fund will be maintained by the respective Trustee in the amount of the Reserve Requirement until there are no longer any Bonds Outstanding under the respective Indenture, except as provided in such Indenture. The "Reserve Requirement" for a series of Bonds means, as of any date of calculation, the least of (i) ten percent (10%) of the proceeds (within the meaning of section 148 of the Code (herein defined)) of such Bonds; (ii) 125% of average annual debt service on such Bonds then Outstanding; or (iii) the Maximum Annual Debt Service on such Bonds for that and any subsequent year. See APPENDIX C – "Summary of Principal Legal Documents – The Indentures" attached hereto.

Abatement

Pursuant to the Subleases, the respective Base Rental payments will be abated during any period in which, by reason of material damage, destruction, condemnation, theft or defects in the title to the respective Facilities or a portion thereof, there is substantial interference with the use or possession by the County of the respective Facilities or any material portion thereof. The amount of rental abatement will be such that the resulting total Base Rental payments under the appropriate Sublease in any Fiscal Year during which such interference continues do not exceed the total fair rental value of the remaining portions of the respective Facilities for which there is no substantial interference with the County's right of use or possession. The Trustee may require a certificate of a County Representative to the effect that the resulting total rental represents such fair consideration as elaborated in the preceding sentence. Any such abatement shall continue for the period commencing with the date on which any such interference with the County's right to use or possession of such Facilities, or a material portion thereof, as a result of such damage, destruction, condemnation, theft or title defect, commences and ending with the restoration of such Facilities, or the affected portion thereof, to tenantable condition.

Insurance

The County has covenanted in each Sublease to secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility, rated "A" or better by Standard & Poor's, Moody's or A.M. Best in *Best's Insurance Reports*, or through a program of self-insurance to the extent specifically permitted in such Sublease, all coverage with respect to the respective Facilities required by such Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" and "Risk Factors – Abatement."

The County will not be required to maintain or cause to be maintained more insurance than is specifically referred to in the Subleases, 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 rental interruption insurance and title insurance, is not offered by reputable insurers at a reasonable cost on the open market, and 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. If the County is permitted to and does self-insure under this provision, then, except for any self-insurance for workers' compensation to which this sentence shall not apply, the County will establish and fund reserves which, in the opinion of the County Chief Administrative Officer are adequate.

Substitution or Release

Pursuant to each Sublease, the County shall have the right at any time and from time to time, to substitute other real property (the "New Property") for any portion of the respective Facilities (the "Former Property"), or to remove Former Property from such Facilities without the addition of New Property, provided that the County shall satisfy all of the requirements set forth in such Sublease, including, but not limited to the following: (i) no Event of Default shall have occurred and be continuing;

(ii) the County shall file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder, sufficient memorialization describing such Facilities after such substitution and/or removal as provided in such Sublease; (iii) the County shall obtain a CLTA policy of title insurance (or, as appropriate, an endorsement or other amendment to the then current policy of title insurance) insuring the County's leasehold estate under the Sublease (and the Authority's leasehold estate under the Lease) in such Facilities as amended by such addition of New Property, subject to the terms of the Sublease; (iv) the County shall certify in writing to the Authority and to the Trustee that such New Property constitutes property which the County is permitted to lease under the laws of the State of California; (v) such addition and/or removal shall not cause the County to violate any of its covenants, representations and warranties made in the Sublease; (vi) the County shall file with the Authority and the Trustee a certificate of a County Representative stating that (A) the total fair rental value of such Facilities after such substitution and/or removal is at least equal to 100% of the maximum amount of Base Rental and Additional Rental payments coming due in the then current Lease Year and in any subsequent Lease Year, (B) the useful life of such Facilities after such substitution at least equals the lesser of (1) the useful life of such Facilities before such substitution and/or removal, or (2) the date of the final Base Rental payment, and (C) such addition and/or removal of property will not interfere with or impair the use intended to be made of the Facilities; and (vii) the Insurer shall have consented to the substitution or release.

Notwithstanding the conditions set forth in the preceding paragraph, the County may grant or vacate, or cause the granting or vacating of, any easement burdening or benefiting the Facilities, provided that the County shall satisfy the requirements set forth in clauses (i) through (vi)of the preceding paragraph (such requirements understood to pertain to the granting or vacating of easements instead of the addition or removal of property).

Additional Bonds

The Authority may from time to time, by a supplement or amendment to each Indenture, authorize one or more series of Additional Bonds on a parity with or secured separately from, the Outstanding Bonds issued under such Indenture. Such supplement or amendment to such Indenture may provide for the creation of such funds and accounts as may be required for the issuance of Additional Bonds. See APPENDIX C – "Summary of Principal Legal Documents – The Indenture".

BOND INSURANCE

The Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority, the County, or the Underwriters as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty"), will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment of the Bonds by the Authority or the County. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Authority or the County. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Authority or the County, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At September 30, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At September 30, 2006, Financial Guaranty had net admitted assets of approximately \$3.795 billion, total liabilities of approximately \$2.659 billion, and total capital and policyholders' surplus of approximately \$1.136 billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of September 30, 2006 and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of GAAP, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's audited SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Recent Developments

On November 15, 2006, Financial Guaranty received a subpoena from the Antitrust Division of the U.S. Department of Justice. Based upon press reports, Financial Guaranty believes that the subpoena relates to an ongoing criminal investigation of alleged bid rigging of awards of municipal guaranteed investment contracts ("Municipal GICs") and that several other companies (including other financial guarantors) have received similar subpoenas. Until December 18, 2003, when Financial Guaranty was acquired from General Electric Capital Corporation ("GE Capital") by its current owners, Financial Guaranty was affiliated with certain companies (the "Former Affiliates") that provided Municipal GICs. The Former Affiliates remained a part of GE Capital after the acquisition of Financial Guaranty, and the outstanding Municipal GICs remained with the Former Affiliates. The subpoena contains no allegations or statements concerning the activities of Financial Guaranty. Financial Guaranty intends to cooperate fully with the investigation.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.

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 obligation of the County to pay Base Rental or Additional Rental payments under the Subleases does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligation of the County to make Base Rental or Additional Rental payments under the Subleases constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of the constitution or statutory debt limitation or restriction. The Authority has no obligation to pay Base Rental. Under certain circumstances, Base Rental may be abated under the Subleases.

Although the principal of and interest on the Bonds, and any premiums upon the redemption of any Bonds, is not a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or the County or upon any of their income, receipts or revenues (except the Base Rental payments and other funds pledged to the payment thereof as provided in the respective Indentures), the County agrees under each Sublease to pay the respective Base Rental from legally available funds for the right use and possession of the respective Facilities as provided therein and the County has covenanted in each Sublease to take such action as may be necessary to include all Base Rental or Additional Rental payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental or Additional Rental payments except to the extent such payments are abated in accordance with such Sublease. 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.

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

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Subleases. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Facilities. 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, the amount of Base Rental payable under the Subleases could be abated. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" and "Risk Factors – Abatement" herein.

Abatement

Except to the extent of amounts held pursuant to each Indenture, amounts received from rental interruption insurance, title insurance, condemnation awards and liquidated damages, if any, and amounts, if any, otherwise legally available to the County and deposited with the respective Trustee for the purpose of making payments on the respective series of Bonds, rental payments due under the respective Sublease will be abated during any period in which, by reason of material damage, destruction, condemnation, theft or defects in the title to the respective Facilities or a portion thereof, there is substantial interference with the use or possession by the County of such Facilities or any material portion thereof. The amount of rental abatement will be such that the resulting total rental payments in any Fiscal Year during which such interference continues, excluding any amounts described above, do not exceed the total fair rental value of the remaining portions of such Facilities 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 such interference with the County's right to use or possession of such Facilities, or a material portion thereof, as a result of such damage, destruction, condemnation, theft or title defect, commences and ending with the restoration of such Facilities, or the affected portion thereof, to tenantable condition.

Such reduced or abated Base Rental, together with other moneys available to such Trustee, may not be sufficient, after depletion of amounts in such Reserve Fund and expiration of rental interruption insurance, if any, with respect to such Facilities, to pay principal of an interest on such Bonds in the amounts and at the rates set forth thereon. In such an event, all Owners of such Bonds would forfeit the right to receive a pro rata portion of interest attributable to such abated Base Rental in any year of abatement and, to the extent such Bonds matured during a period of abatement, such Owners would forfeit the right to receive a pro rata portion of principal attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not be considered an Event of Default under such Sublease or the respective Indenture.

Remedies

Under each Sublease, the Authority or its assignee has the right to pursue any remedy available at law or in equity, except as otherwise expressly provided thereunder, including the remedy described in California Civil Code Section 1951.4 as the same may be amended from time to time. The Authority or its assignee has the right, at its option, to sublet the respective Facilities whether or not such Sublease has terminated.

Notwithstanding anything to the contrary contained in a Sublease, in addition to the remedies set forth above, the Authority or its assignee has the right, at its option, without any further demand or notice to re-enter the respective Property or any portion thereof and eject all parties therefrom, and, without terminating such Sublease, re-let such Property or any portion thereof as the agent for the account of the County upon such terms and conditions as the Authority or its assignee may deem advisable, in which event the rental received on such re-letting shall be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of such Property to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commission, actually paid, second to Base Rental in accordance with such Sublease and the respective Indenture and third to Additional Rental in accordance with such Sublease and such Indenture and if a sufficient sum is not realized to pay such sums and other charges, then the County will pay to the Authority or its assignee any net deficiency existing on the date when such Base Rental or Additional Rental is due thereunder. Any re-entry will be allowed by the County without hindrance, and the Authority and its assignee will not be liable for damages for any such re-entry or be guilty of trespass.

Limitations on Remedies

Under each Sublease, the Authority or any assignee of the rights of the Authority thereunder will not exercise their or its remedies, respectively, thereunder so as to cause the interest on the respective series of Bonds to be includable in gross income for federal income tax purposes or subject to State personal income taxes. Notwithstanding any other provision of such Sublease or the respective Indenture, in no event will the Authority or any assignee of the rights of the Authority thereunder have the right to accelerate the payment of any Base Rental thereunder or otherwise declare any such Base Rental not then in default to be immediately due and payable.

Additionally, the Trustee may have limited ability to relet the Facilities to provide a source of rental payments sufficient to pay debt service on the Bonds. The Trustee is not empowered to sell the Facilities for the benefit of the Owners. In addition, due to the essential government functions of the Facilities, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto.

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.

Seismic Events

The Facilities are 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 Facilities, the County would be limited to its general fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments under the respective Sublease would be subject to abatement. See "RISK FACTORS – Abatement" herein.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2006 Series A Bonds, the Verification Agent, will deliver a report on the arithmetical accuracy of certain computations contained in schedules provided to them by the Underwriters relating to the adequacy of the maturing principal of and interest on certain obligations and certain other moneys to pay all of the principal and prepayment premium, if any, and the interest due with respect to the Series A Prior Obligations as such principal, prepayment premium and interest become due and payable. See "PLAN OF REFUNDING" herein.

Upon delivery of the 2006 Series B Bonds, the Verification Agent will deliver a report on (a) the arithmetical accuracy of certain computations contained in schedules provided to them by the Underwriters relating to the adequacy of the maturing principal of and interest on certain obligations and certain other moneys to pay all of the principal and prepayment premium, if any, and the interest due with respect to the Series B Prior Obligations as such principal, prepayment premium and interest become due and payable, see "PLAN OF REFUNDING" herein, and (b) the computations of yield of the Series B Prior Obligations and the federal securities in the Series B Escrow Fund which support Bond Counsel's opinion that the interest on the Series B Prior Obligations is excluded from gross income of the owners thereof for federal income tax purposes.

TAX MATTERS

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

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations 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.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX F - "Form of Opinion of Bond Counsel."

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate, 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, 2006, to each nationally recognized municipal securities information repository and each Repository certain annual report, including the County's financial statements and (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 of the Fiscal Year of the County. See APPENDIX E – "Form of Continuing Disclosure Certificate" attached hereto.

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 Underwriters 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 Certificate, and any provision of the Continuing Disclosure Certificate 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, 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 Owners of the Bonds in the same manner as provided in the respective Indenture for amendments to such Indenture with the consent of Owners of such series of Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of such 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 - "Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the County and the Authority by County Counsel.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates served as the Financial Advisor to the County in connection with the delivery of the Bonds, is a full service financial advisor, and is not engaged in the business of underwriting, trading or distributing municipal or other financial securities.

LITIGATION

To the best knowledge of the County and the Authority, there is no litigation pending or threatened against the County or the Authority concerning the validity of the Bonds or challenging any action taken by the County or the Authority in connection with the authorization of the Indentures, the Subleases 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 – General Litigation" attached hereto.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") have assigned the Bonds ratings of "AAA," "Aaa" and "AAA", respectively, based on the understanding that the Insurer will issue its 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 Underwriters have agreed to purchase the 2006 Series A Bonds from the County and the Authority at an aggregate purchase price of $225,648,644.56 (consisting of the aggregate principal amount thereof plus net original issue premium of $8,438,421.75 and less underwriters' discount of $374,777.19), and to purchase the 2006 Series B Bonds from the County and the Authority at an aggregate purchase price of $109,359,227.05 (consisting of the aggregate principal amount thereof plus net original issue premium of $6,127,344.60 and less underwriters' discount of $178,117.55), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the 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 Lease and the Sublease may be obtained upon request from the Trustee at: U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the 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

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 10.25 million in 2006, the County is the largest of 58 counties in California and is more populous than 42 states. As required by the County Charter, County ordinances, and State or federal mandate, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

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

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the 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 to a city at the same level as provided in unincorporated areas, or at any higher level the city may choose. Services are provided at cost.

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

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 services and health care areas, are required to be maintained at certain minimum levels, which can limit the County's flexibility in these areas.

Health and Welfare

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

The County has the responsibility to provide and partially fund mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contracted providers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes 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 beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenues, State Public Safety sales tax revenues and fees from contracting cities. The Sheriff provides county-wide law enforcement services and performs specific functions requested by local police departments, including the 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 services to more than 500 political districts and 3.8 million registered voters.

Culture and Recreation

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

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include fifty-two (52) collective bargaining units, which are represented either by the Services Employees International Union (SEIU) Local 660, the Coalition of County Unions (consisting of 10 unions) or by one of six independent unions. 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 Fringe Benefit Agreements. The Fringe Benefit Agreements reached with the Coalition of County Unions (CCU) and Local 660 have a term of three years and expired on September 30, 2006. While the County has reached agreement with Local 660 on a new Fringe Benefit Agreement, negotiations remain ongoing with the CCU.

In October 2006, the County announced a tentative 3-year contract with SEIU Local 660 that covers nearly 50,000 County employees. Under the terms of the agreement, the majority of Local 660 members will receive a 15.5% salary increase between October 1, 2006 and January 1, 2009. One Local 660 group, the Registered Nurses, has been given a new classification and salary structure that will result in some of these employees receiving raises substantially higher than 15.5%. While the proposed contract must still be approved by the Board of Supervisors, its adoption is expected prior to the end of 2006. In fact, on October 31, 2006, the Board of Supervisors formally approved similar 15.5% salary increases for five bargaining units unaffiliated with Local 660.

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

Litigation by Contract Workers

In November 2000, three employees of contractors providing technical services to the County's Internal Services Department filed litigation (*Holmgren et al v. County of Los Angeles*) as a class action, alleging that they were improperly hired and treated as non-County employees even though the County directed and controlled their services. The plaintiffs seek County employee status and damages for alleged differentials in compensation and benefits. Two lawsuits (*Hall et al v. County of Los Angeles and Shiell et al v. County of Los Angeles*) filed prior to 2000 by employees of a contractor providing legal services to County Counsel make similar claims and seek similar remedies. In the *Holmgren* and *Shiell* cases, judgment in favor of the County was entered in October 2006. It is unknown if appeals will be sought in either case. 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

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

The final judgment, which was entered on June 6, 2003, awarded back-pay to the plaintiffs of $42,760,559, plus $4,677,513 in attorneys' fees and a costs award of $60,843. Both the County and the plaintiffs filed notices of appeal in or about August 2003. The plaintiffs' appeal claims that they are entitled to prospective relief, which they've estimated to be more than $100 million, and which has not been specifically awarded by the court in its judgment. The appellate court has not yet scheduled oral argument on the matter, although it is anticipated that such argument will take place in late 2006. The County's special counsel advises that there are significant meritorious grounds to overturn the judgment on appeal and to deny plaintiffs' 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 the contribution based plans, employee contributions to the retirement system are based on rates determined by LACERA's actuary. Such contributions depend upon age, the date of entry into the plan and the type of membership (general or safety).

LACERA's membership total as of June 30, 2005 was 143,133. This membership consisted of 61,382 active vested members, 25,002 nonvested active members, 49,769 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.

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

Beginning with Fiscal Year 2003-04, the Board of Investments adopted a new series of economic and non-economic assumptions to be used in LACERA's actuarial valuations. Important changes to the economic assumptions included 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 included 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 (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 26, 2006, the Executive Office of LACERA received from its actuary a preliminary funding estimate for the Retirement Plan as of June 30, 2006. Based on estimated Plan assets and liabilities, the actuary has projected that the funded ratio will increase from 85.8% on June 30, 2005 to 91.2% on June 30, 2006. This increase is primarily the result of investment gains in the prior 3 fiscal years and will serve to reduce the total County contribution rate from 14.86% to 12.78% of covered payroll. A final actuarial valuation is scheduled for completion in mid-December 2006.

The most recent annual valuation approved by the Board of Investments was for the fiscal year ending June 30, 2005. This valuation reported that the actuarial accrued liability had increased by 5.1% to $34.375 billion. In spite of this result, however the funded ratio improved from 82.8% as of June 30, 2004 to 85.8% as of June 30, 2005. The UAAL itself was calculated to be $4.9 billion at the close of the 2004-05 actuarial year. The decrease from $5.6 billion as of June 30, 2004 was caused almost entirely by higher 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-6.

The actuary's recommended contribution rate for the County to fund its portion of the UAAL for Fiscal Year 2006-07 is 5.33% of covered payroll. This rate represents the amount necessary to finance the UAAL over the 30 years beginning July 1, 2005 and is in addition to the County's normal cost contribution rate of 9.53% of covered payroll. The total County contribution rate of 14.86% has been included in the budget for Fiscal Year 2006-07 and is forecasted to be $822 million.

The valuation as of June 30, 2005 also identified $1.4 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 and an 11.0% return for the Fiscal Year 2004-05.

The investment returns for the Fiscal Year 2005-06 have resulted in a gain of 13.0%. Final information regarding the dollar amount of these gains is not yet available and will be published along with the actuarial valuation scheduled for completion in December 2006. A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-6.

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 September 30, 2006 are 33% domestic equity, 22% international equity, 27% fixed income, 10% real estate, 6% private equity and 2% cash.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments and the County's Board of Supervisors.

Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates.

The County has funded 100% or more of its employer contributions to LACERA in each of the last nine years. In Fiscal Year 2004-05, the County's total contribution to the Retirement Fund was $750 million. Of this amount, approximately $223 million was funded from excess earnings. Total contributions of the County for Fiscal Year 2005-06 were $852.4 million. Towards this latter amount, the County applied approximately $180 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, 2006 is presented in Table 3 ("County Pension Related Payments") on page A-6.

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 $97 million in Fiscal Year 2006-07 and increase the net cost to the County ("NCC") by this same amount. The 2006-07 Final Adopted Budget represents the ninth consecutive year of increased NCC contributions to LACERA. Total increases in NCC resulting from this multi-year plan are expected to reach approximately $335 million by June 30, 2007.

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, 2006, 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 discussion of the County's pension obligations can be found in the "Debt Summary" portion of this Appendix. A six-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-6.

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 $305 million for the vesting of the 2001 STAR Program benefits and approximately $5 million for the vesting of 2002-2005 STAR Program benefits. As of June 30, 2005, there were $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, $632 million were included as valuation assets and used in the determination of the June 30, 2005 UAAL. Were this $632 million not included among the Retirement Plan's valuation assets, the recommended County contribution rate would have increased by 0.74% to 15.60%, and the funded ratio of the Retirement Program would have decreased to 84.0%.

In the preliminary funding estimate for June 30, 2005, the Plan's actuary disclosed to LACERA that if STAR Program reserves were not included in the Fiscal Year 2005-06 valuation, the estimated UAAL would increase by $620 million. Under this hypothetical scenario, the County contribution rate would increase by 0.70% to approximately 13.5%, and the funded ratio would decrease to 89.5% as of June 30, 2005.

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. County contributions to fund retiree health care benefits are based on the retirement service credit of eligible members. For members with 10 years of service, the County contributes 40% of the health care plan premium. For each year of service beyond 10 years, the County contributes an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

In Fiscal Year 2004-05, total HBP-related payments for the County were $294.8 million. This amount included $62.3 million in contributions from LACERA excess earnings reserves. For Fiscal Year 2005-06, the County had a total HBP-related payment of $327.9 million, of which $65.8 million was funded by LACERA excess earnings. This growth in postemployment benefit payments is expected to continue in Fiscal Year 2006-07, with a projected County contribution of $269.9 million plus an offset from excess earnings of $67.6 million. Total HBP-related payments for Fiscal Year 2006-07 are forecasted to be $337.5 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 OPEBs 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) and requires an actuarial valuation to determine the funded status of benefits accrued. LACERA intends to comply with GASB 43 by the fiscal year ending June 30, 2007, as required under GASB 43.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes financial reporting standards designed to measure, recognize, and disclose OPEB costs. Currently, OPEBs are accounted for by the County on a pay-as-you-go basis, which does not require the accrual of costs associated with future OPEB payments. GASB 45 is focused on the County's financial statements and related note disclosures and is intended to associate the costs of the OPEB with the periods in which employee services are rendered in exchange for the OPEB. OPEB costs would become measurable on an accrual basis of accounting and actuarially determined contribution rates would be prescribed for funding such costs.

The core requirement of GASB 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"), which aggregate amount would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference would be amortized over a period which could be up to 30 years. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof. The County intends to comply with the provisions of GASB 45 by no later than the fiscal year ending June 30, 2008, as required under the provisions of GASB 45.

The standards set forth under GASB 45 affect the County's financial statements; however, they do not impose requirements on the funding of any OPEB. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. The UAAL of the County's OPEBs has not been determined, nor have actuarially determined contribution rates been established to fund any such UAAL. The County is currently working with LACERA to determine its potential OPEB liability. The County's ability to fund OPEBs on an accrual basis in the future remains unknown, but the size of the liability is expected to be substantial.

The actuarial valuation of OPEBs for the County will mirror that which is computed for LACERA under the requirements of GASB 43. In anticipation of meeting their 2007 reporting deadline, LACERA has engaged Milliman Consultants and Actuaries to calculate an initial valuation of OPEB liabilities for the pension plan. It is anticipated that Milliman will complete this actuarial study in early 2007. The data from this report will provide the first estimate of what the County might anticipate for its OPEB liability.

Retirement System Litigation

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

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")* challenged the closure of Rancho Los Amigos National Rehabilitation Center (*"Rancho"*). *Harris, et al. v. County of Los Angeles, et al. ("Harris")* challenged the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC").

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

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
06/30/2001	$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	32,026,105	29,497,485	34,375,949	4,878,464	85.81%
06/30/2005[1]	35,185,589	--	--	--	91.20%

[1] June 30, 2006 Funded Ratio is a preliminary estimate prepared by Milliman Consultants and Actuaries as of September 26, 2006. Additional data is not available.

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005 and Brown Armstrong Report on LACERA 2006 Audited Financial Statements.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
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	32,026,105	11.0%
2005-2006	35,185,589	13.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005 and Brown Armstrong Report on LACERA 2006 Audited Financial Statements.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
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%
2005-06	672,997	179,368	381,235	1,233,600	13.5%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005 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 the Final County Budget by June 30, the appropriations approved in the Proposed Budget, with certain exceptions, become effective for the new fiscal year until a final budget is adopted.

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

CONSTITUTIONAL 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 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 2006-07 is $13,427,592,807. The 2006-07 County Budget reflects proceeds of taxes at $5,952,024,000, which is well below the allowable limit.

Proposition 62

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

In May 2005, a lawsuit entitled *Oronoz v. County of Los Angeles*, was filed against the County that contends the County's utility taxes do not meet the requirements of Proposition 62 and are therefore invalid. The Los Angeles Superior Court indicated during the November 2006 hearing on class certification that it would more than likely certify the case. The Court's ruling, however, has not yet been issued. It is estimated that the County collected approximately $218.9 million dollars in such taxes during the course of the last three years. The taxes collected have been placed in a reserve and could be applied to a refunding should the tax be determined invalid. Accordingly, the County does not believe that the impoundment of existing taxes or a judicial order to refund such previously collected taxes would adversely affect its ability to pay the principal of, and interest on, its debt obligations as and when they become due.

Proposition 218

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

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

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

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

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

Proposition 1A

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

Future Initiatives

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

PROGRAM FUNDING BY FEDERAL/STATE GOVERNMENTS

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page A-12 of this Appendix, $4.1 billion of the $16.6 billion 2006-07 Final Adopted General County Budget is received from the federal government and $4.7 billion is funded by the State. The balance of $7.8 billion in County financing is generated from property taxes and a variety of other sources. The fact that 53% of General County financing is provided by the federal and State governments underscores the County's high reliance on those outside funding sources.

On February 6, 2006, the President released his proposed budget for Federal Fiscal Year 2007, which begins on October 1, 2006. While it includes proposals to reduce Federal aid to state and local governments, the proposed reductions would not be as severe as those proposed by the President last year. Also, many of his proposed budget cuts are identical to those which were proposed, but rejected by Congress last year. For example, similar to last year, the President once again is proposing to cap Medicaid payments to government providers, such as the County, to no more than the cost of providing services to Medicaid recipients, which could potentially cost the County's public hospitals $200 million a year. As in prior years, he also is proposing to eliminate the State Criminal Alien Assistance Program (SCAAP), which partially reimburses the County's costs of incarcerating undocumented criminal aliens. Last year, Congress increased SCAAP funding by 25 percent rather than adopting the President's budget proposal to eliminate SCAAP.

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

The Master Settlement Agreement (MSA) requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206.0 billion through the year 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement is expected to average an estimated $105.0 million each year, the amount of funding may fluctuate significantly from year to year.

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. To date there have been multiple legal challenges to the MSA under a variety of claims, including a claim on anti-trust grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement.

The payments required under the settlement are also subject to numerous adjustments under the terms of the settlement including, without limitation, a volume adjustment, an inflation adjustment and an adjustment for market share lost to non-participating manufacturers that did not sign the agreement. Recent actions by certain participating manufactures that are required to make settlement payments may adversely impact projected payments. Specifically, a portion of settlement payments have been withheld until the courts decide whether California has adequately enforced the provisions of State law relative to the financial obligations of non-participating manufacturers. Payments received by the states were reduced in April 2006 and the County received 9.2% less than expected, or $94.4 million rather than $104.0 million. While this decrease resulted in less revenue to the County, there will be no material impact to the budget since only $78.5 million in Tobacco Settlement Revenues (TSRs) allocated for use in Fiscal Year 2006-07 is earmarked for ongoing uses. The remaining amount of approximately $42 million is for one-time uses covered by one-time reserve funds, as discussed below.

It has been reported in the press that a majority of the settling states intend to commence enforcement proceedings under the MSA to compel the participating manufactures to make the 2006 annual payment, without reduction for any non-participating manufacturers adjustment, until the courts have reached a final non-appealable resolution to the issue. The California Attorney General initiated such proceedings on April 18, 2006 claiming that the State had diligently enforced its MSA responsibilities.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement monies for any specific purpose. 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. Through June 30, 2006, the County has received $808.2 million in tobacco settlement proceeds and accrued interest. It is estimated that approximately $634.7 million of the collected proceeds will be expended by June 30, 2007.

The resulting difference between proceeds and expenditures of approximately $173.5 million has come about primarily because of initial delays in developing a spending plan for the funds. DHS has also expended less than the appropriation from this source each year, which increased the amount maintained in reserve. Furthermore, the County does not budget tobacco settlement funds received in one fiscal year until the following fiscal year, which adds to the amount appearing in this reserve. While DHS has identified programmatic uses for projected ongoing tobacco settlement payments, it is currently developing a plan to use reserve funds primarily for one-time uses that help decrease its projected deficit.

On February 8, 2006, the County completed the sale of $319,827,107 in tax-exempt Tobacco Settlement Asset-Backed Bonds (Tobacco Bonds). The Tobacco Bonds were structured as a sale of the County's right, title and interest to 25.9% of its TSRs beginning in 2011. The sale of the Tobacco Bonds was undertaken to finance and refinance construction costs related to the LAC+USC Medical Center Replacement Facility, as well as insure against the risk of a substantial loss of a portion of the County's allocated tobacco revenues. The payment of debt service on the Tobacco Bonds will not commence until June 2011 and will be paid from 25.9% of the County's future TSRs to be received from the State. It has been determined that allocating this fixed percentage of TSRs to the financing will neither impede nor disrupt those DHS programs that rely on such revenues for funding.

STATE BUDGET

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

Property Tax Shift

In response to the State's 1993-94 budgetary recession, the State shifted $2.1 billion in property taxes from counties and $500 million from cities, special districts and redevelopment agencies to school and community college districts. This action 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 February 2007.

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 October 2006, no County of Los Angeles facility transfers have occurred.

Disproportionate Share Hospitals and Medi-Cal Redesign

Recent legislation (SB 1100) will dramatically restructure Medi-Cal payments to California's safety net Disproportionate Share Hospitals (DSH) under a new federal Medicaid 1115 Waiver. While subject to revisions based on the State's analysis, the Department of Health Services (DHS) estimates that it will receive additional Medi-Cal Redesign funding of approximately $104.9 million for Fiscal Year 2005-06 and $132.6 million for Fiscal Year 2006-07.

It should be noted that the Centers for Medicare and Medicaid Services has approved Inpatient and DSH State Plan Amendments. Approval of a Physician State Plan Amendment is pending approval by the State

STATE-LOCAL GOVERNMENT FINANCES

Local Government Agreement

The 2004-05 Final State Budget included an agreement with local governments to limit the proposed shift in property tax revenues to $1.3 billion for the two years ending with Fiscal Year 2005-06. After this period, local governments would relinquish $4.1 billion of 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 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. As discussed earlier, this proposition provided for an amendment to the State Constitution that limits the State's authority to reduce local sales tax rates or alter their method of allocation, shift property taxes from local governments to schools or community colleges, or decrease Vehicle License Fee revenues without providing replacement funding.

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

2006-07 STATE BUDGET

The State Budget, which was adopted in July 2006, has substantially less of an impact to the County than in prior years due in part to the passage of Proposition 1A. The estimated net impact of the State Budget is expected to increase State funding by $162.6 million in Fiscal Year 2006-07.

The State Budget, among other things, continues the suspension of the Property Tax Administration Grant Program (PTAP) ($13.5 million) and increases funding for the CalWORKs Programs ($48.6 million), restores $41.0 million in Proposition 42 transportation funding, $24.3 million in repayment of deferred State mandates and $30.0 million in Proposition 36 Substance Abuse Crime Prevention Act funding.

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 (that 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 2006-07 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 10.1% of the 2006-07 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 7.8% of the 2006-07 Final Adopted County Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. They are governed by the Board of Supervisors and include, among others, the Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts.

Other Enterprises reflect only 0.8% of the 2006-07 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 2.3% of the 2006-07 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 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Final 2006-07
General Fund	$ 12,129,125	$ 12,104,810	$ 12,616,794	$ 13,723,601	$ 14,837,253
Hospital Enterprise Fund	1,746,353	1,640,514	1,745,137	1,963,466	1,773,047
Debt Service Fund	44,489	43,521	44,362	10,290	9,554
Total General County Budget	$ 13,919,967	$ 13,788,845	$ 14,406,293	$ 15,697,357	$ 16,619,854

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

	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Final 2006-07
Requirements					
Social Services	$ 4,647,236	$ 4,696,224	$ 4,711,572	$ 4,651,813	$ 4,749,055
Health	4,253,006	4,216,053	4,318,251	4,638,706	4,930,299
Justice	3,361,320	3,401,501	3,550,049	3,826,565	4,177,707
Other	1,658,405	1,475,067	1,826,421	2,580,273	2,762,793
Total	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**
Revenue Sources					
Property Taxes	$ 1,637,300	$ 1,756,796	$ 2,532,415	$ 2,744,055	$ 3,246,500
State Assistance	4,684,729	4,260,158	4,252,927	4,417,274	4,716,625
Federal Assistance	4,284,553	4,510,919	4,070,743	3,986,571	4,091,431
Other	3,313,385	3,260,972	3,550,208	4,549,457	4,565,298
Total	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**

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

	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Final 2006-07
Financing Requirements					
Salaries & Employee Benefits	$ 6,091,773	$ 6,245,540	$ 6,607,111	$ 7,101,154	$ 7,701,124
Services & Supplies	4,532,836	4,539,358	4,619,687	4,993,336	5,480,217
Other Charges	3,772,010	3,779,382	3,782,145	3,607,279	3,031,605
Fixed Assets	444,208	372,395	490,517	812,222	1,269,445
Other Financing Uses	1,258,244	1,005,172	1,129,523	1,406,675	1,130,994
Residual Equity Transfers Out	377	370	299	291	379
Appropriation for Contingencies	100,322	22,526	16,221	-	-
Interfund Transfer	(1,715,532)	(1,584,315)	(1,728,744)	(2,099,672)	(1,547,962)
Gross Appropriation	$ 14,484,238	$ 14,380,428	$ 14,916,759	$ 15,821,285	$ 17,065,802
Less: Intrafund Transfers	738,466	697,293	708,686	769,845	791,309
Net Appropriation	$ 13,745,772	$ 13,683,135	$ 14,208,073	$ 15,051,440	$ 16,274,493
Reserves					
General Reserve	$ 4,581	$ 4,367	$ 4,007	$ 3,747	$ 3,439
Designations/Other Reserves	169,385	100,987	194,034	641,722	341,871
Estimated Delinquencies	229	356	179	448	51
Total Financing Requirements	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**
Available Financing					
Fund Balance	$ 605,949	$ 681,196	$ 874,846	$ 911,894	$ 1,073,017
Cancellation of Reserve/Designation	447,023	264,763	222,101	944,318	823,328
Property Taxes: Regular Roll	1,601,800	1,706,011	2,452,682	2,638,633	3,132,117
Supplemental Roll	35,500	50,785	79,733	105,422	114,383
Revenue	11,229,695	11,086,090	10,776,931	11,097,090	11,477,009
Total Available Financing	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 16,619,854**

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 nine (9) fiscal years ($50 million in Fiscal Year 2006-07 and $335 million since Fiscal Year 1998-99), the County has significantly reduced its use of the surplus investment credit;

- the allocation of $556.0 million in local one-time discretionary funding on deferred maintenance and capital improvement needs;

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

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

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

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

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

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

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

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 was required to contribute $103.2 million to the State in both 2004-05 and 2005-06 as part of the Local Government Agreement. This agreement also provides for the substitution of vehicle license fee funds with property tax revenues, which gives the County increased reliability as property taxes have historically been one of the least volatile forms of revenue.

Health Services

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

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

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

DHS presented its most recent fiscal outlook to the Board of Supervisors on September 26, 2006. While the DHS Fiscal Year 2006-07 Final Adopted Budget is balanced, additional costs and potential sources of revenue identified in the fiscal outlook report are currently being reviewed as part of the County's budget process. Included with the fiscal outlook was a deficit management plan requested by the Board, which anticipates a surplus of $107.6 million in Fiscal Year 2006-07, and an operating deficit of approximately $269.9 million in Fiscal Year 2007-08 upon implementation. In addition to this deficit management plan, which also includes strategies to facilitate potential new sources of revenue as well as to enhance existing revenue sources for maximum benefit, DHS continues to evaluate the configuration of health services within Los Angeles County and will present recommendations for further savings to the Board of Supervisors in December 2006.

On September 22, 2006 Centers for Medicare and Medicaid Services (CMS) notified the County that Martin Luther King/Drew Medical Center (MLK) would lose its certification effective November 30, 2006. This would have made MLK ineligible to receive Medicaid and Medicare funding, jeopardizing approximately $200 million in federal assistance to the hospital. To remedy this situation, the County developed a new model of care that would reduce services at MLK and transfer control of the facility to the County's Harbor-UCLA Medical Center. The County presented this new service model as an option to CMS in order to allow MLK to continue to be certified. As a result, CMS agreed to extend the effective termination date to March 31, 2007 to allow the County to transition to this new care model. This extension allows DHS to continue to provide patient care to South Los Angeles residents and maintain eligibility for Medicare and Medicaid funding, while the County continues to work with CMS on a long-term solution for the hospital.

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. The 2006-07 Final Adopted County Budget includes $203.9 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.

2006-07 FINAL ADOPTED BUDGET

The 2006-07 Final Adopted Budget, which was approved by Board of Supervisors on September 26, 2006, appropriates $21.0 billion, a 5.9% increase from the prior year. For General County purposes (General Fund, Hospital Enterprise Fund and Debt Service Fund), the Final Adopted Budget appropriates $16.6 billion, which represents a 5.9% increase from the 2005-06 Final Adopted Budget. The County Budget added 4,958.1 budgeted positions for Fiscal Year 2006-07.

The 2006-07 Final Adopted General County Budget is supported by $3.2 billion in property taxes, $4.1 billion in federal contributions, $4.7 billion in State contributions, $0.8 billion in reserves and cancelled designations and approximately $3.8 billion in other funding. Overall, the 2006-07 Final Adopted General County Budget results in a $922.5 million increase. The increase is the result of new ongoing program requirements of $639.1 million and $283.4 million for one-time projects or programs. The new program requirements are focused in five critical areas: public protection, health services, children services, homeless and housing programs and capital projects and improvements.

The tables on the following pages summarize and compare the Final Adopted 2005-06 General County Budget with the Final Adopted 2006-07 General County Budget.

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2005-06 BUDGET TO FINAL ADOPTED 2006-07 BUDGET
Net Appropriation: By Function
(In thousands)

Function	2005-06 Final Budget [(1)]	2006-07 Final Budget [(2)]	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 853,908.0	$ 933,933.0	$ 80,025.0	9.37%
General Services	227,932.0	223,410.0	(4,522.0)	-1.98%
Public Buildings	662,803.0	1,090,052.0	427,249.0	64.46%
Total General	$ 1,744,643.0	$ 2,247,395.0	$ 502,752.0	28.82%
Public Protection				
Justice	$ 3,585,055.0	$ 3,880,726.0	$ 295,671.0	8.25%
Other Public Protection	128,752.0	144,253.0	15,501.0	12.04%
Total Public Protection	$ 3,713,807.0	$ 4,024,979.0	$ 311,172.0	8.38%
Health and Sanitation	$ 4,638,706.0	$ 4,930,299.0	$ 291,593.0	6.29%
Public Assistance	4,651,813.0	4,749,055.0	97,242.0	2.09%
Recreation and Cultural Services	219,479.0	239,804.0	20,325.0	9.26%
Insurance and Loss Reserve	73,897.0	73,897.0	-	0.00%
Reserves/Designations	645,917.0	345,361.0	(300,556.0)	-46.53%
Debt Services	9,095.0	9,064.0	(31.0)	-0.34%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	$ 15,697,357.0	$ 16,619,854.0	$ 922,497.0	5.88%
AVAILABLE FUNDS				
Property Taxes	$ 2,744,055.0	$ 3,246,500.0	$ 502,445.0	18.31%
Fund Balance	911,894.0	1,073,017.0	161,123.0	17.67%
Cancelled Prior-Year Reserves	944,318.0	823,328.0	(120,990.0)	-12.81%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 482,104.0	$ 509,881.0	$ 27,777.0	5.76%
Homeowners' Exemption	20,562.0	20,500.0	(62.0)	-0.30%
Public Assistance Subventions	1,423,413.0	1,477,021.0	53,608.0	3.77%
Other Public Assistance	463,775.0	545,937.0	82,162.0	17.72%
Public Protection	737,376.0	869,706.0	132,330.0	17.95%
Health and Mental Health	898,781.0	873,752.0	(25,029.0)	-2.78%
Capital Projects	100,854.0	94,879.0	(5,975.0)	-5.92%
Other State Revenues	65,449.0	37,881.0	(27,568.0)	-42.12%
Total State Revenues	$ 4,192,314.0	$ 4,429,557.0	$ 237,243.0	5.66%
Federal Revenues				
Public Assistance Subventions	$ 2,145,989.0	$ 2,078,749.0	$ (67,240.0)	-3.13%
Other Public Assistance	209,614.0	201,209.0	(8,405.0)	-4.01%
Public Protection	207,408.0	139,274.0	(68,134.0)	-32.85%
Health and Mental Health	554,071.0	604,163.0	50,092.0	9.04%
Capital Projects	5,318.0	3,581.0	(1,737.0)	-32.66%
Other Federal Revenues	3,810.0	2,396.0	(1,414.0)	-37.11%
Total Federal Revenues	$ 3,126,210.0	$ 3,029,372.0	$ (96,838.0)	-3.10%
Other Governmental Agencies	$ 101,945.0	$ 99,937.0	$ (2,008.0)	-1.97%
Total Intergovenmental Revenues	$ 7,420,469.0	$ 7,558,866.0	$ 138,397.0	
Fines, Forfeitures and Penalties	$ 192,355.0	$ 200,190.0	$ 7,835.0	4.07%
Licenses, Permits and Franchises	55,694.0	54,364.0	(1,330.0)	-2.39%
Charges for Services	1,917,266.0	2,031,307.0	114,041.0	5.95%
Other Taxes	187,657.0	192,960.0	5,303.0	2.83%
Use of Money and Property	124,735.0	130,166.0	5,431.0	4.35%
Miscellaneous Revenues	667,401.0	405,129.0	(262,272.0)	-39.30%
Operating Contribution from General Fund	531,513.0	904,027.0	372,514.0	70.09%
Total Available Funds	$ 15,697,357.0	$ 16,619,854.0	$ 922,497.0	5.88%

(1) Reflects the Final Adopted 2005-06 Budget approved by the Board of Supervisors on September 20, 2005.
(2) Reflects the 2006-07 Final Adopt General County Budget approved by the Board of Supervisors on September 26, 2006.

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	1,423,413.0	-	-	1,423,413.0
Other Public Assistance	463,775.0	-	-	463,775.0
Public Protection	737,376.0	-	-	737,376.0
Health and Mental Health	840,379.0	-	58,402.0	898,781.0
Capital Projects	100,854.0	-	-	100,854.0
Other State Revenues	65,449.0	-	-	65,449.0
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	209,614.0	-	-	209,614.0
Public Protection	207,408.0	-	-	207,408.0
Health and Mental Health	551,348.0	-	2,723.0	554,071.0
Capital Projects	5,318.0	-	-	5,318.0
Other Federal Revenues	3,810.0	-	-	3,810.0
Total Federal Revenues	$ 3,123,487.0	$ -	$ 2,723.0	$ 3,126,210.0
Other Governmental Agencies	$ 101,945.0	$ -	$ -	$ 101,945.0
Total Intergovenmental Revenues	$ 7,359,282.0	$ 62.0	$ 61,125.0	$ 7,420,469.0
Fines, Forfeitures and Penalties	$ 192,355.0	$ -	$ -	$ 192,355.0
Licenses, Permits and Franchises	55,694.0	-	-	55,694.0
Charges for Services	1,458,205.0	-	459,061.0	1,917,266.0
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	139,971.0	-	527,430.0	667,401.0
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.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2006-07 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	$ 933,933.0	$ -	$ -	$ 933,933.0
General Services	223,410.0	-	-	223,410.0
Public Buildings	1,090,052.0	-	-	1,090,052.0
Total General	$ 2,247,395.0	$ -	$ -	$ 2,247,395.0
Public Protection				
Justice	$ 3,880,726.0	$ -	$ -	$ 3,880,726.0
Other Public Protection	144,253.0	-	-	144,253.0
Total Public Protection	$ 4,024,979.0	$ -	$ -	$ 4,024,979.0
Health and Sanitation	$ 3,157,252.0	$ -	$ 1,773,047.0	$ 4,930,299.0
Public Assistance	4,749,055.0	-	-	4,749,055.0
Recreation and Cultural Services	239,804.0	-	-	239,804.0
Insurance and Loss Reserve	73,897.0	-	-	73,897.0
Reserves/Designations	344,871.0	490.0	-	345,361.0
Debt Services	-	9,064.0	-	9,064.0
Appropriation for Contingency	-	-	-	-
Total Requirements	$ 14,837,253.0	$ 9,554.0	$ 1,773,047.0	$ 16,619,854.0
AVAILABLE FUNDS				
Property Taxes	$ 3,241,133.0	$ 5,367.0	$ -	$ 3,246,500.0
Fund Balance	1,069,828.0	3,189.0	-	1,073,017.0
Cancelled Prior-Year Reserves	681,264.0	747.0	141,317.0	823,328.0
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 509,881.0	$ -	$ -	$ 509,881.0
Homeowners' Exemption	20,500.0		-	20,500.0
Public Assistance Subventions	1,477,021.0	-	-	1,477,021.0
Other Public Assistance	545,937.0	-	-	545,937.0
Public Protection	869,706.0	-	-	869,706.0
Health and Mental Health	821,328.0	-	52,424.0	873,752.0
Capital Projects	94,879.0	-	-	94,879.0
Other State Revenues	37,881.0	-	-	37,881.0
Total State Revenues	$ 4,377,133.0	$ -	$ 52,424.0	$ 4,429,557.0
Federal Revenues				
Public Assistance Subventions	$ 2,078,749.0	$ -	$ -	$ 2,078,749.0
Other Public Assistance	201,209.0	-	-	201,209.0
Public Protection	139,274.0	-	-	139,274.0
Health and Mental Health	601,440.0	-	2,723.0	604,163.0
Capital Projects	3,581.0	-	-	3,581.0
Other Federal Revenues	2,396.0	-	-	2,396.0
Total Federal Revenues	$ 3,026,649.0	$ -	$ 2,723.0	$ 3,029,372.0
Other Governmental Agencies	$ 99,937.0	$ -	$ -	$ 99,937.0
Total Intergovenmental Revenues	$ 7,503,719.0	$ -	$ 55,147.0	$ 7,558,866.0
Fines, Forfeitures and Penalties	$ 200,190.0	$ -	$ -	$ 200,190.0
Licenses, Permits and Franchises	54,364.0	-	-	54,364.0
Charges for Services	1,644,669.0	-	386,638.0	2,031,307.0
Other Taxes	192,960.0	-	-	192,960.0
Use of Money and Property	129,803.0	251.0	112.0	130,166.0
Miscellaneous Revenues	119,323.0	-	285,806.0	405,129.0
Operating Contribution from General Fund	-	-	904,027.0	904,027.0
Total Available Funds	$ 14,837,253.0	$ 9,554.0	$ 1,773,047.0	$ 16,619,854.0

(1) Reflects the 2006-07 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2006

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 2006-07 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 $28,517,781,564.

Taxpayer	Total Tax Levy 2006-07
Southern California Edison Co.	$42,399,564
Douglas Emmett Realty Fund	28,004,261
Maguire Thomas Partners	25,477,899
Chevron USA Inc.	23,241,649
BP West Coast Products	22,794,113
Exxon Mobil Corporation	17,927,265
AT&T California	17,907,692
Verizon California Inc.	17,187,394
Trizec LLC	16,945,131
Southern California Gas Company	16,030,268
Universal Studios Inc.	15,317,477
Arden Realty LTD Partnership	14,383,654
Conocophillips Company	14,361,322
Equilon Enterprises LLC	10,510,471
Anheuser Busch Inc.	10,005,290
Macerich LLC	9,725,974
Archstone Smith Operating Trust	9,683,256
Participants in Long Beach Unit	9,634,681
Valero Energy Corporation	9,522,645
Plains Exploration	7,100,118

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 2002-03. For the Fiscal Year 2006-07, collections as a percentage of property tax levies are estimated at 97.42%, which is consistent with data from prior years.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2002-03 THROUGH 2006-07

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 %
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	1,901,915,833	1,852,878,570	97.42%
2006-07	872,103,795,877	2,117,424,120 [3]	2,062,830,388 [3]	97.42%

(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 increase the availability of housing for families with low and moderate income.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2002-03 through 2006-07.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
FISCAL YEARS 2002-03 THROUGH 2006-07

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
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	909,975,540
2006-07	111,226,063,567	0 [3]

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by community redevelopment agencies.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.
(3) First Tax allocation for Fiscal Year 2006-07 was not yet distributed as of November 1, 2006.

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 2006-07 Tax and Revenue Anticipation Notes (2006-07 Notes) which were issued on July 3, 2006 and are due June 29, 2007, have been repaid on their respective maturity dates.

2006-07 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 16, 2006, the $500.0 million in 2006-07 Notes are general obligations of the County attributable to the 2006-07 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 2006-07 fiscal year into a Repayment Fund to repay the 2006-07 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
2006-07 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND

Deposit Date	**Deposit Amount**
December, 2006	$174,000,000
January, 2007	90,000,000
February, 2007	57,000,000
March, 2007	61,000,000
April, 2007	140,250,000
Total	$522,250,000

The County has always fully satisfied its deposit obligations with respect to tax and revenue anticipation notes. The following table illustrates the Unrestricted General Fund Receipts collected since Fiscal Year 2000-01.

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

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Property Taxes	$1,458,136.0	$1,552,293.0	$1,652,678.0	1,797,267.0	$2,599,369.0	$2,933,232.0
Other Taxes	133,614.0	140,125.0	158,010.0	178,277.0	181,614.0	204,889.0
Licenses, Permits and Franchises	44,623.0	47,521.0	57,727.0	56,164.0	56,801.0	56,194.0
Fines, Forfeitures and Penalties	170,147.0	190,916.0	193,734.0	200,901.0	214,316.0	227,104.0
Use of Money and Property	151,977.0	133,336.0	80,675.0	66,362.0	81,391.0	180,521.0
State In-Lieu Taxes	991,739.0	1,091,762.0	1,111,455.0	997,003.0	507,114.0	465,913.0
State Homeowner Exemptions	20,748.0	20,726.0	20,726.0	20,514.0	21,558.0	21,528.0
Charges for Current Services	983,160.0	1,009,844.0	1,192,279.0	1,245,540.0	1,243,492.0	1,314,525.0
Miscellaneous Revenues	189,806.0	213,105.0	227,380.0	190,564.0	245,851.0	251,722.0
TOTAL UNRESTRICTED RECEIPTS	$4,143,950.0	$4,399,628.0	$4,694,664.0	4,752,592.0	$5,151,506.0	$5,655,628.0

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

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.

General Fund Cash Flow Statements

The final 2005-06 General Fund cash flow statement has been included as well as the General Fund Cash Flow for 2006-07 with actuals through October 2006. Please note that the County is forecasting an ending balance of [$524,722] million for the Fiscal Year 2006-07. These statements are shown on the pages immediately following the average daily balance tables.

COUNTY OF LOS ANGELES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2005-06: 12 MONTHS ACTUALS
2006-07: 04 MONTHS ACTUALS

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	$ 1,284,577.0	$ 1,998,559.0
Auditor Unapportioned Money	128,769.0	203,040.0	143,140.0	258,544.0	188,546.0	359,030.0
Unsecured Property Tax Fund	133,332.0	11,382.0	155,784.0	127,718.0	84,958.0	92,034.0
Miscellaneous Fees & Taxes	5,932.0	13,423.0	33,844.0	37,796.0	37,817.0	40,155.0
State Redemption Fund - TTC	47,858.0	72,021.0	72,442.0	53,189.0	58,985.0	61,842.0
Educ Rev Augmentation Fund	1,225.0	31,458.0	(32.0)	1,787.0	8,170.0	233,069.0
State Reimbursement Fund	0.0	0.0	0.0	0.0	467.0	10,867.0
Sales Tax Replacement Fund	0.0	0.0	0.0	0.0	0.0	14,202.0
VLF Replacement Fund	0.0	0.0	0.0	0.0	0.0	61,746.0
Rebate Fund	(9,867.0)	(13,503.0)	(27,902.0)	(41,847.0)	(46,784.0)	(41,723.0)
Subtotal	$ 516,618.0	$ 399,728.0	$ 453,867.0	$ 697,721.0	$ 1,616,736.0	$ 2,829,781.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 431,266.0	$ 472,507.0	$ 478,015.0	$ 512,617.0	$ 544,043.0	$ 547,069.0
Payroll Revolving Fund	96,747.0	98,107.0	99,830.0	60,223.0	99,666.0	97,975.0
Productivity Investment Fund	6,917.0	7,937.0	7,856.0	8,381.0	10,804.0	10,755.0
ACO Fund-Motor Vehicle/ISD	2,910.0	2,914.0	2,878.0	2,876.0	2,957.0	2,957.0
Civic Center Parking	(36.0)	(89.0)	90.0	221.0	107.0	50.0
Reporters Salary Fund	677.0	606.0	527.0	239.0	908.0	995.0
Cable TV Franchise Fund	4,304.0	4,386.0	4,380.0	4,464.0	4,629.0	4,649.0
Megaflex-Various	20,729.0	20,897.0	20,993.0	21,172.0	21,279.0	21,487.0
Subtotal	$ 563,514.0	$ 607,265.0	$ 614,569.0	$ 610,193.0	$ 684,393.0	$ 685,937.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	$ 2,143.0	$ 13,856.0	$ 1,677.0	$ 1,095.0	$ 3,310.0	$ 3,249.0
Olive View Medical Center	1,780.0	13,651.0	4,747.0	1,167.0	5,419.0	1,514.0
LAC+USC Medical Center	(3,258.0)	10,936.0	(3,757.0)	(2,117.0)	3,520.0	(497.0)
Martin Luther King Jr., Hospital	478.0	5,086.0	518.0	(216.0)	64.0	5,302.0
High Desert Hospital	(1,888.0)	(5,420.0)	(7,449.0)	(7,449.0)	(3,725.0)	0.0
South/West Network Hospital	964.0	3,267.0	1,370.0	240.0	1,736.0	1,178.0
ACO-LAC+USC Med Equip Fund	108,325.0	108,550.0	108,781.0	109,069.0	109,382.0	109,727.0
Subtotal	$ 108,544.0	$ 149,926.0	$ 105,887.0	$ 101,789.0	$ 119,706.0	$ 120,473.0
GRAND TOTAL	**$ 1,188,676.0**	**$ 1,156,919.0**	**$ 1,174,323.0**	**$ 1,409,703.0**	**$ 2,420,835.0**	**$ 3,636,191.0**

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
$ 1,137,711.0	$ 612,806.0	$ 533,173.0	$ 1,451,715.0	$ 669,386.0	$ 194,880.0	**Tax Collector's Trust Fund**
365,943.0	359,992.0	389,101.0	644,461.0	650,782.0	770,600.0	**Auditor Unapportioned Money**
97,815.0	76,754.0	53,910.0	49,749.0	63,799.0	87,209.0	**Unsecured Property Tax Fund**
41,444.0	26,660.0	6,483.0	5,868.0	6,059.0	6,795.0	**Miscellaneous Fees & Taxes**
39,543.0	43,719.0	34,752.0	31,619.0	30,548.0	26,779.0	**State Redemption Fund - TTC**
18,837.0	64,914.0	547.0	230,566.0	16,744.0	725.0	**Educ Rev Augmentation Fund**
20,879.0	1,478.0	1,478.0	4,747.0	21,344.0	10,070.0	**State Reimbursement Fund**
92,415.0	10,610.0	25,084.0	24,782.0	66,830.0	0.0	**Sales Tax Replacement Fund**
391,055.0	24,222.0	136,397.0	141,476.0	369,216.0	0.0	**VLF Replacement Fund**
(37,139.0)	(9,796.0)	(10,296.0)	(16,363.0)	(9,171.0)	1,380.0	**Rebate Fund**
$ 2,168,503.0	$ 1,211,359.0	$ 1,170,629.0	$ 2,568,620.0	$ 1,885,536.0	$ 1,098,438.0	**Subtotal**
						VARIOUS TRUST GROUP
$ 544,545.0	$ 533,125.0	$ 531,456.0	$ 499,131.0	$ 481,930.0	$ 458,191.0	**Departmental Trust Fund**
115,969.0	97,607.0	99,134.0	102,497.0	112,395.0	110,220.0	**Payroll Revolving Fund**
10,427.0	10,247.0	10,204.0	10,019.0	9,529.0	9,213.0	**Productivity Investment Fund**
2,999.0	3,057.0	3,057.0	2,415.0	2,194.0	2,053.0	**ACO Fund-Motor Vehicle/ISD**
184.0	220.0	182.0	543.0	355.0	145.0	**Civic Center Parking**
628.0	766.0	861.0	698.0	710.0	835.0	**Reporters Salary Fund**
4,645.0	4,596.0	4,787.0	5,013.0	5,205.0	5,385.0	**Cable TV Franchise Fund**
21,877.0	22,246.0	22,622.0	22,932.0	23,200.0	23,524.0	**Megaflex-Various**
$ 701,274.0	$ 671,864.0	$ 672,303.0	$ 643,248.0	$ 635,517.0	$ 609,567.0	**Subtotal**
						HOSPITAL GROUP
$ 487.0	$ (660.0)	$ (781.0)	$ 1,079.0	$ 1,367.0	$ 413.0	**Harbor/UCLA Medical Center**
953.0	2,182.0	(4,530.0)	(107.0)	1,077.0	(4,853.0)	**Olive View Medical Center**
(3,634.0)	5,488.0	2,737.0	(470.0)	2,104.0	5,741.0	**LAC + USC Medical Center**
(88.0)	(680.0)	(920.0)	1,081.0	1,863.0	(676.0)	**Martin Luther King Jr., Hospital**
0.0	0.0	0.0	0.0	0.0	0.0	**High Desert Hospital**
380.0	(3,655.0)	383.0	1,367.0	787.0	442.0	**South/West Network Hospital**
110,077.0	110,352.0	110,701.0	111,091.0	111,467.0	111,792.0	**ACO-LAC+USC Med Equip Fund**
$ 108,175.0	$ 113,027.0	$ 107,590.0	$ 114,041.0	$ 118,665.0	$ 112,859.0	**Subtotal**
$ 2,977,952.0	**$ 1,996,250.0**	**$ 1,950,522.0**	**$ 3,325,909.0**	**$ 2,639,718.0**	**$ 1,820,864.0**	**GRAND TOTAL**

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

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	$ 158,423.0	$ 111,254.0	$ 95,119.0	272,652.0		
Auditor Unapportioned Money	488,936.0	152,248.0	120,388.0	220,576.0		
Unsecured Property Tax Fund	130,303.0	(21,275.0)	57,540.0	99,552.0		
Miscellaneous Fees & Taxes	8,074.0	6,044.0	12,949.0	33,216.0		
State Redemption Fund - TTC	43,233.0	67,305.0	68,648.0	54,934.0		
Educ Rev Augmentation Fund	20,580.0	30,537.0	0.0	0.0		
State Reimbursement Fund	0.0	0.0	0.0	0.0		
Sales Tax Replacement Fund	0.0	1,009.0	10,428.0	10,428.0		
VLF Replacement Fund	0.0	5,502.0	56,851.0	56,851.0		
Rebate Fund	3,259.0	(21,360.0)	(50,772.0)	(68,564.0)		
Subtotal	$ 852,808.0	$ 331,264.0	$ 371,151.0	$ 679,645.0	0.0	0.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 452,300.0	$ 499,668.0	$ 494,419.0	503,325.0		
Payroll Revolving Fund	104,094.0	104,560.0	104,001.0	121,570.0		
Productivity Investment Fund	8,800.0	8,946.0	8,933.0	8,863.0		
ACO Fund-Motor Vehicle/ISD	1,906.0	1,909.0	1,775.0	1,720.0		
Civic Center Parking	(16.0)	47.0	120.0	158.0		
Reporters Salary Fund	935.0	373.0	141.0	530.0		
Cable TV Franchise Fund	5,435.0	4,998.0	4,993.0	5,244.0		
Megaflex-Various	23,860.0	24,060.0	24,307.0	24,678.0		
Subtotal	$ 597,314.0	$ 644,561.0	$ 638,689.0	$ 666,088.0	0.0	0.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	$ 297.0	$ 2,976.0	$ 2,677.0	(10.0)		
Olive View Medical Center	(2,832.0)	(2,582.0)	1,256.0	1,084.0		
LAC+USC Medical Center	(6,344.0)	(3,065.0)	869.0	(100.0)		
Martin Luther King Jr., Hospital	(3,968.0)	975.0	918.0	855.0		
High Desert Hospital	0.0	0.0	0.0	0.0		
South/West Network Hospital	554.0	(284.0)	958.0	893.0		
ACO-LAC+USC Med Equip Fund	112,234.0	112,593.0	113,148.0	114.0		
Subtotal	$ 99,941.0	$ 110,613.0	$ 119,826.0	$ 2,836.0	0.0	0.0
GRAND TOTAL	**$ 1,550,063.0**	**$ 1,086,438.0**	**$ 1,129,666.0**	**$ 1,348,569.0**	**0.0**	**0.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	
						PROPERTY TAX GROUP
						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
0.0	0.0	0.0	0.0	0.0	0.0	**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
0.0	0.0	0.0	0.0	0.0	0.0	**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
0.0	0.0	0.0	0.0	0.0	0.0	**Subtotal**
0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2005-06: 12 MONTHS ACTUALS
2006-07: 04 MONTHS ACTUALS

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	$ 340,692.0	$ (94,322.0)
RECEIPTS						
PROPERTY TAXES	$ 52,225.0	$ 79,621.0	$ (19.0)	$ 5,763.0	$ 40,201.0	$ 718,159.0
Sales and Other Taxes	13,068.0	23,525.0	16,732.0	19,960.0	16,103.0	13,573.0
Licenses, Permits & Franchises	2,862.0	11,348.0	615.0	2,403.0	1,510.0	2,719.0
Fines, Forfeitures & Penalties	27,414.0	21,724.0	15,135.0	13,221.0	19,338.0	12,586.0
Use of Money & Property	22,746.0	9,581.0	11,104.0	15,831.0	10,885.0	13,088.0
Intergovernmental Revenue	301,715.0	165,935.0	260,081.0	261,839.0	184,223.0	283,070.0
Charges for Current Services	107,406.0	99,224.0	63,743.0	49,284.0	41,810.0	119,916.0
Other Revenue	3,870.0	34,970.0	12,346.0	12,697.0	8,049.0	9,151.0
Expenditure Transfers and Reimbursements	30,889.0	207.0	61,951.0	0.0	38,466.0	19,797.0
Welfare Advances	392,874.0	217,790.0	321,969.0	338,682.0	237,563.0	247,934.0
Other Receipts	42,202.0	31,065.0	2,930.0	2,700.0	1,143.0	1,554.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	$ 1,497,271.0	$ 694,990.0	$ 766,587.0	$ 722,380.0	$ 599,291.0	$ 1,441,547.0
DISBURSEMENTS						
Welfare Warrants	$ 268,705.0	$ 181,077.0	$ 218,488.0	$ 230,363.0	$ 189,683.0	$ 209,461.0
Salaries & Employee Benefits	732,326.0	422,115.0	412,974.0	303,452.0	431,301.0	417,817.0
Services & Supplies and Fixed Assets	246,833.0	194,716.0	240,977.0	329,967.0	266,866.0	254,192.0
Interfund Billings	229,394.0	125,942.0	163,020.0	281,340.0	146,455.0	117,657.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	174,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	$ 1,477,258.0	$ 923,850.0	$ 1,035,459.0	$ 1,145,122.0	$ 1,034,305.0	$ 1,173,127.0
ENDING BALANCE	$ 1,261,166.0	$ 1,032,306.0	$ 763,434.0	$ 340,692.0	$ (94,322.0)	$ 174,098.0
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	174,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	$ -	$ -	$ -	$ -	$ -	$ 174,000.0

*Detail may not add due to rounding.

	January 2006		February 2006		March 2006		April 2006		May 2006		June 2006		Total 2005 -06
$	174,098.0	$	559,038.0	$	471,091.0	$	380,571.0	$	498,427.0	$	871,220.9		
$	685,338.0	$	183,576.0	$	18,383.0	$	521,643.0	$	593,293.0	$	35,049.0	$	2,933,232.0
	17,244.0		23,755.0		17,204.0		17,421.0		15,854.0		10,450.0		204,889.0
	3,419.0		12,029.0		2,999.0		9,154.0		3,640.0		3,496.0		56,194.0
	12,575.0		23,281.0		16,008.0		19,314.0		28,527.0		17,981.0		227,104.0
	14,661.0		14,537.0		17,980.0		14,922.0		14,519.0		20,657.0		180,511.0
	264,424.0		353,639.0		247,040.0		231,895.0		388,903.0		312,899.0		3,255,663.0
	139,889.0		72,756.0		177,675.0		86,120.0		159,457.0		197,245.0		1,314,525.0
	8,210.0		10,895.0		14,067.0		112,598.0		11,340.0		13,529.0		251,722.0
	15,561.0		84,505.0		219,749.0		6,894.0		186,418.0		781,862.0		1,446,299.0
	350,326.0		249,872.0		366,012.0		341,651.0		272,755.0		408,017.0		3,745,445.0
	11,254.0		18,919.0		6,237.0		4,738.0		35,271.0		59,502.0		217,515.0
	0.0		0.0		0.0		0.0		0.0		0.0		0.0
	0.0		0.0		0.0		0.0		0.0		519,944.0		1,019,944.0
	0.0		0.0		0.0		0.0		0.0		0.0		0.0
$	1,522,901.0	$	1,047,764.0	$	1,103,354.0	$	1,366,350.0	$	1,709,976.9	$	2,380,631.1	$	14,853,043.0
$	169,398.0	$	219,470.0	$	219,407.0	$	216,763.0	$	174,004.0	$	129,190.0	$	2,426,009.0
	446,709.0		466,691.0		423,698.0		465,380.0		447,515.0		379,653.0		5,349,631.0
	209,051.0		240,196.0		258,733.0		230,038.0		254,784.0		377,572.0		3,103,925.0
	222,803.0		152,354.0		231,036.0		198,369.0		460,880.0		227,737.0		2,556,987.0
	90,000.0		57,000.0		61,000.0		137,944.0		0.0		0.0		519,944.0
	0.0		0.0		0.0		0.0		0.0		519,944.0		519,944.0
	0.0		0.0		0.0		0.0		0.0		0.0		0.0
$	1,137,961.0	$	1,135,711.0	$	1,193,874.0	$	1,248,494.0	$	1,337,183.0	$	1,634,096.0	$	14,476,440.0
$	559,038.0	$	471,091.0	$	380,571.0	$	498,427.0	$	871,220.9	$	1,617,756.0		
	174,000.0		264,000.0		321,000.0		382,000.0		519,944.0		519,944.0		0.0
	90,000.0		57,000.0		61,000.0		137,944.0		0.0		0.0		519,944.0
	0.0		0.0		0.0		0.0		0.0		519,944.0		519,944.0
$	264,000.0	$	321,000.0	$	382,000.0	$	519,944.0	$	519,944.0	$	-	$	-

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

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006
BEGINNING BALANCE	$ 1,617,756.0	$ 1,494,833.0	$ 1,238,335.0	$ 885,254.0		
RECEIPTS						
PROPERTY TAXES	$ 168,832.0	$ 86,300.0	$ (21.0)	$ -		
Sales and Other Taxes	13,547.0	22,186.0	21,203.0	5,429.0		
Licenses, Permits & Franchises	1,855.0	6,952.0	3,124.0	3,487.0		
Fines, Forfeitures & Penalties	14,371.0	20,796.0	13,315.0	13,530.0		
Use of Money & Property	42,247.0	17,478.0	23,841.0	17,843.0		
Intergovernmental Revenue	255,158.0	179,501.0	207,505.0	293,019.0		
Charges for Current Services	109,678.0	122,896.0	65,233.0	96,431.0		
Other Revenue	14,312.0	11,316.0	6,289.0	11,671.0		
Expenditure Transfers and Reimbursements	5,236.0	26,903.0	65,914.0	7,915.0		
Welfare Advances	224,925.0	209,508.0	202,426.0	402,969.0		
Other Receipts	28,157.0	33,402.0	24,044.0	(19,109.0)		
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	$ 1,378,318.0	$ 737,238.0	$ 632,873.0	$ 833,185.0		
DISBURSEMENTS						
Welfare Warrants	$ 178,996.0	$ 173,823.0	$ 183,570.0	$ 277,564.0		
Salaries & Employee Benefits	784,859.0	322,574.0	466,436.0	437,786.0		
Services & Supplies and Fixed Assets	383,281.0	262,123.0	230,525.0	297,194.0		
Interfund Billings	154,105.0	235,216.0	105,423.0	229,044.0		
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		
Total Disbursements	$ 1,501,241.0	$ 993,736.0	$ 985,954.0	$ 1,241,588.0		
ENDING BALANCE	$ 1,494,833.0	$ 1,238,335.0	$ 885,254.0	$ 476,851.0		
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	$ -	$ -	$ -	$ -		

*Detail may not add due to rounding.

January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	Total 2006 -07

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, 2006, 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	$ 5.314
Schools and Community Colleges	9.499
Independent Public Agencies	1.382
Total	$16.195

Of these entities, the involuntary participants accounted for approximately 91.47%, and all discretionary participants accounted for 8.53% 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 April 4, 2006, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated November 28, 2006, the October 31, 2006 book value of the Treasury Pool was approximately $16.195 billion and the corresponding market value was approximately $16.190 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also 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, 2006, approximately 38.19% of the investments mature within 60 days, with an average of 383.44 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Treasury Pool as of October 31, 2006:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	54.40
Certificates of Deposit	16.26
Commercial Paper	24.50
Bankers Acceptances	0.00
Municipal Obligations	0.09
Corporate Notes & Deposit Notes	4.28
Asset Backed Instruments	0.00
Repurchase Agreements	0.40
Other	0.07

Pursuant to Section 27131 of the Government Code, all counties investing surplus funds are encouraged 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 meets quarterly to review and monitor for compliance the investment policies prepared by the Treasurer.

FINANCIAL STATEMENTS-GAAP BASIS

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

The basic financial statements for the fiscal year ended June 30, 2005, and the unqualified opinion of KPMG LLP are attached hereto as Appendix B. The County's Comprehensive Annual Financial Reports (CAFRs) since the fiscal year ended June 30, 1982 have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Fiscal Year 2004-05 is the fourth 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 2005-06 County Budget has been adopted and included an available (unreserved and undesignated) fund balance of $908,610,000 as of June 30, 2005 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, 2005 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, 2005 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	908,610
Adjustments:		
Reversal of budgetary liabilities for litigation and self-insurance claims which are not required by GAAP		103,286
Reversal of liabilities for accrued vacation and sick leave, which are not required by GAAP		38,270
Change in revenue accruals related to encumbrances		(40,977)
Deferral of property tax receivables		(77,023)
Deferral of unearned investment income		(20,056)
Change in fair value of Investments		(3,034)
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	909,076

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2001, 2002, 2003, 2004, and 2005.
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS	June 30, 2001	June 30, 2002		June 30, 2003	June 30, 2004	June 30, 2005
Pooled Cash and Investments	$ 769,856	$ 1,531,721		$ 1,566,544	$ 1,767,764	$ 2,134,177
Other Investments	8,330	7,954		7,490	7,116	6,594
Taxes Receivable	151,006	158,447		165,472	169,996	196,885
Other Receivables	951,663	944,358		922,382	979,784	1,093,268
Due from Other Funds	795,423	266,588		447,456	454,899	556,210
Advances to Other Funds	82,174	33,139		304,528	272,228	445,337
Inventories	33,606	36,740		33,230	29,843	39,713
Total Assets	$ 2,792,058	$ 2,978,947		$ 3,447,102	$ 3,681,630	$ 4,472,184
LIABILITIES						
Accounts Payable	$ 274,050	$ 304,943		$ 304,857	$ 238,415	$ 241,753
Accrued Payroll	283,457	300,728		310,698	314,676	328,578
Other Payables	56,343	194,405		188,952	218,132	62,092
Accrued Vacation and Sick Leave	33,193	0	(1)	0	0	0
Due to Other Funds	616,742	283,710		524,204	615,635	1,001,456
Deferred Revenue	121,077	251,541		231,357	216,796	259,897
Advances Payable	0	105,629		162,673	167,613	235,029
Workers' Compensation Liability	175,559	0	(1)	0	0	0
Estimated Liability for Litigation and Self-Insurance Claims	63,944	0	(1)	0	0	0
Estimated Liability to Third-Party Payors	41,609	25,637		26,631	22,636	16,650
Total Liabilities	$ 1,665,974	$ 1,466,593		$ 1,749,372	$ 1,793,903	$ 2,145,455
EQUITY						
Fund Balance (Deficit)						
Reserved	$ 329,926	$ 358,765		$ 382,758	$ 350,565	$ 400,627
Unreserved						
Designated	529,748	595,040		668,807	659,006	1,017,026
Undesignated	266,410	558,549		646,165	878,156	909,076
Total Unreserved	796,158	1,153,589		1,314,972	1,537,162	1,926,102
Total Equity	1,126,084	1,512,354		1,697,730	1,887,727	2,326,729
Total Liabilities and Equity	$ 2,792,058	$ 2,978,947		$ 3,447,102	$ 3,681,630	$ 4,472,184

(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 2000-01 THROUGH 2004-05 (in thousands of $)

	2000-01	2001-02		2002-03	2003-04	2004-05
REVENUES:						
Taxes	$ 1,597,329	$ 1,708,877		$ 1,813,882	$ 1,987,861	$ 2,816,095
Licenses, Permits & Franchises	44,901	45,876		53,915	57,236	58,422
Fines, Forfeitures and Penalties	179,879	192,427		189,982	202,648	220,622
Use of Money and Property	163,206	109,658		77,518	62,919	103,863
Aid from Other Government	6,676,074	7,149,587		7,268,697	7,218,003	6,818,550
Charges for Services	1,056,990	1,174,812		1,206,260	1,221,951	1,272,536
Miscellaneous Revenues	197,491	232,164		233,379	255,183	207,201
TOTAL	$ 9,915,870	$ 10,613,401		$ 10,843,633	$ 11,005,801	$ 11,497,289
EXPENDITURES						
General	$ 618,536	$ 565,562		$ 633,292	$ 657,184	$ 634,113
Public Protection	2,870,654	3,006,920		2,956,753	3,095,417	3,239,152
Health and Sanitation	2,408,584	1,682,256		1,743,716	1,813,290	1,844,546
Public Assistance	3,945,986	4,228,408		4,328,436	4,203,618	4,257,038
Recreation and Cultural Services	146,340	154,485		162,201	170,171	172,338
Debt Service	38,885	220,540		234,982	239,648	256,826
Capital Outlay	0	47,568		21,480	28,312	7,329
Total	$ 10,028,985	$ 9,905,739		$ 10,080,860	$ 10,207,640	$ 10,411,342
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (113,115)	$ 707,662		$ 762,773	$ 798,161	$ 1,085,947
OTHER FINANCING SOURCES (USES):						
Operating Transfers from (to) Other Funds-Net	$ 330,404	$ (586,682)		$ (600,548)	$ (639,110)	$ (657,058)
Sales of Capital Assets	2,206	1,347		1,671	2,634	2,784
Capital Leases	0	47,568		21,480	28,312	7,329
OTHER FINANCING SOURCES (USES)-Net	$ 332,610	$ (537,767)		$ (577,397)	$ (608,164)	$ (646,945)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 219,495	$ 169,895		$ 185,376	$ 189,997	$ 439,002
Beginning Fund Balance	906,821	1,342,459	(1)	1,512,354	1,697,730	1,887,727
Residual Equity Transfers from (to) Other Funds-Net	(232)	0		0	0	0
Ending Fund Balance	$ 1,126,084	$ 1,512,354		$ 1,697,730	$ 1,887,727	$ 2,326,729

(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, 2001, 2002, 2003, 2004 and 2005.

DEBT SUMMARY

INTRODUCTION

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

OUTSTANDING OBLIGATIONS

As of July 1, 2006, approximately $1.8 billion in intermediate and long-term obligations were outstanding. The General Fund is responsible for $0.7 billion of the outstanding debt. Voter approved ad valorem taxes secured $8.4 million in general obligation bonds. State and federal subventions secured $199.4 million in outstanding obligations. Revenues from special districts, special funds, enterprise funds, and trust funds secured the remaining $0.9 billion in outstanding obligations.

Of the $540.8 million in payments due in 2006-07 for obligations outstanding as of July 1, 2006, only $197.7 million are funded by the General Fund. The table below identifies the funding sources for the debt payments due in 2006-07.

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

2006-07 Payments (As of July 1, 2006)

Funding Source	2006-07 Payment
Total 2006-07 Payment Obligation	$540,814,748
Less: Sources of Non-General Fund Entities:	
General Obligation Bond Taxes:	9,056,106
Hospital Enterprise Fund	136,812,234
Courthouse Construction Funds	34,614,761
Special Districts/Special Funds	39,895,889
Trial Court Trust Fund	19,596,644
Private Entities/Endowments	0
State & Federal Subventions	103,132,946
Net 2006-07 General Fund Obligation	$197,706,168

Source: Los Angeles County Chief Administrative Office

The County's outstanding General County intermediate and long-term debt declined to approximately $1.6 billion in principal as of October 1, 2006 reflecting debt issuance and payment activity during the fiscal year. An additional $500.0 million in Tax and Revenue Anticipation Notes and $15.0 million in Bond Anticipation Notes were also outstanding as of October 1, 2006. The table below summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of October 1, 2006 (in thousands)

Type of Obligation		Outstanding Principal
Total County		
Short-Term Obligations:		
Tax and Revenue Anticipation Notes		$ 500,000.0
Bond Anticipation Notes		15,000.0
Tax Exempt Commercial Paper		2,500.0
Intermediate & Long-Term Obligations		
General Obligation Bonds		8,395.0
Special Fund Obligations		0.0
Pension Obligations	(1)	546,849.1
Lease Obligations		1,015,714.1
Total Outstanding Principal		$ 2,088,458.2

(1) Does not include $195.8 million in principal payments that were deposited with trustees in advance, but will not be disbursed to bondholders untill June 30, 2007.

Source: Los Angeles County Chief Administrative Office

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and 2006-07 payments.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.305% in 2005 to 0.180% in 2006. 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
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%
2006	1,570,958,212	872,103,795,877	0.180%

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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

Pursuant to a resolution adopted by the Board of Supervisors on May 16, 2006, the County, on July 3, 2006, issued its 2006-07 Tax and Revenue Anticipation Notes (the "2006-07 Notes") in the principal amount of $500.0 million, and with a maturity date of June 29, 2007. The 2006-07 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2006-07 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix. Under the authorization for the 2006-07 Notes, the County retains the ability to issue up to an additional $500.0 million in 2006-07 Notes. The County does not intend to issue any additional 2006-07 Tax and Revenue Anticipation 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 Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of October 1, 2006, $15.0 million in BANs remained outstanding. The County expects to pay in full these outstanding BANs with the proceeds of long-term bonds to be issued by LAC-CAL in June 2008.

Tax-Exempt Commercial Paper

The County has authorized a maximum of $335.0 million of tax-exempt commercial paper ("TECP") to finance and refinance construction costs on various capital projects. Repayment of the TECP is secured by an Irrevocable, Direct-Pay Letter of Credit issued by WestLB AG, Bayerische Landesbank, and JPMorgan Chase Bank and a sublease of nineteen County-owned properties. The subleased properties have useful lives ranging from ten to forty-seven years and have been appraised at an aggregate value in excess of the $335.0 million authorized by the Board of Supervisors. The Letter of Credit is scheduled to expire on December 15, 2015. As of October 1, 2006, $2.5 million in TECP Notes are outstanding. The County maintains its TECP capacity to provide both interim funding for capital projects pending construction and long-term financing.

LONG-TERM OBLIGATIONS

General Obligation Debt

On June 11, 1987, the County issued $96.0 million of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. As of October 1, 2006, $8.4.million in principal remained outstanding. The County does not presently have any additional general obligation authorization.

Pension Obligations

The County has periodically issued bonds or certificates to fund its unfunded actuarial accrued liability for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. As of October 1, 2006, the County had approximately $737.1 million in outstanding bonds and certificates that were issued to finance unfunded actuarial accrued liabilities to its retirement system. Payment for approximately $195.8 million of the $737.1 million in principal was previously delivered to the trustees in July 2006 by the County for those obligations maturing on June 30, 2007. The County's pension bonds and certificates mature no later than June 2011.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of October 1, 2006, approximately $1.0 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The County's 2006-07 Budget contains sufficient appropriations to fund its 2006-07 payment obligations. The County's Board of Supervisors has never failed to appropriate funds for such obligations, nor has the County abated payments on any lease-financed facility to date.

DEBT SUMMARY TABLES

The tables on the following pages provide:

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

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

3. A detail of the 2006-07 payments on General County obligations by funding source and debt issue;

4. A detail of the principal outstanding in 2006-07 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, 2006;

6. The County's overlapping debt statement as of October 1, 2006.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2006

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF OCTOBER 1, 2006

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, 2006

Fiscal Year	General Obligation Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Debt Service
2006-07	$9,056,106	-	$381,235,406	$150,523,236	$540,814,748
2007-08	-	-	381,602,899	147,400,264	529,003,163
2008-09	-	-	320,338,646	130,740,233	451,078,878
2009-10	-	-	358,165,000	122,013,605	480,178,605
2010-11	-	-	372,130,000	108,705,768	480,835,768
2011-12	-	-	-	108,468,139	108,468,139
2012-13	-	-	-	97,156,232	97,156,232
2013-14	-	-	-	98,018,528	98,018,528
2014-15	-	-	-	93,911,879	93,911,879
2015-16	-	-	-	73,311,163	73,311,163
2016-17	-	-	-	52,907,133	52,907,133
2017-18	-	-	-	41,182,553	41,182,553
2018-19	-	-	-	42,063,946	42,063,946
2019-20	-	-	-	42,964,281	42,964,281
2020-21	-	-	-	43,895,263	43,895,263
2021-22	-	-	-	44,872,025	44,872,025
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	$ 9,056,106	$ -	$ 1,813,471,950	$ 1,599,601,064	$3,422,129,121

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS
AS OF JULY 1, 2006

Fiscal Year	General Obligation Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Outstanding Principal
2006-07	$8,395,000	-	$737,087,396	$1,041,021,969	$1,786,504,365
2007-08	-	-	546,849,148	942,651,956	1,489,501,104
2008-09	-	-	352,255,398	843,682,785	1,195,938,184
2009-10	-	-	235,690,862	757,736,193	993,427,055
2010-11	-	-	118,486,192	677,445,838	795,932,030
2011-12	-	-	-	605,317,754	605,317,754
2012-13	-	-	-	533,172,758	533,172,758
2013-14	-	-	-	469,687,515	469,687,515
2014-15	-	-	-	403,027,430	403,027,430
2015-16	-	-	-	338,070,289	338,070,289
2016-17	-	-	-	291,713,098	291,713,098
2017-18	-	-	-	268,408,779	268,408,779
2018-19	-	-	-	253,543,152	253,543,152
2019-20	-	-	-	238,095,857	238,095,857
2020-21	-	-	-	222,023,886	222,023,886
2021-22	-	-	-	196,955,000	196,955,000
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, 2006

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service
2006-07	$197,706,168	$9,056,106	$136,812,234	$34,614,761	$39,895,889	$19,596,644	$103,132,946	$540,814,748
2007-08	196,584,647	-	135,152,127	34,440,889	39,977,605	19,615,534	103,232,361	529,003,163
2008-09	173,888,036	-	106,191,507	34,604,283	33,269,712	16,466,367	86,658,971	451,078,878
2009-10	181,030,713	-	112,681,604	34,458,675	36,704,987	18,410,755	96,891,870	480,178,605
2010-11	173,546,692	-	114,862,326	34,548,340	38,080,088	19,128,598	100,669,724	480,835,768
2011-12	53,002,105	-	18,400,555	33,846,132	3,219,346	-	-	108,468,139
2012-13	47,205,976	-	17,098,045	29,566,565	3,285,646	-	-	97,156,232
2013-14	47,849,798	-	17,098,477	29,722,531	3,347,721	-	-	98,018,527
2014-15	45,488,565	-	16,118,727	28,888,878	3,415,709	-	-	93,911,879
2015-16	30,936,886	-	14,471,134	24,417,059	3,486,084	-	-	73,311,162
2016-17	20,801,284	-	5,684,932	22,866,083	3,554,834	-	-	52,907,133
2017-18	19,814,394	-	-	17,743,000	3,625,159	-	-	41,182,553
2018-19	20,624,681	-	-	17,742,625	3,696,640	-	-	42,063,946
2019-20	21,454,019	-	-	17,736,513	3,773,750	-	-	42,964,281
2020-21	22,321,744	-	-	17,727,269	3,846,250	-	-	43,895,263
2021-22	23,224,363	-	-	17,720,663	3,927,000	-	-	44,872,025
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	-	-	-	10,198,532	-	-	-	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	-	-	-	-	-	-	-	-
2039-40	-	-	-	-	-	-	-	-
Total	$1,299,651,559	$9,056,106	$694,571,666	$607,939,597	$227,106,420	$93,217,899	$490,585,872	$3,422,129,120

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2006

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal
2006-07	$683,297,547	$8,395,000	$376,960,746	$371,625,194	$108,938,281	$37,888,503	$199,399,094	$1,786,504,365
2007-08	571,714,280	-	297,576,098	355,434,443	88,731,324	28,109,687	147,935,272	1,489,501,104
2008-09	458,417,376	-	217,462,104	338,693,886	67,694,647	18,106,984	95,293,187	1,195,668,184
2009-10	371,676,065	-	169,540,332	320,963,411	55,372,230	12,115,217	63,759,799	993,427,055
2010-11	288,500,120	-	123,999,461	302,524,920	42,763,744	6,090,546	32,053,240	795,932,030
2011-12	215,951,861	-	78,874,248	283,071,645	29,910,000	-	-	607,807,754
2012-13	180,539,292	-	63,799,178	263,389,288	28,050,000	-	-	535,777,758
2013-14	150,010,877	-	49,377,538	247,019,099	26,040,000	-	-	472,447,515
2014-15	118,158,618	-	34,279,455	229,639,358	23,875,000	-	-	405,952,430
2015-16	87,988,277	-	19,440,996	212,186,017	21,550,000	-	-	341,165,289
2016-17	72,115,806	-	5,556,353	198,275,939	19,050,000	-	-	294,998,098
2017-18	66,818,779	-	-	185,215,000	16,375,000	-	-	268,408,779
2018-19	63,298,152	-	-	176,725,000	13,520,000	-	-	253,543,152
2019-20	59,820,857	-	-	167,800,000	10,475,000	-	-	238,095,857
2020-21	56,388,886	-	-	158,410,000	7,225,000	-	-	222,023,886
2021-22	44,695,000	-	-	148,520,000	3,740,000	-	-	196,955,000
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	-	-	-	-	-	-	-	-
2039-40	-	-	-	-	-	-	-	-

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2006

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations								
General Obligation Bonds								
1987 GO Bonds: Justice Facility	9,056,106		9,056,106					
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 Certs, Ser A: LACERA Funding	0	0		0		0	0	0
1994 Pension Ob Certs, Ser C: LACERA Funding	255,815,000	83,150,108		66,305,713		24,005,680	13,149,658	69,203,841
1994 Pension Ob Certs, Ser D: LACERA Funding	44,501,567	14,464,789		11,534,539		4,176,027	2,287,514	12,038,697
1996 Pension Ob Refg Bonds: LACERA Funding	75,347,779	24,491,042		19,529,692		7,070,635	3,873,102	20,383,307
Total Pension Obligation Certificates	381,235,406	123,916,756	0	98,813,930	0	35,775,130	19,596,644	103,132,946
Long-Term Capital Projects								
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:								
Civic Center Heating & Refridgeration Plant	5,870,328	5,870,328						
Downey Courthouse	981,528				981,528			
LeSage Complex	480,888	480,888						
Olive View Medical Center	10,319,688			10,319,688				
Sheriffs Training Academy	823,766	823,766						
San Fernando Court	1,379,752				1,379,752			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	19,855,948	7,174,981	0	10,319,688	2,361,279	0	0	0
1993 COPs: Disney Parking Project	8,240,000	8,240,000						
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:								
Lynwood Regional Justice Center	12,140,333	12,140,333						
Los Hills Sheriffs Station	1,111,088	1,111,088						
Mira Loma Boy's Camp	3,377,812	3,377,812						
Mid Valley Health Center	950,832			950,832				
LAC/USC Intensive Care Unit	243,637			243,637				
Martin Luther King, Jr. Medical Center Parking Structure	547,213			547,213				
East Los Angeles Courthouse	1,449,394				1,449,394			
Fire Command and Control System	686,850					686,850		
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	20,507,158	16,629,232	0	1,741,681	1,449,394	686,850	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail	11,445,785	11,445,785						
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:								
Hollywood Courthouse								
Long Beach Comprehensive Health Center								
Van Nuys Courthouse	4,335,286				4,335,286			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	891,545	891,545						
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	271,797	271,797						
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	1,089,944	1,089,944						
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	251,757	251,757						
Pitchess Honor Rancho: Vehicle Maintenance Facility	639,525	639,525						
Men's Central Jail Parking Structure	2,870,319	2,870,319						
Mira Loma Men's Medium Security Facility	514,722	514,722						
Pitchess Honor Rancho Laundry Expansion	287,828	287,828						
Pitchess Honor Rancho Visitors Center	712,211	712,211						
Pomona Municipal Courthouse	595,425				595,425			
Hutton Building - Registrar / Recorder Headquarters	3,713,189	3,713,189						
Temple City Sheriff Station	1,222,918	1,222,918						
Public Library Headquarters	516,275					516,275		
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	17,912,740	12,465,755	0	0	4,930,710	516,275	0	0
1998 Refg COPs: Disney Parking Project	3,071,383	3,071,383						
2000 COPs, Ser A: Antelope Valley Courthouse	7,686,561				7,686,561			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,625,025				3,625,025			
2002 Lease Rev Bonds Ser B:								
Downey Courhouse	320,365				320,365			
Sheriffs Training Academy	264,469	264,469						
San Fernando Court	442,967				442,967			
Total 2002 Lease Rev Bonds Ser B	1,027,800	264,469	0	0	763,331	0	0	0
2005 Lease Rev Refg Bonds Ser A:								
Music Center Improvements	774,797	774,797						
Alhambra Courthouse	585,791				585,791			
Burbank Courthouse	760,853				760,853			
Ameron Building (Sheriff Headquarters)	2,509,947	2,509,947						
Biscailuz Center	223,890	223,890						
Emergency Operations Center	1,965,266	1,965,266						
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,486,925			1,486,925				
Martin Luther King Medical Center - Trauma Center	6,226,302			6,226,302				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	105,477			105,477				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,398,794			4,398,794				
Rancho Los Amigos Medical Center - Parking Structure	1,640,371			1,640,371				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	686,120			686,120				
San Fernando Valley Juvenile Hall	973,340	973,340						
LAC/USC Medical Center Marengo Street Parking Garage	2,599,191			2,599,191				
LAX Area Courthouse	6,949,213				6,949,213			
San Fernando Valley Courthouse (Chatsworth)	5,502,604				5,502,604			
Harbor Med Center E.P.S.	1,253,356			1,253,356				
Total 2005 Lease Rev Refg Bonds Ser A	38,642,239	6,447,241	0	18,396,537	13,798,461	0	0	0
2005 Lease Revenue Bonds: Calabasas Landfill Project	2,917,634					2,917,634		
Total Long-Term Capital Projects	134,932,271	65,738,845	0	30,457,906	34,614,761	4,120,759	0	0
Total Long-Term Obligations	525,223,782	189,655,601	9,056,106	129,271,836	34,614,761	39,895,889	19,596,644	103,132,946
Intermediate-Term Obligations								
Equipment								
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	1,447,266	834,531		612,734				
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	2,709,225	1,625,535		1,083,690				
2006 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	11,434,475	5,590,501		5,843,974				
Total Equipment	15,590,966	8,050,567	0	7,540,398	0	0	0	0
Total Intermediate-Term Obligations	15,590,966	8,050,567	0	7,540,398	0	0	0	0
Total Obligations	540,814,748	197,706,168	9,056,106	136,812,234	34,614,761	39,895,889	19,596,644	103,132,946

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2006

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations								
General Obligation Bonds								
1987 GO Bonds: Justice Facility	8,395,000		8,395,000					
Pension Obligation Certificates								
1986 Pension Ob Certs, Ser A: LACERA Funding	80,740,000	26,243,730		20,927,324		7,576,642	4,150,278	21,842,027
1994 Pension Ob Certs, Ser A: LACERA Funding	0	0		0		0	0	0
1994 Pension Ob Certs, 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 Certs, Ser D: LACERA Funding	337,452,163	109,685,451		87,465,576		31,666,511	17,346,054	91,288,572
1996 Pension Ob Refg Bonds: LACERA Funding	70,500,000	22,915,320		18,273,177		6,615,720	3,623,911	19,071,872
Total Pension Obligation Certificates	737,087,396	239,582,887	0	191,048,630	0	69,168,281	37,888,503	199,399,094
Long-Term Capital Projects								
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:								
Civic Center Heating & Refridgeration Plant	20,880,000	20,880,000						
Downey Courthouse	4,225,000				4,225,000			
LeSage Complex	1,150,000	1,150,000						
Olive View Medical Center	19,465,000			19,465,000				
Sheriffs Training Academy	3,538,409	3,538,409						
San Fernando Court	5,926,591				5,926,591			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	55,185,000	25,568,409	0	19,465,000	10,151,591	0	0	0
1993 COPs: Disney Parking Project	48,296,969	48,296,969						
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:								
Lynwood Regional Justice Center	90,100,000	90,100,000						
Los Hills Sheriffs Station	3,076,753	3,076,753						
Mira Loma Boy's Camp	9,358,811	9,358,811						
Mid Valley Health Center	2,633,804			2,633,804				
LAC/USC Intensive Care Unit	681,052			681,052				
Martin Luther King, Jr. Medical Center Parking Structure	1,514,580			1,514,580				
East Los Angeles Courthouse	11,915,000				11,915,000			
Fire Command and Control System	1,290,000					1,290,000		
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	120,570,000	102,535,563	0	4,829,437	11,915,000	1,290,000	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail	85,120,000	85,120,000						
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:								
Hollywood Courthouse								
Long Beach Comprehensive Health Center								
Van Nuys Courthouse	30,028,000				30,028,000			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	3,156,477	3,156,477						
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	962,287	962,287						
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	3,858,902	3,858,902						
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	891,335	891,335						
Pitchess Honor Rancho: Vehicle Maintenance Facility	2,267,000	2,267,000						
Men's Central Jail Parking Structure	10,161,000	10,161,000						
Mira Loma Men's Medium Security Facility	2,596,000	2,596,000						
Pitchess Honor Rancho Laundry Expansion	1,455,000	1,455,000						
Pitchess Honor Rancho Visitors Center	3,591,000	3,591,000						
Pomona Municipal Courthouse	3,004,000				3,004,000			
Hutton Building - Registrar / Recorder Headquarters	18,707,000	18,707,000						
Temple City Sheriff Station	6,167,000	6,167,000						
Public Library Headquarters	1,105,000					1,105,000		
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	87,950,000	53,813,000	0	0	33,032,000	1,105,000	0	0
1998 Refg COPs: Disney Parking Project	59,655,000	59,655,000						
2000 COPs, Ser A: Antelope Valley Courthouse	111,940,000				111,940,000			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	18,715,000				18,715,000			
2002 Lease Rev Bonds Ser B:								
Downey Courhouse	5,339,414				5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809						
San Fernando Court	7,382,777				7,382,777			
Total 2002 Lease Rev Bonds Ser B	17,130,000	4,407,809	0	0	12,722,191	0	0	0
2005 Lease Rev Refg Bonds Ser A:								
Music Center Improvements	6,163,011	6,163,011						
Alhambra Courthouse	3,920,046				3,920,046			
Burbank Courthouse	6,060,959				6,060,959			
Ameron Building (Sheriff Headquarters)	16,827,957	16,827,957						
Biscailuz Center	1,499,511	1,499,511						
Emergency Operations Center	14,448,945	14,448,945						
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	10,943,145			10,943,145				
Martin Luther King Medical Center - Trauma Center	53,144,021			53,144,021				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	708,076			708,076				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	35,062,910			35,062,910				
Rancho Los Amigos Medical Center - Parking Structure	13,086,544			13,086,544				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	4,614,264			4,614,264				
San Fernando Valley Juvenile Hall	8,326,118	8,326,118						
LAC/USC Medical Center Marengo Street Parking Garage	20,728,572			20,728,572				
LAX Area Courthouse	89,954,211				89,954,211			
San Fernando Valley Courthouse (Chatsworth)	73,214,196				73,214,196			
Harbor Med Center E.P.S.	6,597,513			6,597,513				
Total 2005 Lease Rev Refg Bonds Ser A	365,300,000	47,265,543	0	144,885,045	173,149,412	0	0	0
2005 Lease Revenue Bonds: Calabasas Landfill Project	37,375,000					37,375,000		
Total Long-Term Capital Projects	1,007,236,969	426,662,293	0	169,179,481	371,625,194	39,770,000	0	0
Total Long-Term Obligations	1,752,719,365	666,245,180	8,395,000	360,228,111	371,625,194	108,938,281	37,888,503	199,399,094
Intermediate-Term Obligations								
Equipment								
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	1,425,000	821,693		603,307				
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	3,685,000	2,211,000		1,474,000				
2006 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	28,675,000	14,019,674		14,655,326				
Total Equipment	33,785,000	17,052,366	0	16,732,634	0	0	0	0
Total Intermediate-Term Obligations	33,785,000	17,052,366	0	16,732,634	0	0	0	0
Total Obligations	1,786,504,365	683,297,547	8,395,000	376,960,746	371,625,194	108,938,281	37,888,503	199,399,094

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF OCTOBER 1, 2006

Title		Outstanding Principal	Total Future Payments	2006-07 FY Payment Remaining	
Long-Term Obligations					
General Obligation Bonds					
1987 GO Bonds: Justice Facility		$8,395,000	$9,056,106	$9,056,106	
Pension Obligation Certificates					
1986 Pension Obligation Certificates, Series A		80,740,000	86,311,060	0	
1994 Pension Obligation Bonds, Series A (Current Interest Bonds)		0	0	0	
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds)		164,996,984	588,085,000	0	
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)		301,112,163	757,840,485	0	
1996 Pension Obligation Refunding Bonds		0	0	0	
Total Pension Obligation Certificates		546,849,148	1,432,236,545	0	(1)
Long-Term Capital Projects					
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project		55,185,000	61,205,319	19,855,948	
1993 COPs: Disney Parking Project		46,589,064	193,435,000	4,120,000	
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refunding Project	(2)	106,120,000	129,517,906	0	
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refunding Project	(2)	77,930,000	96,472,940	0	
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refunding Project	(2)	87,950,000	103,441,925	15,673,870	
1998 Refg COPs: Disney Parking Project		59,530,000	101,584,381	1,534,441	
2000 COPs, Series A: Antelope Valley Courthouse	(2)	110,105,000	210,440,915	2,906,857	
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding		18,715,000	21,344,113	3,207,513	
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project		17,130,000	25,525,200	1,027,800	
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project		365,300,000	521,393,859	38,642,239	
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project		37,375,000	54,360,258	2,917,634	
Total Long-Term Capital Projects		981,929,064	1,518,721,816	89,886,301	
Total Long-Term Obligations		$1,537,173,212	$2,960,014,466	$98,942,407	
Intermediate-Term Obligations					
Equipment					
2002 Lease Rev Bonds Series A - LAC-CAL Equipment Program		$1,425,000	$1,447,266	$1,447,266	
2004 Lease Rev Bonds Series A - LAC-CAL Equipment Program		3,685,000	3,787,538	2,709,225	
2006 Lease Rev Bonds Series A - LAC-CAL Equipment Program		28,675,000	30,598,475	11,434,475	
Total Equipment		33,785,000	35,833,278	15,590,966	
Total Intermediate-Term Obligations		33,785,000	35,833,278	15,590,966	
Total Obligations		$1,570,958,212	$2,995,847,745	$114,533,373	

COPs = Certificates of Participation

(1) Does not reflect $195,809,308 in principal and $185,426,097 in interest payment amounts remaining for FY 2006-07 that were deposited with the respective trustees in advance on July 15 or 30, 2005 as required by the individual Trust Agreements.

(2) Obligations to be refunded by the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (Master Refunding Project 2006) Series A and B.

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF OCTOBER 1, 2006
Full Cash Value (2006-07): $822,023,657,186 (after deducting $111,489,615,503 redevelopment incremental valuation; incl unitary utility valuation)

	Applicable %	Debt as of 10/1/06
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County	**100.000 %**	**$ 8,395,000**
Los Angeles County Flood Control District	100.000	127,840,000
Metropolitan Water District	46.179	179,897,221
Los Angeles Community College District	100.000	655,200,000
Other Community College Districts	Various	1,087,858,241
Beverly Hills Unified School District	100.000	142,793,286
Burbank Hills Unified School District	100.000	90,099,996
Glendale Unified School District	100.000	148,150,000
Long Beach Unified School District	100.000	247,115,000
Los Angeles Unified School District	100.000	5,953,365,000
Pasadena Unified School District	100.000	210,445,000
Pomona Unified School District	100.000	142,000,000
Other Unified School Districts	100.000	2,035,461,083
Other School and High School Districts	Various (1)	956,184,168
City of Los Angeles	100.000	1,411,898,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	126,485,000
City of Industry	100.000	197,945,000
Other Cities	100.000	45,735,000
Special Districts	100.000	10,245,000
Community Facilities Districts	100.000	770,847,897
Los Angeles County Regional Park & Open Space Assessment District	100.000	304,235,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	220,803,406
L.A. County Metropolitan Transportation Auth. Benefit Assessment District Bonds	100.000	63,640,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 15,136,638,298
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,204,559,067**
Los Angeles County Pension Obligations	**100.000**	**737,082,395**
Los Angeles County Office of Education Certificates of Participation	100.000	19,817,270
Community College District Certificates of Participation	Various (1)	133,875,905
Los Angeles Unified School District Certificates of Participation	100.000	402,033,350
Pomona Unified School District Certificates of Participation	100.000	66,780,000
Other Unified School District Certificates of Participation	100.000	441,422,322
School and High School District General Fund Obligations	Various (1)	180,704,188
City of Beverly Hills General Fund Obligations	100.000	176,235,000
City of Los Angeles General Fund and Judgement Obligations	100.000	1,091,020,000
City of Long Beach General Fund Obligations	100.000	288,165,000
City of Long Beach Pension Obligations	100.000	91,865,000
City of Pasadena General Fund Obligations	100.000	429,144,972
City of Pasadena Pension Obligations	100.000	134,145,000
Other Cities' General Fund Obligations	100.000	1,147,568,613
Los Angeles County Sanitation Districts General Fund Obligations	100.000	390,990,000
Walnut Valley Water District General Fund Obligations	100.000	15,055,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,950,463,082
Less: School District self-supporting bonds		(39,211,800)
Cities' self-supporting bonds		(174,182,871)
Walnut Valley Water District General Fund Obligations		(15,055,000)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,722,013,411
GROSS COMBINED TOTAL DEBT		$ 22,087,101,380 (2)
NET COMBINED TOTAL DEBT		$ 21,858,651,709

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

RATIOS TO 2006-07 ASSESSED VALUATION	
Direct Debt ($8,395,000)	**0.001%**
Total Direct and Overlapping Tax and Assessment Debt	1.62%
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Combined Gross Direct Debt ($1,950,036,462)	**0.24%**
Net Combined Direct Debt ($1,950,036,462)	**0.24%**
Gross Combined Total Debt	2.69%
Net Combined Total Debt	2.66%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: $ 884,789

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2005 Gross Product estimated at $424 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 continued to expand at a solid pace in 2005, which is expected to continue through the end of 2006, but at a slower rate of growth.

Since 2003, Los Angeles County has experienced a steady recovery in the job market with a third consecutive year of lower unemployment rates expected in 2006. The 2005 unemployment rate of 5.3% was the lowest in the County since 1988. In 2006, the unemployment rate is projected to decrease further to 4.9%, with the County's economy expected to show moderate job growth in non-farm employment of approximately 1.3%, or 52,800 jobs, its best performance since 2000. The continued improvement in the job market is being supported by $30 billion in major construction projects that are currently underway, including the expansion of port facilities, light rail projects, school construction programs and the "LA Live" entertainment complex.

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 2006. The continuing increase in international trade has made the ports of Los Angeles and Long Beach the busiest and most productive in the nation. As measured by the value of two-way trade, Los Angeles continues to be the number one customs district in the nation for international trade. After three consecutive years of solid growth, the value of two-way trade is expected to grow at an even stronger pace in 2006 to a record level of $333.2 billion, or a 13% increase from 2005.The residential housing market continued its strong performance in 2005, with median home prices increasing by over 18% from 2004.

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, creating one of the largest concentrations of arts activity in the United States.

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

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

Recreation

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

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

Population

The County of Los Angeles is the most populous county in the U.S. with an estimated 10.2 million people residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation 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; 12.6% Asian-Pacific Islander; and 9.7% African American. The County is also home to the greatest number of foreign–born residents in the nation (3.4 million) and has the largest population of persons of Filipino, Guatemalan, Korean, Mexican, Salvadoran and Thai descent outside their native countries. It is estimated that 70% of the adult population has a high school diploma or higher, while 25% has a bachelor's degree or higher. Table A illustrates the recent historical growth of the County's population.

Employment

After three years of rising unemployment rates from 2000-2003, the County is expected to experience its third consecutive year with an improving job market. The unemployment rate has decreased from 7.0% in 2003 to 6.5% and 5.3% in 2004 and 2005 respectively, and to a projected rate of 4.9% in 2006. Although non-agricultural employment is projected to grow at a modest rate of 1.3% in 2006, this measurement may not accurately reflect the true strength of the job market in the County. With a growing number of people working as independent contractors in entertainment, technology, transportation and business services, "total civilian employment" is expected to show a much stronger growth of 3.4% and 2.8% in 2005 and 2006, respectively. 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 2006 (+10,000 jobs). Other sectors of the economy expecting strong job growth in 2006 are Construction (+7,500 jobs); Professional, Scientific & Technical Services (+6,800 jobs); and Finance & Insurance (+4,000 jobs on the negative side of the employment picture, the manufacturing sector is expected to see a net loss of 2,600 jobs. However, the sector has made significant strides to improve efficiency, thus resulting in higher productivity despite the net loss of jobs. Table F details the County's employment by sector since 2002.

Personal Income

Total personal income in Los Angeles County will continue to grow at a solid pace in 2006, to an estimated $367.2 billion, or a 5.7% increase from 2005. The County's total personal income in 2006 represents an estimated 26.0% of the total personal income generated in California. The sustained growth in personal income represents a 22% increase since from 2002, and reflects the solid growth and positive economic conditions of both the State and regional economies over the last several years. Table C provides a summary of the personal income levels in Los Angeles County since 2002.

Consumer Spending

Los Angeles County is a national leader in consumer spending. In 2006, Los Angeles County will generate an estimated $97 billion in retail sales, representing an increase of 5.8% from 2005 and 30.1% from 2002 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 $424 billion in 2005 represents approximately 26% of the total economic output in California and nearly 3.4% of the Gross 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.

Los Angeles County is the largest major manufacturing center in the United States, with over 467,000 workers estimated to be employed in this sector as of 2006. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment. The steady decline in industrial market vacancy rates (from 4.37% in 2001 to 2.03% by the end of 2005) is a strong indicator of the continuing strength of the manufacturing sector in Los Angeles County.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles has positioned itself as the nation's busiest center of international commerce as measured by the dollar value of two-way trade. International trade has been a leading factor in the solid economic growth of the region since 2002. The value of two-way trade through the Los Angeles Customs District has increased by over 55% since 2002 to a record level of $333.2 billion projected for 2006. It is estimated that every $1 million 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 fifth busiest port complex in the world after Singapore, Hong Kong, Shanghai and Shenzen. Both ports are owned and operated by their respective cities. The combined Los Angeles/Long Beach port complex is also the fastest growing port facility in the United States. The 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 2005, the port handled 169 million metric revenue tons of cargo, with an estimated value of over $150 billion; and processed nearly 7.5 million equivalent cargo container units, representing a 2.2% increase in container volume from 2004.

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 2005, the port handled 159.2 million metric revenue tons of cargo, with an estimated value of over $100 billion; and processed over 6.7 million equivalent cargo container units, representing a 16% increase in container volume from 2004.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major expansion programs ($1.1 and $1.4 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 provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation alternatives and will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority (MTA). Formed in 1993 from the merger of the Southern California Rapid Transit District and the Los Angeles County Transportation Commission, the MTA is responsible for the planning, design, construction and operation of the public transportation for Los Angeles County. The 2006 operating budget for the MTA is $2.859 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 2005, the Los Angeles Convention and Visitors Bureau reported that 25 million overnight visitors stayed in Los Angeles, with total visitor expenditures of $12.9 billion during this period. It is estimated that each 1% increase in the number of visitors generates an additional $280 million in travel spending. In 2005, travel and tourism directly generated an estimated $401 million in local tax revenue and $318 million in state tax revenue. According to the Los Angeles Economic Development Corporation (LAEDC), travel and tourism provides employment for over 260,000 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 continued its strong performance in 2005. With a limited housing inventory available for sale, and less land available for new home construction, the County continued to experience a significant level of appreciation in home values in 2005. The average median price of new and existing homes increased from $396,417 in 2004 to $469,404 in 2005, which represents an annual increase of over 18% from 2004, and a four-year increase of 109% from the 2001 median price of $224,584. The appreciation of home values in the County has continued in the first half of 2006, with the average median price of a home increasing to $507,135 and $512,993 in the first and second quarters, respectively. The data for Los Angeles County, when viewed in relation to the 7-county region of Southern California, suggests that home values in Los Angeles County may have already peaked or are approaching the upper limit of the current cycle, as the other 6 counties in the region all show a decrease in the average median sale price from the first to the second quarter of 2006. 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 $950 billion gross Assessment Roll for 2006 reflects an increase of $94 billion or 11% from 2005. The increase in the 2006 Assessment Roll compares favorably to the previous year's growth of $74 billion or 9.6% from 2004.

Additional indicators of the strong real estate market in Los Angeles County include the significant growth in both construction and residential purchase lending, and the decrease in vacancy rates for the office and industrial markets. Construction lending and residential purchase lending increased by 104% and 125%, respectively, from 2001 to 2005. The numbers for the first two quarters of 2006 indicate a flattening out in the growth of residential purchase lending, but continued growth in construction lending compared to the same period in 2005. With an industrial market vacancy rate of 2%, the County has one of the tightest markets in the nation for industrial space. However, the decreasing supply of quality industrial space could have a negative impact on future business growth and expansion. Based on the data for the first two quarters of 2006, the vacancy rates appear to be leveling off at approximately the 2005 year end rates.

Despite the strong performance of the real estate market in Los Angeles County in 2005, several key indicators suggest the market is experiencing a cooling trend in 2006. The rising interest rate environment and the lack of affordability of a home purchase for the average household are significant factors driving a slow-down in 2006. According to the California Association of Realtors, the percentage of households able to afford a median-priced home in Los Angeles County decreased from 17% in 2004 to 12% in 2005. After eleven consecutive years of growth from 1993 to 2004, the total number of residential building permits decreased by 5% in 2005. However, in the first two quarters of 2006, total residential permits for new homes in Los Angeles County showed a 13% increase from the same period in 2005. This runs contrary to the trend for the 7-county region of Southern California, which showed a 4% decrease in the total number of residential permits issued over the same period.

The number of new and existing home sales decreased for the second consecutive year in 2005, representing a 4% decrease since 2003. This trend has accelerated over the first two quarters of 2006, with a 13% decrease in home sales compared to the same period in 2005. Although the number of recorded default notices decreased for the ninth consecutive year in 2005, foreclosure activity in the first two quarters of 2006 increased by over 38% to its highest level in three-years. In 2005, the number of unsold new housing units at year-end increased by 78%, or 487 units from the 2004 year-end inventory. Over the first two quarters of 2006, the number of unsold homes increased by an additional 860 units, which equates to a 77% increase, in only a 6-month period.

The historically low interest rate environment of the last several years has provided a strong foundation for the tremendous growth in home values in Los Angeles County. A wide variety of adjustable rate mortgage products available in the market has made it possible for many homebuyers to take advantage of the historically low rates and purchase homes they could not otherwise afford with a traditional mortgage. Despite the Federal Reserve increasing short-term interest rates 16 consecutive times from 1% in June 2004 to 5% in May 2006, mortgage rates have remained at relatively low levels. However, the credit market for home mortgages has gradually become tighter. The average effective mortgage rate in the Los Angeles metropolitan area has increased from a historical low of 5.36% in January 2004 to 6.58% in June 2006.

As a result of Proposition 13, the County's financial condition is somewhat insulated from the cyclical nature of the real estate market. Proposition 13 reduces the volatility of property tax revenue by limiting the growth of assessed valuations and allowing for reassessments only when a property is sold. As a result, there is a significant amount of "stored" home value appreciation that is not reflected on the property tax rolls and which would help to offset any future reduction in assessed valuations. Changes of ownership requiring a reassessment under Proposition 13 added approximately $65 billion to the Assessment Roll in 2006, representing over 69% of the $94 billion increase from 2005. Each property that changed ownership resulted in an average increase of $332,000 in assessed value, compared with $262,000 in the previous year.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

TABLE A: POPULATION LEVELS

	2002	2003	2004	2005	*2006
Los Angeles County	9,829,100	9,979,500	10,088,900	10,166,400	10,245,600
State of California	35,089,000	35,691,000	36,245,000	36,728,000	37,172,000
Los Angeles County as a % of California	28.01%	27.96%	27.84%	27.68%	27.56%

* Estimated

Source: Los Angeles Economic Development Corporation

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

	2001	2002	2003	2004	2005
Los Angeles County	$341,900	$354,800	$371,000	$397,500	$424,100
State of California	1,318,000	1,352,800	1,417,100	1,524,900	1,630,500
United States	10,128,000	10,469,600	10,971,200	11,734,300	12,487,100
Los Angeles County as a % of California	25.94%	26.23%	26.18%	26.07%	26.01%

Source: Los Angeles Economic Development Corporation

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

	2002	2003	2004	2005	*2006
Los Angeles County	$301,003	$310,043	$329,048	$347,475	$367,281
Orange County	111,750	116,998	124,854	133,593	139,872
Riverside and San Bernardino Counties	84,151	89,307	97,560	106,145	112,726
Ventura County	26,648	27,980	30,047	32,421	34,917
State of California	1,147,716	1,184,265	1,262,306	1,338,181	1,415,795
Los Angeles County as a % of California	26.23%	26.18%	26.07%	25.97%	25.94%

* Estimated

Source: Los Angeles Economic Development Corporation

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

	2002	2003	2004	2005	*2006
Los Angeles County	$74,548	$79,427	$86,497	$91,687	$97,005
State of California	301,612	320,217	350,173	372,293	394,631
Los Angeles County as a % of California	24.72%	24.80%	24.70%	24.63%	24.58%

* Estimated

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2002	2003	2004	2005	*2006
Los Angeles County	6.8%	7.0%	6.5%	5.3%	4.9%
State of California	6.7%	6.8%	6.2%	5.4%	4.9%
United States	5.8%	6.0%	5.5%	5.1%	4.7%

* Estimated

Source: Los Angeles Economic Development Corporation

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2002	2003	2004	2005	*2006
Wholesale & Retail Trade	615.5	613.4	620.5	630.8	638.2
Government	606.1	599.3	587.1	583.8	588.3
Manufacturing	534.8	500.0	483.6	470.4	467.8
Leisure & Hospitality	354.2	362.6	372.8	377.4	387.4
Health Care & Social Assistance	357.4	365.6	371.6	371.7	374.4
Professional, Scientific & Technical Services	231.6	233.5	237.7	248.7	255.5
Administrative & Support Services	261.0	249.1	253.6	252.8	252.9
Information	207.3	202.3	211.9	209.6	211.6
Finance & Insurance	159.8	165.0	165.0	165.9	169.9
Transportation & Utilities	167.2	161.5	161.1	161.9	164.9
Construction	134.5	134.6	140.2	148.2	155.7
Other	397.6	396.3	391.8	395.5	402.8
Total	4,026.8	3,982.9	3,996.5	4,016.6	4,069.4

*Estimated

Source: California Employment Development Department

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

Type of Activity	2001	2002	2003	2004	2005
International Air Cargo (Tons)					
Los Angeles International Airport	949.6	974.8	987.9	1,070.0	1,123.9
As Percentage of Total Air Cargo	48.53%	49.68%	48.85%	50.59%	52.59%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,956.6	1,962.4	2,022.1	2,115.3	2,137.2
Bob Hope Airport (Burbank)	34.4	43.1	47.6	49.6	52.9
Total	1,990.9	2,005.4	2,069.7	2,164.9	2,190.1
International Air Passengers					
Los Angeles International Airport	15,950.2	14,842.0	14,623.9	16,476.1	17,486.3
As Percentage of Total Passengers	25.89%	26.40%	26.60%	27.14%	28.44%
Total Air Passengers					
Los Angeles International Airport	61,606.3	56,220.2	54,982.8	60,704.6	61,489.4
Bob Hope Airport (Burbank)	4,487.3	4,620.7	4,729.9	4,916.8	5,512.6
Total	66,093.6	60,840.9	59,712.8	65,621.4	67,002.0
Container Volume (TEUs)					
Port of Los Angeles	5,183.5	6,105.9	7,178.9	7,321.4	7,484.6
Port of Long Beach	4,463.0	4,526.4	4,658.1	5,779.9	6,709.8
Total	9,646.5	10,632.2	11,837.1	13,101.3	14,194.4

Source: Los Angeles Economic Development Corporation

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

Customs District	2001	2002	2003	2004	2005
Los Angeles	$212,500	$214,300	$235,000	$264,200	$293,900
New York	214,100	209,800	219,600	245,100	267,500
Detroit	168,500	179,300	186,500	205,600	228,500
Laredo	115,000	114,300	115,400	130,800	139,100
Houston	71,100	69,400	80,800	104,600	136,100
New Orleans	85,500	87,700	95,100	115,600	129,700
Chicago	70,500	72,500	79,600	95,200	108,700
Seattle	79,700	76,100	75,900	87,200	100,400

Source: Los Angeles Economic Development Corporation

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

Port	2001	2002	2003	2004	2005
Los Angeles-Long Beach	142,356	152,228	163,926	177,553	186,717
Tacoma	23,061	24,261	27,593	30,737	34,191
San Francisco-Oakland	23,064	23,591	26,150	29,943	32,791
Seattle	18,539	18,238	19,815	23,974	29,512
Portland	18,147	17,452	18,998	20,363	18,760
San Diego	4,490	4,093	4,498	4,704	5,309
Port Hueneme	3,308	3,586	3,413	4,042	4,606

Source: Los Angeles Economic Development Corporation

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

Port	2001	2002	2003	2004	2005
Los Angeles-Long Beach	6,620.9	7,251.4	7,823.6	8,611.7	9,263.0
New York	2,323.0	2,632.8	2,819.4	3,146.2	3,390.3
Charleston	1,150.6	1,205.6	1,252.7	1,414.1	1,511.9
Savannah	811.5	1,019.0	1,130.6	1,287.5	1,482.7
Oakland	959.7	981.4	1,070.5	1,192.3	1,372.2
Seattle	823.5	853.1	818.7	1,044.2	1,339.6
Norfolk	883.6	989.4	1,095.6	1,200.3	1,318.8
Houston	762.8	849.3	943.4	1,089.9	1,231.2
Tacoma	609.2	769.3	937.0	937.2	1,154.4
Miami	710.8	759.6	771.4	799.8	770.8

Source: Los Angeles Economic Development Corporation

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

Indicator	2001	2002	2003	2004	2005
1. Construction Lending (in millions)	$3,430	$3,537	$4,486	$6,237	$6,986
2. Residential Purchase Lending (in millions)	$27,798	$35,714	$42,987	$53,813	$62,485
3. New & Existing Median Home Prices (in millions)	$224,584	$262,157	$319,024	$396,417	$469,404
4. New & Existing Home Sales	111,751	121,789	125,493	122,294	120,675
5. Notices of Default Recorded	30,138	27,154	21,313	16,528	16,299
6. Unsold New Housing (at year-end)	1,171	545	528	628	1,115
7. Office Market Vacancy Rates	14.23%	16.40%	16.35%	15.40%	12.58%
8. Industrial Market Vacancy Rates	4.37%	4.25%	3.20%	2.78%	2.03%

Source: Real Estate Research Council of Southern California

TABLE L: BUILDING PERMITS AND VALUATIONS

Type of Building	2001	2002	2003	2004	2005
1. New Residential Permits (Units)					
a. New Single Family	8,184	8,217	10,217	11,752	11,911
b. New Multi-Family	10,069	11,147	11,096	15,183	13,736
Total New Residential Permits	18,253	19,364	21,313	26,935	25,647
2. Residential Valuations (in millions of $)					
a. Single Family	1,948	2,032	2,585	2,924	2,916
b. Multi-Family	1,079	1,095	1,179	1,916	1,810
c. Alterations and Additions	972	1,172	1,390	1,728	1,962
Subtotal (Residential Valuations)	3,999	4,299	5,154	6,568	6,688
3. Non-Residential Valuations (in millions of $)					
a. Office Buildings	547	209	182	307	233
b. Retail Buildings	434	459	356	484	552
c. Hotels and Motels	16	63	27	63	93
d. Industrial Buildings	202	225	276	178	277
e. Alterations and Additions	1,558	1,297	1,366	1,404	1,669
f. Other	782	667	724	738	1,000
Subtotal (Non-Residential Valuations)	3,539	2,920	2,931	3,174	3,824
Total Building Valuations (in millions)	7,538	7,219	8,085	9,741	10,512

Source: Real Estate Research Council of Southern California

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY (2005)

Company	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
Kaiser Permanente	Health Care Provider	Oakland, CA	30,511	141,909
Northrop Grumman Corp.	Aerospace/Defense Contractor	Los Angeles, CA	21,000	125,000
Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	16,636	153,000
Kroger Co.	Supermarket Operator	Cincinnati, OH	13,862	289,000
University of Southern California	Education-Private University	Los Angeles, CA	12,238	12,238
Vons	Supermarket Operator	Pleasanton, CA	12,224	32,137
Target Corp.	Retailer	Minneapolis, MN	11,526	338,000
Bank of America Corp.	Banking and Financial Services	Charlotte, NC	10,801	177,795
ABM Industries, Inc.	Building Maint. & Engineering Srvs.	San Francisco, CA	10,100	73,000
SBC Communications Inc.	Telecommunications	San Antonio, TX	9,500	157,600
Cedars-Sinai Health System	Medical Center	Los Angeles, CA	9,127	9,127
California Institute of Technology	Education-Private University	Pasadena, CA	8,062	8,062
Wells Fargo	Banking and Financial Services	San Francisco, CA	7,797	152,227
Fedex Corp.	Delivery Services	Memphis, TN	7,682	260,000
Albertson's Inc.	Supermarket Operator	Boise, Idaho	7,748	230,000
Providence Health System	Health Care Provider	Seattle, WA	7,277	33,940
Washington Mutual Inc.	Banking and Financial Services	Seattle, WA	7,000	47,321
Amgen Inc.	Biotechnology	Thousand Oaks,CA	6,700	14,890
Catholic Healthcare West	Health Care Provider	San Francisco, CA	6,402	37,975
Edison International	Electric Utility	Rosemead, CA	6,574	14,570
Lockheed Martin Corp.	Advanced Tech./Defense Contractor	Bethesda, MD	5,500	135,000
UPS	Delivery Services	Atlanta, GA	5,400	384,000
Long Beach Memorial Medical Ctr.	Medical Center	Huntington Beach, CA	5,022	9,767
Sempra Energy	Energy/Electric Utility	San Diego, CA	4,705	12,663
Citigroup	Banking and Financial Services	New York, NY	4,090	300,000

Source: Los Angeles Business Journal: "The Lists 2006"

APPENDIX B

THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Employees' Retirement Association (LACERA), and the Children and Families First Commission (CFFC), which represent the following percentages, respectively, of the assets, net assets or fund balance and revenues of the following opinion units:

Opinion units	Assets	Net assets or fund balance	Revenues
Governmental activities	2%	8%	1%
Business-type activities	4	37	8
Descretely presented component unit	100	100	100
Aggregate remaining fund information	72	73	11

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, LACERA, and CFFC, are based 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2005, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons 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 that report dated December 9, 2005 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. 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 98 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 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 9, 2005

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, 2005. 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 $2.38 billion. However, net assets are classified into three categories and the unrestricted component is negative $2.197 billion. See further discussion on page B-7.

During the current year, the County's net assets increased by a total of $1.134 billion. Net assets related to governmental activities increased by $1.028 billion, while net assets related to business-type activities increased by $106 million.

At the end of the current year, the County's General Fund reported a total fund balance of $2.327 billion. The amount of unreserved fund balance was $1.926 billion. Of the unreserved total, $1.017 billion was designated.

The County's capital asset balances were $4.508 billion at year-end and increased by $229 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 next year as discussed on page B-6.

During the current year, the County's total long-term debt decreased by $338 million. Bond maturities (including advance refunding of debt) of $1.151 billion exceeded the $813 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 $2.38 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2004 and 2005
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 5,927,652	$ 5,342,504	$ 1,167,043	$ 1,294,232	$ 7,094,695	$ 6,636,736
Capital assets	3,354,024	3,306,500	1,153,680	972,593	4,507,704	4,279,093
Total assets	9,281,676	8,649,004	2,320,723	2,266,825	11,602,399	10,915,829
Current and other liabilities	1,073,978	1,172,476	180,493	174,608	1,254,471	1,347,084
Long-term liabilities	6,070,908	6,367,421	1,897,117	1,955,260	7,968,025	8,322,681
Total liabilities	7,144,886	7,539,897	2,077,610	2,129,868	9,222,496	9,669,765
Net assets:						
Invested in capital assets, net of related debt	2,556,556	2,384,009	793,517	622,282	3,350,073	3,006,291
Restricted net assets	1,152,845	928,616	74,173	105,557	1,227,018	1,034,173
Unrestricted net assets (deficit)	(1,572,611)	(2,203,518)	(624,577)	(590,882)	(2,197,188)	(2,794,400)
Total net assets	2,136,790	1,109,107	243,113	136,957	2,379,903	1,246,064
Total liabilities and net assets	$ 9,281,676	$ 8,649,004	$ 2,320,723	$ 2,266,825	$ 11,602,399	$ 10,915,829

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 ($3.35 billion) represents its investment in capital assets (e.g., land, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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 $1.227 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 $2.197 billion. Both governmental and business-type activities reported deficits in this category of $1.573 billion and $624 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, 2005, there were $4.224 billion of liabilities recorded for all of the items noted above and for all activities. Of this amount, the County's budget had funded approximately $349 million as of June 30, 2005, which consists of $142 million related to governmental activities and $207 million related to business-type activities. The $142 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 $207 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 $1.629 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 $1.216 billion. This difference consists of accreted interest (interest expense that accrues each year but is not payable until deferred periods) of $617 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 $199 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 $350 million for outstanding bonds, the County's related assets are only $121 million. The difference of $229 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.

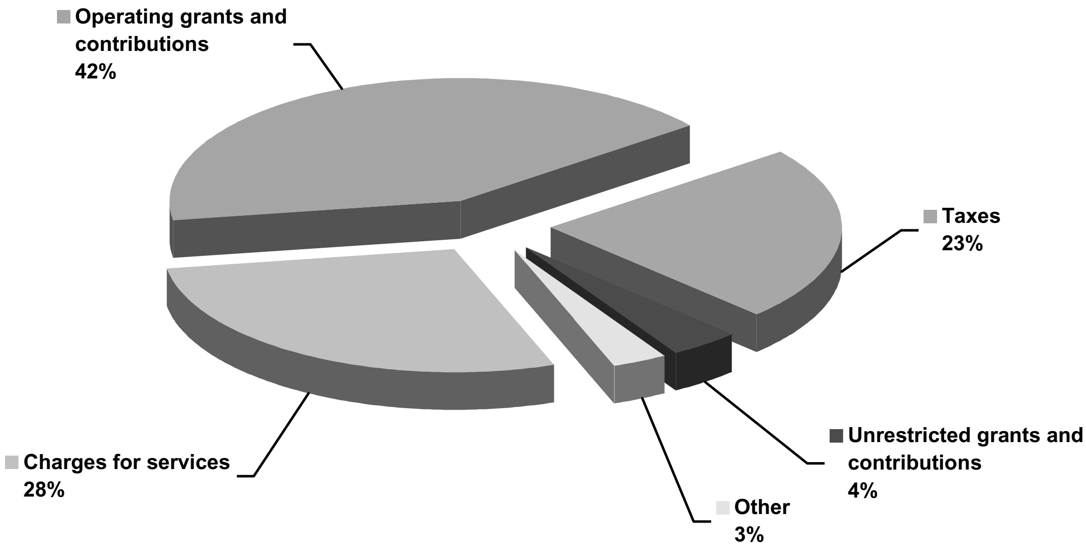
The following table indicates the changes in net assets for governmental and business-type activities:

Summary of Changes in Net Assets
For the Years Ended June 30, 2004 and 2005
(in thousands)

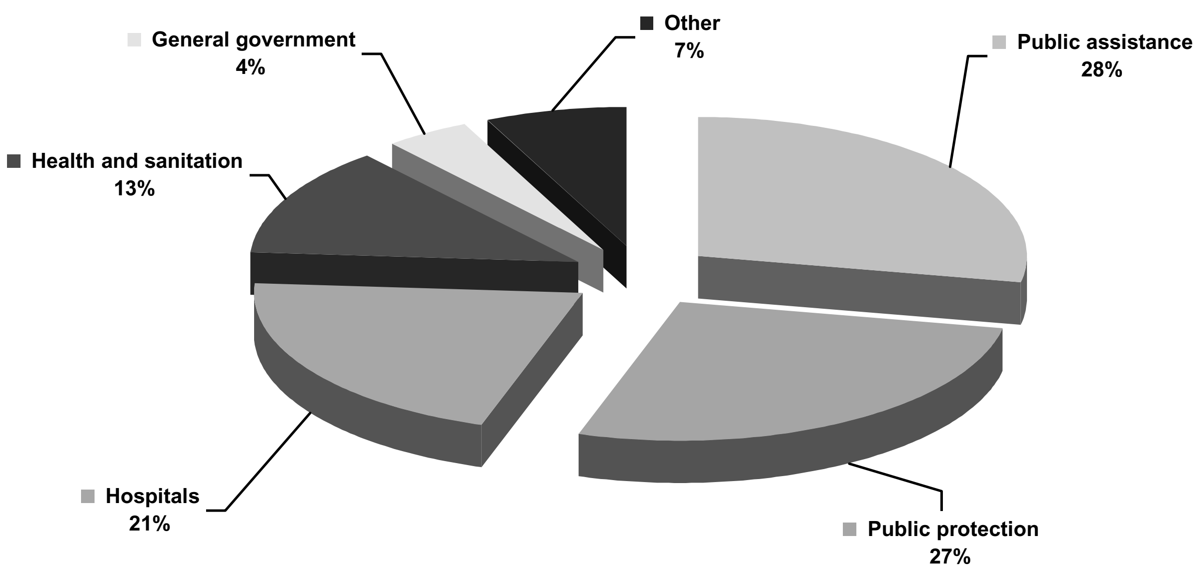
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$ 2,087,578	$ 1,998,085	$ 2,458,921	$ 2,454,197	$ 4,546,499	$ 4,452,282
Operating grants and contributions	6,551,225	6,362,285	262,636	277,427	6,813,861	6,639,712
Capital grants and contributions	44,072	59,650	138,723	83,537	182,795	143,187
General revenues:						
Taxes	3,804,859	2,912,645	701	2,845	3,805,560	2,915,490
Intergovernmental-motor vehicle in-lieu taxes, not restricted		573,859				573,859
Unrestricted grants and contributions	731,767	711,961	34	32	731,801	711,993
Investment earnings	137,382	57,807	6,416	1,452	143,798	59,259
Miscellaneous	130,904	186,406	54,103	53,401	185,007	239,807
Total revenues	13,487,787	12,862,698	2,921,534	2,872,891	16,409,321	15,735,589
Expenses:						
General government	666,778	650,096			666,778	650,096
Public protection	4,159,675	4,044,824			4,159,675	4,044,824
Public ways and facilities	249,065	222,416			249,065	222,416
Health and sanitation	1,941,315	1,918,831			1,941,315	1,918,831
Public assistance	4,398,391	4,383,626			4,398,391	4,383,626
Education	86,707	77,207			86,707	77,207
Recreation and cultural services	236,421	229,541			236,421	229,541
Interest on long-term debt	223,696	240,494			223,696	240,494
Hospitals			3,235,176	3,063,732	3,235,176	3,063,732
Aviation			5,747	5,155	5,747	5,155
Waterworks			43,444	45,473	43,444	45,473
Community Development Commission			217,560	222,207	217,560	222,207
Total expenses	11,962,048	11,767,035	3,501,927	3,336,567	15,463,975	15,103,602
Excess (deficiency) before transfers and special item	1,525,739	1,095,663	(580,393)	(463,676)	945,346	631,987
Transfers	(686,549)	(712,834)	686,549	712,834		
Special item	188,493				188,493	
Changes in net assets	1,027,683	382,829	106,156	249,158	1,133,839	631,987
Net assets (deficit) – beginning	1,109,107	726,278	136,957	(112,201)	1,246,064	614,077
Net assets – ending	$ 2,136,790	$ 1,109,107	$ 243,113	$ 136,957	$ 2,379,903	$ 1,246,064

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005



The County's net assets increased by $1.134 billion overall during the current fiscal year. The increases for governmental and business-type activities were $1.028 billion and $106 million, respectively. Following are specific major factors that resulted in the net asset changes.

<u>Governmental Activities</u>

Revenues from governmental activities grew by $625 million (4.9%) 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 $892 million higher than the previous year. State legislation, which became effective in the current year, eliminated the County's revenue source referred to as "Intergovernmental-motor vehicle in-lieu taxes, not restricted." This revenue source was replaced with an equivalent amount of property tax revenues and represented $733 million dollars in the current year. The additional growth in tax revenues, $159 million, was mainly due to increased property taxes as there was a continued upward trend in the County's assessed property values. The $159 million in year-to-year growth was achieved despite a State-mandated shift of local government property taxes in the current year. The County's share of this shift was $103 million and had the effect of reducing property taxes in the current year.

- Operating grants and contributions are the County's largest source of program revenues and grew by $189 million. The growth in this revenue source was primarily associated with reimbursable activities in the public assistance and public protection areas, which increased by $103 million and $63 million, respectively.

- Current year investment earnings increased by $80 million, or 138%. The yield from the County's Treasury Pool improved from 1.37% in the prior year to 2.16% in the current year.

Expenses related to governmental activities increased by $195 million (1.7%) during the current year. Expenses were higher across all areas in the current year when compared with the prior year, except for interest on long-term debt, which declined by $17 million. The pattern of cost increases was generally reflective of overall inflationary increases in salaries, benefits, services and supplies. Although there was no significant program expansion during the current year, the County's spending plan was designed to restore service levels that were previously curtailed due to uncertainties with the State's financial condition.

As discussed in Note 17 to the basic financial statements, the County recognized a Special Item totaling $188 million in the current year. There were unique circumstances that resulted in the recognition and classification of this transaction. In 2003-2004, the State withheld approximately $204 million of revenues that were allocable to the County. The State acted similarly with all other counties in order to mitigate a severe budget deficit. Due to significant uncertainty with regard to the State's ability and willingness to pay this amount, the County deferred recognition of these revenues in the 2003-2004 basic financial statements. The State subsequently passed legislation in August 2004, that authorized the County to sell its right to receive these revenues. The County utilized a component unit entity to facilitate the sale of no-commitment notes that were not obligations of the County or the component unit. The note proceeds were used to purchase the receivables and the County received net proceeds of $188 million, which are legally restricted for capital purposes. In July 2005, the State remitted $204.7 million, and this payment fully satisfies the State's obligation for this matter.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $49 million (1.7%). The most significant change was in the area of capital grants and contributions, which increased by $55 million. The increase was 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 continued to accelerate during the current year.

Expenses related to business-type activities increased from the previous year by $165 million (5.0%). The increased expenses were concentrated in the Hospitals, where expenses were higher by $171 million. Hospital costs for salaries and employee benefits increased by $57 million and were reflective of anticipated wage and benefit increases. Professional and specialized services expenses were $102 million higher in the current year as there was increased dependency on contracted personnel, especially in the skilled nursing area.

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 $4.162 billion, an increase of $750 million in comparison with the prior year. Of the total fund balance, $1.119 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.259 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $1.784 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $13.418 billion, an increase of $610 million (4.8%) from the previous year. Expenditures for all governmental funds in the current year were $12.228 billion, an increase of $324 million (2.7%) from the previous year. In addition, other financing uses exceeded other financing sources by $628 million, as compared to $681 million in the prior year. As discussed in Note 17 to the basic financial statements, the County recognized a Special Item in the current year, which consisted of net proceeds approximating $188 million from the sale of accounts receivable.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $439 million (23.3%). At the end of the current fiscal year, the General Fund's total fund balance was $2.327 billion. Of this amount, $401 million was reserved and therefore unavailable for spending. Of the unreserved total of $1.926 billion, $1.017 billion has been designated (earmarked) and the remaining $909 million is considered both unreserved and undesignated.

Governmental Funds-Continued

General Fund revenues during the current year were $11.497 billion, an increase of $491 million (4.5%) from the previous year. General Fund expenditures during the current year were $10.411 billion, an increase of $204 million (2.0%) from the previous year. Other financing sources/uses-net was negative $647 million in the current year as compared to negative $608 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $828 million, primarily from property taxes. As discussed previously, State legislation shifted a significant portion of General Fund revenues that were formerly recognized as "Intergovernmental Revenues-State" to the category of property taxes. This shift accounted for approximately $733 million of the year-to-year increase. The remainder of the increase ($95 million) was attributable to ongoing growth in property values and their related tax levies. The General Fund also was required to forego $103 million of current year property tax revenues due to a State-imposed property tax shift.

- Intergovernmental revenues decreased by nearly $400 million. As mentioned previously, the County did not recognize intergovernmental revenues in the current year for vehicle license fees. In the prior year, such revenues were $574 million. This reduction was offset by a $126 million increase in State realignment revenues for children and family services, in-home supportive services, and mental health services. State public safety augmentation funding also increased by $53 million.

- Investment income more than doubled, as current year revenues were $88 million in comparison with the prior year amount of $40 million. As previously mentioned, the yield on investments increased significantly and the amount of funds available for investment was generally higher throughout the year.

- Current expenditures increased by $208 million and there were increases in all functional areas except for general government. The most significant increases were in the areas of public protection and public assistance, where expenditures were higher by $144 million and $53 million, respectively.

The Fire Protection District reported a year-end fund balance of $103 million, which represented an increase of $35 million from the previous year. This increase coincided with a $35 million increase (7.4%) 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.

Proprietary Funds-Continued

The County's principal proprietary funds are the six hospital enterprise funds and each one has been reported as a major fund. As discussed in Note 11 to the basic financial statements, the County merged High Desert Hospital with the Olive View/UCLA Medical Center at the end of the current fiscal year. 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 $548 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of $145 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"), which provides funding for trauma and emergency services.

The average daily census for the County's Hospitals slightly declined from the previous year's average of 1,567 to the current year average of 1,504. There was a year-to-year average daily census decrease for the Martin Luther King/Drew Medical Center (MLK/Drew), as it declined from 202 to 172. There was significant focus on MLK/Drew throughout the year as the County discontinued trauma services, engaged the services of a management consulting firm, and focused on remedying various operational problems at this facility.

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 $36 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	$ 236,548	$ 2,910,247	$ 2,829,342	$ (80,905)
Intergovernmental revenues	170,894	7,375,414	6,842,809	(532,605)
Charges for services	(54,501)	1,279,998	1,272,536	(7,462)
All other revenues	139,251	543,026	589,740	46,714
Other sources and transfers	(147,487)	385,848	305,457	(80,391)
Total	$ 344,705	$ 12,494,533	$ 11,839,884	$ (654,649)

Changes from Amounts Originally Budgeted

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

- The budget for tax revenues was increased by $237 million. During the fiscal year, the County increased budgeted tax revenues by approximately $100 million to finance additional appropriations and designations. The remaining $137 million increase occurred in conjunction with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.

- Estimated revenues from intergovernmental sources were increased by $171 million. During the fiscal year, approximately $59 million of State grant funds were used to augment the budget for various parks and recreation facilities. Approximately $68 million of State funding was added to programs operated by the Departments of Mental Health and Health Services. Estimated revenues from Homeland Security grant funds ($18 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining $26 million that was increased from the amounts originally budgeted from intergovernmental revenues.

- The increase of $139 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of $103 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous amounts totaling $36 million were also added to this revenue category.

- The amount budgeted for "other sources and transfers" was reduced during the year by $147 million. The original amount budgeted for "transfers in" was reduced by $203 million due to a change in the method of budgeting for the recovery of intergovernmental transfer payments that are made on behalf of the Hospital Funds. This amount was offset by a $50 million miscellaneous increase in the amount of budgeted "transfers in" to reflect newly available resources from a Capital Projects Fund that was established mid-year. There were also miscellaneous budgetary additions of $6 million to the "transfers in" category.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $655 million, or 5.2%, lower than budget. As discussed below, most of this variance was concentrated in the area of intergovernmental revenues.

- Actual intergovernmental revenues were $533 million lower than the amount budgeted. Social service programs accounted for approximately $208 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. An additional $198 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. The remaining variance of $127 million (mostly federal assistance) was associated with mental health services, due to lower than expected reimbursable costs.

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	$ (86,621)	$ 917,890	$ 650,969	$ 266,921
Public protection	75,990	3,578,881	3,438,210	140,671
Health and sanitation	(253,892)	2,224,987	2,125,863	99,124
Public assistance	22,181	4,733,753	4,319,570	414,183
All other expenditures	133,764	779,673	293,419	486,254
Transfers out	75,380	645,275	645,027	248
Contingencies	87,140	103,361		103,361
Reserves/designations-net	290,763	382,997	330,500	52,497
Total	$ 344,705	$ 13,366,817	$11,803,558	$ 1,563,259

Changes from Amounts Originally Budgeted

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

- Provisions for net reserves and designations were increased during the year by $291 million. Of this amount, $153 million was related to designations established for health services. There was also a net increase of $79 million to the designation for budgetary uncertainties. A new designation of $40 million was established for the replacement of the interoperable Fire/Sheriff communication system. Miscellaneous additions of approximately $19 million were made to other designations.

- Appropriations were increased for "all other expenditures" by approximately $134 million, nearly all of which was associated with capital outlay. The most significant increase was related to $59 million of parks and recreation capital facilities and improvements funded by State grants. The remaining $75 million consisted of numerous capital improvements and refurbishments that were added to the budget throughout the fiscal year.

- Overall appropriations were reduced for the health and sanitation category by $254 million. At the end of the fiscal year, the budget was realigned to reflect actual spending requirements in this area. The most significant change in this area was a $203 million reduction of appropriations for intergovernmental transfer payments made on behalf of the Hospital Funds. The reduction coincided with a budgetary change which shifted the payment requirements from the General Fund to the Hospital Funds. Appropriations for various other General Fund health care programs were reduced by $51 million.

- After the original budget was established, appropriations for contingencies were increased by $87 million. The increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $1.563 billion lower (approximately 11.7%) than the final total budget of $13.367 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $486 million less than the budgeted amount. Nearly all ($475 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.

- Actual public assistance expenditures were $414 million lower than the final budget. Most of this variance ($310 million) was concentrated in programs operated by the Department of Public Social Services. Factors that led to this variance included lower than anticipated caseload volume and average cost per caseload for the CalWORKs program. Administrative costs for social service programs were also lower than anticipated due to staffing vacancies and budgetary savings in contracted services. The remaining variance of $104 million was concentrated in other social service programs that were primarily focused on children and family services.

- The general government function reported actual expenditures that were $267 million less than the amount budgeted. Of this amount, $170 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 $97 million was spread across virtually every department comprising general government and was mostly related to salary savings and savings in services and supplies.

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2005 were $4.508 billion (net of depreciation). Capital assets include land, buildings and improvements, machinery and equipment. Infrastructure assets have also been recognized for activity that has occurred from July 1, 2001 through June 30, 2005. 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 until fiscal year 2005-2006.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $229 million or 5.3%, 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	$ 403,922	$ 395,135	$ 8,787
Buildings and improvements	2,978,948	2,986,380	(7,432)
Infrastructure	185,988	136,781	49,207
Equipment	249,754	258,123	(8,369)
Construction-in-progress	689,092	502,674	186,418
Total	$ 4,507,704	$ 4,279,093	$ 228,611

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 values of the new construction for these activities were $18 million and $31 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, $185 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	$ 1,983,844	$ 2,136,123	$ 152,279
Pension Bonds Payable	1,628,575	1,813,812	185,237
Total	$ 3,612,419	$ 3,949,935	$ 337,516

During the current year, the County's liabilities for long-term debt decreased by $338 million, or 8.5%. 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:

- Refunding bonds totaling $575 million were issued to advance outstanding bond principal of $622 million.
- New debt of $60 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 $12.3 million was issued to finance the acquisition of equipment. Equipment debt totaling $16.5 million was redeemed during the year in accordance with maturity schedules.
- Pension bonds totaling $271 million were redeemed during the year. This amount was offset by $86 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, 2005, 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	AA

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2005-2006 Budget on June 20, 2005. The Budget was adopted based on estimated fund balances that would be available at the end of 2004-2005. The Board updated the Budget on September 20, 2005 to reflect final 2004-2005 fund balances and other pertinent financial information. For the County's General Fund, the 2005-2006 Budget, as updated in September 2005, utilized $908.6 million of available fund balance, which exceeded the previously estimated fund balance of $747.1 million. The additional fund balance of $161.5 million was used to appropriate $23.4 million to carryover lapsed appropriations and $138.1 million was appropriated for one-time needs which were predominately capital improvements.

Although the County's Budget continued to be impacted by the State budget outlook, the State's budget was adopted on July 10, 2005, the earliest budget adoption in five years. The State's action enabled the County to formulate the 2005-2006 Budget with more certainty than in recent years. The County will be required to forego $103 million of property tax revenues as its share of a property tax revenue shift from local governments to the State. This shift represents the second year of a two-year State Budget provision known as the "Local Government Agreement" and the funding for the second year was set aside as part of the County's 2004-2005 budget process.

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2005 (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)	$ 2,725,420	$ 145,650	$ 2,871,070	$ 726,920
Other (Note 1)	1,130,977	66,032	1,197,009	
Total pooled cash and investments	3,856,397	211,682	4,068,079	726,920
Other investments (Note 4)	293,555	19,914	313,469	
Taxes receivable	263,962	1,153	265,115	
Accounts receivable - net		617,633	617,633	
Interest receivable	13,147	433	13,580	4,339
Other receivables	1,228,922	23,364	1,252,286	32,170
Internal balances	(135,586)	135,586		
Inventories	93,213	25,352	118,565	5
Restricted assets (Note 4)	7,792	24,890	32,682	
Net pension obligation (Note 6)	306,250	107,036	413,286	
Capital assets: (Notes 5 and 7)				
Land and construction in progress	433,904	659,110	1,093,014	2,039
Other capital assets, net of depreciation	2,920,120	494,570	3,414,690	11,328
Total capital assets	3,354,024	1,153,680	4,507,704	13,367
TOTAL ASSETS	9,281,676	2,320,723	11,602,399	776,801
LIABILITIES				
Accounts payable	296,114	73,856	369,970	14,807
Accrued payroll	384,795	87,773	472,568	
Other payables	67,302	7,645	74,947	
Accrued interest payable	19,309	1,243	20,552	
Deferred revenue (Note 6)	64,016	9,976	73,992	
Advances payable	242,442		242,442	
Noncurrent liabilities: (Notes 6, 7, 8, 11 and 15)				
Due within one year	957,167	413,107	1,370,274	42
Due in more than one year	5,113,741	1,484,010	6,597,751	158
TOTAL LIABILITIES	7,144,886	2,077,610	9,222,496	15,007
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	2,556,556	793,517	3,350,073	13,367
Restricted for:				
Capital projects	190,492		190,492	
Debt service	8,108	56,713	64,821	
Expendable trust	2,171		2,171	
Nonexpendable trust	3,339		3,339	
Special purpose	948,735	17,460	966,195	748,427
Unrestricted (deficit)	(1,572,611)	(624,577)	(2,197,188)	
TOTAL NET ASSETS	$ 2,136,790	$ 243,113	$ 2,379,903	$ 761,794

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, 2005 (in thousands)

		PROGRAM REVENUE		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 666,778	$ 371,338	$ 51,373	$ 7,860
Public protection	4,159,675	1,112,288	1,080,563	5,656
Public ways and facilities	249,065	29,975	154,155	735
Health and sanitation	1,941,315	378,324	1,292,024	6,832
Public assistance	4,398,391	32,379	3,969,598	
Education	86,707	3,275	1,699	
Recreation and cultural services	236,421	159,999	1,813	22,989
Interest on long-term debt	223,696			
Total governmental activities	11,962,048	2,087,578	6,551,225	44,072
Business-type activities:				
Hospitals	3,235,176	2,390,770	49,818	137,795
Aviation	5,747	2,714	46	928
Waterworks	43,444	55,262		
Community Development Commission	217,560	10,175	212,772	
Total business-type activities	3,501,927	2,458,921	262,636	138,723
Total primary government	$ 15,463,975	$ 4,546,499	$ 6,813,861	$ 182,795
COMPONENT UNIT -				
Children and Families First Commission	$ 99,771	$	$ 163,786	$

GENERAL REVENUES:
Taxes:
Property taxes
Sales and use taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Grants and contributions not restricted
to special programs
Investment earnings
Miscellaneous
SPECIAL ITEM - Gain on sale of receivables (Note 17)
TRANSFERS - NET
Total general revenues, special item and transfers
CHANGE IN NET ASSETS
NET ASSETS, JULY 1, 2004
NET ASSETS, JUNE 30, 2005

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
FUNCTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ (236,207)	$	$ (236,207)	
Public protection	(1,961,168)		(1,961,168)	
Public ways and facilities	(64,200)		(64,200)	
Health and sanitation	(264,135)		(264,135)	
Public assistance	(396,414)		(396,414)	
Education	(81,733)		(81,733)	
Recreation and cultural services	(51,620)		(51,620)	
Interest on long-term debt	(223,696)		(223,696)	
Total governmental activities	(3,279,173)		(3,279,173)	
Business-type activities:				
Hospitals		(656,793)	(656,793)	
Aviation		(2,059)	(2,059)	
Waterworks		11,818	11,818	
Community Development Commission		5,387	5,387	
Total business-type activities		(641,647)	(641,647)	
Total primary government	(3,279,173)	(641,647)	(3,920,820)	
COMPONENT UNIT -				
Total - Children & Families First Commission				$ 64,015
GENERAL REVENUES:				
Taxes:				
Property taxes	3,287,380	701	3,288,081	
Sales and use taxes	70,748		70,748	
Utility users taxes	56,271		56,271	
Voter approved taxes	248,895		248,895	
Documentary transfer taxes	90,309		90,309	
Other taxes	51,256		51,256	
Grants and contributions not restricted to special programs	731,767	34	731,801	
Investment earnings	137,382	6,416	143,798	13,159
Miscellaneous	130,904	54,103	185,007	
SPECIAL ITEM - Gain on sale of receivables (Note 17)	188,493		188,493	
TRANSFERS - NET	(686,549)	686,549		
Total general revenues, special item and transfers	4,306,856	747,803	5,054,659	13,159
CHANGE IN NET ASSETS	1,027,683	106,156	1,133,839	77,174
NET ASSETS, JULY 1, 2004	1,109,107	136,957	1,246,064	684,620
NET ASSETS, JUNE 30, 2005	$ 2,136,790	$ 243,113	$ 2,379,903	$ 761,794

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 1,241,711	77,555	115,635	11,682
Other (Note 1)	892,466	27,709	7,229	3,011
Total pooled cash and investments	2,134,177	105,264	122,864	14,693
Other investments (Note 4)	6,594			120
Taxes receivable	187,441	43,197	13,599	5,975
Interest receivable	9,444	199	281	37
Other receivables	1,093,268	18,893	3,174	98
Due from other funds (Note 12)	556,210	5,313	8,424	2,096
Advances to other funds (Note 12)	445,337		6,544	
Inventories	39,713	5,726		1,293
TOTAL ASSETS	$ 4,472,184	178,592	154,886	24,312
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 241,753	3,763	3,592	2,353
Accrued payroll	328,578	33,975		3,586
Other payables	62,092	1,364		189
Due to other funds (Note 12)	1,001,456	3,879	16,550	3,302
Advances from other funds (Note 12)				
Deferred revenue (Note 6)	259,897	30,967	13,448	4,457
Advances payable	235,029			
Third party payor liability (Notes 8 and 11)	16,650	1,455		
TOTAL LIABILITIES	2,145,455	75,403	33,590	13,887
FUND BALANCES:				
Reserved for:				
Encumbrances	333,499	35,588	91,505	5,896
Inventories	39,713	5,726		1,293
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	27,415	25	3,008	15
Unreserved, designated for:				
Budget uncertainties	496,672	50,000		
Program expansion	190,548			1,102
Health services	329,806			
Capital projects			18,099	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	909,076			
Special revenue funds		11,850	8,684	2,119
Capital projects funds				
TOTAL FUND BALANCES	2,326,729	103,189	121,296	10,425
TOTAL LIABILITIES AND FUND BALANCES	$ 4,472,184	178,592	154,886	24,312

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)				
Operating (Note 1)	$ 236,574	1,157,372		$ 2,840,529
Other (Note 1)	2,327	30,934		963,676
Total pooled cash and investments	238,901	1,188,306		3,804,205
Other investments (Note 4)		629,365	(349,690)	286,389
Taxes receivable	2,778	10,972		263,962
Interest receivable	640	2,447		13,048
Other receivables	4,850	62,889		1,183,172
Due from other funds (Note 12)	2,257	24,190		598,490
Advances to other funds (Note 12)		10,530		462,411
Inventories		39,721		86,453
TOTAL ASSETS	$ 249,426	1,968,420	(349,690)	$ 6,698,130
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 506	42,010		$ 293,977
Accrued payroll		452		366,591
Other payables		1,464		65,109
Due to other funds (Note 12)	4,508	167,856		1,197,551
Advances from other funds (Note 12)		2,100		2,100
Deferred revenue (Note 6)	5,610	32,938		347,317
Advances payable		7,413		242,442
Third party payor liability (Notes 8 and 11)		2,512		20,617
TOTAL LIABILITIES	10,624	256,745		2,535,704
FUND BALANCES:				
Reserved for:				
Encumbrances	91,734	147,549		705,771
Inventories		39,721		86,453
Housing programs		2,079		2,079
Debt service		609,183	(349,690)	259,493
Endowments and annuities		3,339		3,339
Assets unavailable for appropriation		30,969		61,432
Unreserved, designated for:				
Budget uncertainties				546,672
Program expansion	19,346			210,996
Health services				329,806
Capital projects				18,099
Special revenue funds - program expansion		153,992		153,992
Unreserved, undesignated, reported in:				
General fund				909,076
Special revenue funds	127,722	459,961		610,336
Capital projects funds		264,882		264,882
TOTAL FUND BALANCES	238,802	1,711,675	(349,690)	4,162,426
TOTAL LIABILITIES AND FUND BALANCES	$ 249,426	1,968,420	(349,690)	$ 6,698,130

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005 (in thousands)

Fund balances - total governmental funds (page B-27)		$ 4,162,426
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	$ 286,549	
Construction-in-progress	147,355	
Buildings and improvements - net	2,513,541	
Equipment - net	143,385	
Infrastructure - net	185,988	3,276,818
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	$ 188,722	
Long-term receivables	140,959	329,681
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.		285,689
Accrued interest payable is not recognized in governmental funds.		(19,309)
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	$ (1,566,981)	
Pension bonds payable	(1,125,771)	
Capital lease obligations	(130,454)	
Accrued vacation/sick leave	(572,073)	
Workers' compensation	(2,037,940)	
Litigation/self-insurance	(381,036)	
Third party payors	(1,061)	(5,815,316)
Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets.		(83,199)
Net assets of governmental activities (page B-23)		$ 2,136,790

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 2,816,095	503,084	68,576	56,991
Licenses, permits and franchises	58,422	8,802	309	
Fines, forfeitures and penalties	220,622	2,751	1,205	469
Revenue from use of money and property:				
Investment income (Note 4)	88,042	934	2,509	245
Rents and concessions (Note 7)	15,605	87	5,009	17
Royalties	216		182	
Intergovernmental revenues:				
Federal	2,662,720	2,420	4,065	101
State	4,072,855	13,424	2,633	2,116
Other	82,975	19,921	2,142	903
Charges for services	1,272,536	130,389	112,652	3,105
Miscellaneous	207,201	229	1,128	611
TOTAL REVENUES	11,497,289	682,041	200,410	64,558
EXPENDITURES:				
Current:				
General government	634,113			
Public protection	3,239,152	608,571	182,491	
Public ways and facilities				
Health and sanitation	1,844,546			
Public assistance	4,257,038			
Education				85,066
Recreation and cultural services	172,338			
Debt service:				
Principal	176,504	8,717		1,937
Interest and other charges	68,873	2,111		469
Capital leases	11,449			
Capital outlay	7,329			
TOTAL EXPENDITURES	10,411,342	619,399	182,491	87,472
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,085,947	62,642	17,919	(22,914)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	76,068	48		26,016
Transfers out (Note 12)	(733,126)	(28,011)	(18,187)	(1,822)
Proceeds of long-term debt (Note 8)				
Proceeds of refunding bonds (Note 8)				
Payment to refunded bonds escrow agent (Note 8)				
Bond premium proceeds (Note 8)				
Capital leases (Note 7)	7,329			
Sales of capital assets	2,784	86	1,281	8
TOTAL OTHER FINANCING SOURCES (USES)	(646,945)	(27,877)	(16,906)	24,202
SPECIAL ITEM - Proceeds from sale of receivables (Note 17)				
NET CHANGE IN FUND BALANCES	439,002	34,765	1,013	1,288
FUND BALANCE, JULY 1, 2004	1,887,727	68,424	120,283	9,137
FUND BALANCE, JUNE 30, 2005	$ 2,326,729	103,189	121,296	10,425

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

	REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	$	260,239		$ 3,704,985
Licenses, permits and franchises		5,917		73,450
Fines, forfeitures and penalties	1,126	68,541		294,714
Revenue from use of money and property:				
Investment income (Note 4)	5,755	54,733	(15,385)	136,833
Rents and concessions (Note 7)		48,535		69,253
Royalties		10		408
Intergovernmental revenues:				
Federal		94,364		2,763,670
State		184,148		4,275,176
Other		16,733		122,674
Charges for services	78,781	102,014		1,699,477
Miscellaneous		67,831		277,000
TOTAL REVENUES	85,662	903,065	(15,385)	13,417,640
EXPENDITURES:				
Current:				
General government		30,557		664,670
Public protection		81,097		4,111,311
Public ways and facilities		247,314		247,314
Health and sanitation		90,661		1,935,207
Public assistance		130,119		4,387,157
Education				85,066
Recreation and cultural services	48,381	6,049		226,768
Debt service:				
Principal		185,318	(26,520)	345,956
Interest and other charges		125,880	(15,385)	181,948
Capital leases				11,449
Capital outlay		24,055		31,384
TOTAL EXPENDITURES	48,381	921,050	(41,905)	12,228,230
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	37,281	(17,985)	26,520	1,189,410
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	1,056	313,793		416,981
Transfers out (Note 12)	(38,109)	(285,143)		(1,104,398)
Proceeds of long-term debt (Note 8)		7,700		7,700
Proceeds of refunding bonds (Note 8)		434,471		434,471
Payment to refunded bonds escrow agent (Note 8)		(434,471)		(434,471)
Bond premium proceeds (Note 8)		37,629		37,629
Capital leases (Note 7)				7,329
Sales of capital assets		2,669		6,828
TOTAL OTHER FINANCING SOURCES (USES)	(37,053)	76,648		(627,931)
SPECIAL ITEM - Proceeds from sale of receivables (Note 17)		188,493		188,493
NET CHANGE IN FUND BALANCES	228	247,156	26,520	749,972
FUND BALANCE, JULY 1, 2004	238,574	1,464,519	(376,210)	3,412,454
FUND BALANCE, JUNE 30, 2005	$ 238,802	1,711,675	(349,690)	$ 4,162,426

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, 2005 (in thousands)

Net change in fund balances - total governmental funds (page B-31)		$ 749,972
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	$ 197,261	
Less - current year depreciation expense	(122,312)	74,949
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.		(12,150)
Revenue timing differences result in less revenue in government-wide statements.		(1,411)
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	$ 187,158	
General obligation bonds	11,155	
Certificates of participation	132,808	
Assessment bonds	26,520	
Other long term notes and loans	15,101	372,742
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	$ 57,665	
Change in litigation/self-insurance	(15,499)	
Change in accrued vacation/sick leave	(17,955)	
Change in third party payors	(901)	
Change in accrued interest payable	4,877	
Accretion of pension bonds	(59,112)	(30,925)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(121,277)
The portion of internal service funds that is reported with governmental activities.		(4,217)
Change in net assets of governmental activities (page B-25)		$ 1,027,683

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, 2005 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 2,673,699	2,910,247	2,829,342	(80,905)
Licenses, permits and franchises	54,556	57,696	58,422	726
Fines, forfeitures and penalties	183,198	185,952	220,622	34,670
Revenue from use of money and property:				
Investment income	49,947	70,861	84,160	13,299
Rents and concessions	21,360	21,360	15,605	(5,755)
Royalties	232	232	216	(16)
Intergovernmental revenues:				
Federal	3,120,674	3,133,167	2,638,259	(494,908)
State	3,967,375	4,123,656	4,120,222	(3,434)
Other	116,471	118,591	84,328	(34,263)
Charges for services	1,334,499	1,279,998	1,272,536	(7,462)
Miscellaneous	94,482	206,925	210,715	3,790
TOTAL REVENUES	11,616,493	12,108,685	11,534,427	(574,258)
EXPENDITURES:				
Current:				
General government	1,004,511	917,890	650,969	(266,921)
Public protection	3,502,891	3,578,881	3,438,210	(140,671)
Health and sanitation	2,478,879	2,224,987	2,125,863	(99,124)
Public assistance	4,711,572	4,733,753	4,319,570	(414,183)
Recreation and cultural services	186,264	187,925	176,854	(11,071)
Debt Service-				
Interest	9,962	9,962	9,962	
Capital Outlay	449,683	581,786	106,603	(475,183)
TOTAL EXPENDITURES	12,343,762	12,235,184	10,828,031	(1,407,153)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(727,269)	(126,499)	706,396	832,895
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	398	398	2,784	2,386
Transfers in	532,937	385,450	302,673	(82,777)
Transfers out	(569,895)	(645,275)	(645,027)	248
Appropriation for contingencies	(16,221)	(103,361)		103,361
Changes in reserves and designations	(92,234)	(382,997)	(330,500)	52,497
OTHER FINANCING SOURCES (USES) - NET	(145,015)	(745,785)	(670,070)	75,715
NET CHANGE IN FUND BALANCE	(872,284)	(872,284)	36,326	908,610
FUND BALANCE, JULY 1, 2004 (Note 13)	872,284	872,284	872,284	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		908,610	908,610

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, 2005 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 491,064	504,573	503,896	(677)
Licenses, permits and franchises	8,236	8,236	8,802	566
Fines, forfeitures and penalties	3,330	3,330	2,751	(579)
Revenue from use of money and property:				
Investment income			802	802
Rents and concessions	86	86	87	1
Intergovernmental revenues:				
Federal	11,493	11,493	2,420	(9,073)
State	13,324	13,324	13,424	100
Other	19,755	19,755	19,921	166
Charges for services	128,859	131,290	130,389	(901)
Miscellaneous	254	254	230	(24)
TOTAL REVENUES	676,401	692,341	682,722	(9,619)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	583,833	551,511	539,574	(11,937)
Services and supplies	82,166	80,048	70,753	(9,295)
Other charges	7,613	5,013	4,435	(578)
Capital assets	17,467	42,936	33,832	(9,104)
TOTAL EXPENDITURES	691,079	679,508	648,594	(30,914)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,678)	12,833	34,128	21,295
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	202	202	86	(116)
Transfers in		48	48	
Transfers out	(5,351)	(27,351)	(27,351)	
Appropriation for contingencies	(31,716)	(7,275)		7,275
Changes in reserves and designations	(20,000)	(50,000)	(48,505)	1,495
OTHER FINANCING SOURCES (USES) - NET	(56,865)	(84,376)	(75,722)	8,654
NET CHANGE IN FUND BALANCE	(71,543)	(71,543)	(41,594)	29,949
FUND BALANCE, JULY 1, 2004 (Note 13)	71,543	71,543	71,543	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		29,949	29,949

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, 2005 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 61,893	68,951	68,675	(276)
Licenses, permits and franchises	622	622	308	(314)
Fines, forfeitures and penalties	1,522	1,522	1,205	(317)
Revenue from use of money and property:				
Investment income	2,000	2,000	2,442	442
Rents and concessions	7,533	7,871	5,009	(2,862)
Royalties	435	435	182	(253)
Intergovernmental revenues:				
Federal	4,627	4,627	4,065	(562)
State	5,414	5,414	2,633	(2,781)
Other	1,891	1,891	2,142	251
Charges for services	112,397	112,397	112,602	205
Miscellaneous	262	262	1,129	867
TOTAL REVENUES	198,596	205,992	200,392	(5,600)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	188,587	190,125	186,985	(3,140)
Other charges	19,682	19,182	17,944	(1,238)
Capital assets	32,890	32,190	1,909	(30,281)
TOTAL EXPENDITURES	241,159	241,497	206,838	(34,659)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(42,563)	(35,505)	(6,446)	29,059
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	200	200	1,281	1,081
Transfers out	(1,874)	(1,874)	(608)	1,266
Long-term debt proceeds	27,810	27,810		(27,810)
Appropriation for contingencies	(53)	(7,111)		7,111
Changes in reserves and designations	1,378	1,378	4,153	2,775
OTHER FINANCING SOURCES (USES) - NET	27,461	20,403	4,826	(15,577)
NET CHANGE IN FUND BALANCE	(15,102)	(15,102)	(1,620)	13,482
FUND BALANCE, JULY 1, 2004 (Note 13)	15,102	15,102	15,102	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		13,482	13,482

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, 2005 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 56,207	57,160	57,055	(105)
Fines, forfeitures and penalties			469	469
Revenue from use of money and property:				
Investment income	60	60	195	135
Rents and concessions	50	50	17	(33)
Intergovernmental revenues:				
Federal			101	101
State	2,330	2,531	2,116	(415)
Other	1,582	1,582	903	(679)
Charges for services	2,457	2,457	3,105	648
Miscellaneous	1,158	1,229	610	(619)
TOTAL REVENUES	63,844	65,069	64,571	(498)
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	57,162	56,977	54,983	(1,994)
Services and supplies	33,182	33,932	33,093	(839)
Other charges	785	1,028	986	(42)
Capital assets	1,335	1,335	323	(1,012)
TOTAL EXPENDITURES	92,464	93,272	89,385	(3,887)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(28,620)	(28,203)	(24,814)	3,389
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			8	8
Transfers in	25,588	26,124	26,016	(108)
Transfers out	(1,306)	(1,306)	(1,306)	
Appropriation for contingencies		(953)		953
Changes in reserves and designations	(80)	(80)	87	167
OTHER FINANCING SOURCES (USES) - NET	24,202	23,785	24,805	1,020
NET CHANGE IN FUND BALANCE	(4,418)	(4,418)	(9)	4,409
FUND BALANCE, JULY 1, 2004 (Note 13)	4,418	4,418	4,418	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		4,409	4,409

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, 2005 (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	$ 894	894	1,126	232
Revenue from use of money and property-				
Investment income	4,303	4,303	5,626	1,323
Charges for services	78,324	78,324	78,923	599
Miscellaneous				
TOTAL REVENUES	83,521	83,521	85,675	2,154
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	3,926	4,982	4,663	(319)
Other charges	236,560	236,560	123,642	(112,918)
TOTAL EXPENDITURES	240,486	241,542	128,305	(113,237)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(156,965)	(158,021)	(42,630)	115,391
OTHER FINANCING SOURCES (USES):				
Transfers in	62,508	73,282	69,659	(3,623)
Transfers out	(100,812)	(110,530)	(106,711)	3,819
Long-term debt proceeds	78,544	78,544		(78,544)
Appropriation for contingencies	(12,003)	(12,003)		12,003
Changes in reserves and designations	3,569	3,569	82,968	79,399
OTHER FINANCING SOURCES (USES) - NET	31,806	32,862	45,916	13,054
NET CHANGE IN FUND BALANCE	(125,159)	(125,159)	3,286	128,445
FUND BALANCE, JULY 1, 2004 (Note 13)	125,761	125,761	125,761	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$ 602	602	129,047	128,445

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, 2005 (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)	$ 446	393	108,922	444	
Other (Note 1)	8,734	8,287	37,619	6,574	
Total pooled cash and investments	9,180	8,680	146,541	7,018	
Other investments (Note 4)					
Taxes receivable					
Accounts receivable - net	116,848	103,399	225,417	113,871	
Interest receivable	8	9	327	3	
Other receivables	3,383	4,762	8,854	3,622	
Due from other funds (Note 12)	170,658	136,367	717,077	126,481	
Advances to other funds (Note 12)					
Inventories	3,273	3,831	13,298	3,937	
Total current assets	303,350	257,048	1,111,514	254,932	
Noncurrent assets:					
Restricted assets (Note 4)	1,621	7,030	10,660	191	
Net pension obligation (Note 6)	16,842	15,079	44,223	18,768	
Capital assets: (Notes 5 and 7)					
Land	1,001	15,171	18,183	2,277	
Buildings and improvements	77,672	152,940	164,111	195,357	
Equipment	32,412	21,188	81,178	40,118	
Construction in progress	14,505		518,254		
Less accumulated depreciation	(74,738)	(93,019)	(198,788)	(130,094)	
Total capital assets - net	50,852	96,280	582,938	107,658	
Total noncurrent assets	69,315	118,389	637,821	126,617	
TOTAL ASSETS	372,665	375,437	1,749,335	381,549	
LIABILITIES					
Current liabilities:					
Accounts payable	8,277	6,474	35,848	13,695	
Accrued payroll	17,176	13,538	35,461	15,230	
Other payables	1,053	924	1,761	1,051	
Accrued interest payable	91	141	115	514	
Due to other funds (Note 12)	51,338	82,589	405,621	74,673	
Advances from other funds (Note 12)	95,131	96,407	117,458	117,125	
Deferred revenue (Note 6)	1,254	1,123	4,792	1,397	
Current portion of long-term liabilities (Note 8)	31,326	41,653	264,728	42,744	
Total current liabilities	205,646	242,849	865,784	266,429	
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 8)	21,113	15,083	38,228	17,920	
Bonds and notes payable (Note 8)	14,930	19,465	19,805	52,271	
Pension bonds payable (Notes 6 and 8)	53,611	47,998	140,770	59,742	
Capital lease obligations (Notes 7 and 8)	148	16			
Workers' compensation (Notes 8 and 15)	36,861	30,864	149,674	76,379	
Litigation and self-insurance (Notes 8 and 15)	29,942	17,936	92,603	39,631	
Third party payors (Notes 8 and 11)	88,577	97,334	119,936	31,670	
Total noncurrent liabilities	245,182	228,696	561,016	277,613	
TOTAL LIABILITIES	450,828	471,545	1,426,800	544,042	
NET ASSETS					
Invested in capital assets, net of related debt (Notes 5 and 8)	35,507	72,447	388,892	52,461	
Restricted	1,530	6,889	10,545	(323)	
Unrestricted (Deficit)	(115,200)	(175,444)	(76,902)	(214,631)	
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ (78,163)	(96,108)	322,535	(162,493)	

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)				
Operating (Note 1)	$ 194	34,853	$ 145,252	$ 45,114
Other (Note 1)	2,403	2,399	66,016	7,492
Total pooled cash and investments	2,597	37,252	211,268	52,606
Other investments (Note 4)		19,914	19,914	7,166
Taxes receivable		1,153	1,153	
Accounts receivable - net	48,979		608,514	
Interest receivable	2	66	415	120
Other receivables	2,158	9,115	31,894	1,733
Due from other funds (Note 12)	54,346	855	1,205,784	49,930
Advances to other funds (Note 12)		1,159	1,159	
Inventories	1,013		25,352	6,760
Total current assets	109,095	69,514	2,105,453	118,315
Noncurrent assets:				
Restricted assets (Note 4)	812		20,314	12,368
Net pension obligation (Note 6)	12,124		107,036	20,561
Capital assets: (Notes 5 and 7)				
Land	217	80,524	117,373	
Buildings and improvements	187,179	331,901	1,109,160	1,734
Equipment	10,535	2,508	187,939	206,358
Construction in progress	6,550	2,428	541,737	
Less accumulated depreciation	(92,689)	(229,299)	(818,627)	(114,788)
Total capital assets - net	111,792	188,062	1,137,582	93,304
Total noncurrent assets	124,728	188,062	1,264,932	126,233
TOTAL ASSETS	233,823	257,576	3,370,385	244,548
LIABILITIES				
Current liabilities:				
Accounts payable	2,420	5,688	72,402	6,843
Accrued payroll	6,368		87,773	18,204
Other payables	559	2,149	7,497	881
Accrued interest payable	382		1,243	398
Due to other funds (Note 12)	13,800	4,618	632,639	24,014
Advances from other funds (Note 12)	13,349		439,470	22,000
Deferred revenue (Note 6)	903	507	9,976	1,775
Current portion of long-term liabilities (Note 8)	25,585	1,275	407,311	44,478
Total current liabilities	63,366	14,237	1,658,311	118,593
Noncurrent liabilities:				
Accrued vacation and sick leave (Note 8)	8,215	218	100,777	30,642
Bonds and notes payable (Note 8)	48,558	6,037	161,066	25,110
Pension bonds payable (Notes 6 and 8)	38,592		340,713	65,450
Capital lease obligations (Notes 7 and 8)	512		676	319
Workers' compensation (Notes 8 and 15)	25,911		319,689	64,186
Litigation and self-insurance (Notes 8 and 15)	12,420		192,532	17,644
Third party payors (Notes 8 and 11)	21,794		359,311	
Total noncurrent liabilities	156,002	6,255	1,474,764	203,351
TOTAL LIABILITIES	219,368	20,492	3,133,075	321,944
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	58,496	181,410	789,213	61,111
Restricted	430	53,603	72,674	4,940
Unrestricted (Deficit)	(44,471)	2,071	(624,577)	(143,447)
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ 14,455	237,084	237,310	$ (77,396)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			5,803	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-23)			$ 243,113	

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (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)	$ 480,995	277,227	1,008,000	462,924	33,558
Rentals					
Charges for services					
Other	9,839	8,899	34,290	8,352	1,640
TOTAL OPERATING REVENUES	490,834	286,126	1,042,290	471,276	35,198
OPERATING EXPENSES:					
Salaries and employee benefits	248,281	163,031	517,369	221,265	37,674
Services and supplies	67,754	57,879	173,204	58,384	11,381
Other professional services	87,306	65,967	229,147	115,839	17,060
Depreciation and amortization (Note 5)	1,750	2,459	3,086	2,625	147
Medical malpractice	(1,523)	2,551	(89)	609	22
Rent	3,801	3,354	10,723	3,871	722
Provision for bad debts	2,464	3,258	4,500	3,035	3,918
TOTAL OPERATING EXPENSES	409,833	298,499	937,940	405,628	70,924
OPERATING INCOME (LOSS)	81,001	(12,373)	104,350	65,648	(35,726)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	569	230	3,200	1,155	64
Interest expense	(10,128)	(8,279)	(21,816)	(16,916)	(1,487)
Intergovernmental transfers expense (Note 11)	(171,300)	(101,263)	(391,064)	(185,427)	(2)
Intergovernmental revenues:					
State			10,608		
Federal			127,187		
TOTAL NONOPERATING REVENUES (EXPENSES)	(180,859)	(109,312)	(271,885)	(201,188)	(1,425)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(99,858)	(121,685)	(167,535)	(135,540)	(37,151)
Transfers in (Note 12)	84,939	67,737	372,206	64,372	55,583
Transfers out (Note 12)		(13,244)		(1)	
CHANGE IN NET ASSETS	(14,919)	(67,192)	204,671	(71,169)	18,432
TOTAL NET ASSETS (DEFICIT), JULY 1, 2004	(63,244)	(28,916)	117,864	(91,324)	(18,432)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2005	$ (78,163)	(96,108)	322,535	(162,493)	

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:				
Net patient service revenues (Note 11)	$ 178,519		$ 2,441,223	$
Rentals		12,535	12,535	23,156
Charges for services		55,616	55,616	343,273
Other	9,158	799	72,977	
TOTAL OPERATING REVENUES	187,677	68,950	2,582,351	366,429
OPERATING EXPENSES:				
Salaries and employee benefits	93,441		1,281,061	275,592
Services and supplies	20,623	257,012	646,237	48,934
Other professional services	23,058	2,348	540,725	9,721
Depreciation and amortization (Note 5)	2,387	6,840	19,294	28,325
Medical malpractice	342		1,912	
Rent	2,476		24,947	
Provision for bad debts	4,120		21,295	
TOTAL OPERATING EXPENSES	146,447	266,200	2,535,471	362,572
OPERATING INCOME (LOSS)	41,230	(197,250)	46,880	3,857
NONOPERATING REVENUES (EXPENSES):				
Taxes		701	701	
Interest income	199	1,012	6,429	665
Interest expense	(12,275)	(551)	(71,452)	(8,659)
Intergovernmental transfers expense (Note 11)	(65,768)		(914,824)	
Intergovernmental revenues:				
State		45	10,653	
Federal		212,979	340,166	107
TOTAL NONOPERATING REVENUES (EXPENSES)	(77,844)	214,186	(628,327)	(7,887)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(36,614)	16,936	(581,447)	(4,030)
Transfers in (Note 12)	61,429		706,266	1,793
Transfers out (Note 12)		(5,929)	(19,174)	(1,468)
CHANGE IN NET ASSETS	24,815	11,007	105,645	(3,705)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2004	(10,360)	226,077		(73,691)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2005	$ 14,455	237,084		$ (77,396)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			511	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)			$ 106,156	

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (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	$ 473,466	258,140	689,386	437,416	38,786
Rentals received					
Cash received from charges for services					
Other operating revenues	9,843	8,902	34,294	8,352	1,640
Cash received for services provided to other fund	7,777	6,987	17,851	10,638	4,231
Cash paid for salaries and employee benefits	(244,795)	(126,115)	(514,617)	(221,621)	(73,796)
Cash paid for services and supplies	(32,655)	19,669	171,438	36,379	(13,548)
Other operating expenses	(92,909)	(69,712)	(245,847)	(123,121)	(19,264)
Cash paid for services from other funds	(26,370)	(20,241)	(74,049)	(33,420)	(5,396)
Net cash provided by (required for) operating activities	94,357	77,630	78,456	114,623	(67,347)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	229,400	176,889	487,813	238,198	16,271
Cash advances paid/returned to other funds	(198,579)	(158,055)	(414,571)	(206,081)	(10,876)
Interest paid on pension bonds	(6,157)	(4,089)	(16,167)	(6,861)	(1,424)
Interest paid on advances	(2,328)	(2,284)	(3,039)	(3,032)	(35)
Intergovernmental transfers	(193,584)	(125,253)	(481,661)	(194,276)	(2)
Transfers in	84,939	67,737	372,206	64,372	62,369
Transfers out		(20,030)		(1)	
Net cash provided by (required for) noncapital financing activities	(86,309)	(65,085)	(55,419)	(107,681)	66,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Intergovernmental receipts			137,795		
Proceeds from bonds and notes			60,000		
Interest paid on capital borrowing	(1,690)	(1,946)	(2,634)	(7,083)	(28)
Principal payments on bonds and notes	(9,162)	(9,646)	(23,701)	(18,030)	(1,624)
Principal payments on capital leases	(217)		(37)	(13)	(35)
Proceeds from refunding bonds	1,118		1,397	3,736	
Acquisition and construction of capital assets	(1,770)	(210)	(194,175)	(968)	(27)
Net cash provided by (required for) capital and related financing activities	(11,721)	(11,802)	(21,355)	(22,358)	(1,714)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received	305	56	2,506	867	5
Net increase (decrease) in cash and cash equivalents	(3,368)	799	4,188	(14,549)	(2,753)
Cash and cash equivalents, July 1, 2004	14,169	14,911	153,013	21,758	2,753
Cash and cash equivalents, June 30, 2005	$ 10,801	15,710	157,201	7,209	

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

ENTERPRISE FUNDS Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	GOVERNMENTAL ACTIVITIES Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$ 175,206		$ 2,072,400	$	Cash received from patient services
	21,642	21,642	19,546	Rentals received
	55,182	55,182	347,696	Cash received from charges for services
9,172	799	73,002		Other operating revenues
494		47,978		Cash received for services provided to other funds
(96,054)		(1,276,998)	(271,435)	Cash paid for salaries and employee benefits
(24,165)	(256,138)	(99,020)	(52,082)	Cash paid for services and supplies
(25,830)	(2,348)	(579,031)	(9,721)	Other operating expenses
(12,813)		(172,289)		Cash paid for services from other funds
26,010	(180,863)	142,866	34,004	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
68,782		1,217,353		Cash advances received from other funds
(57,545)	14	(1,045,693)		Cash advances paid/returned to other funds
(4,433)		(39,131)	(7,517)	Interest paid on pension bonds
(313)		(11,031)		Interest paid on advances
(79,675)		(1,074,451)		Intergovernmental transfers
61,429		713,052	1,793	Transfers in
	(5,929)	(25,960)	(1,468)	Transfers out
(11,755)	(5,915)	(265,861)	(7,192)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
	931	931		Proceeds from taxes
	213,024	350,819	107	Intergovernmental receipts
		60,000	32,240	Proceeds from bonds and notes
(7,456)	(551)	(21,388)	(1,101)	Interest paid on capital borrowing
(25,541)	(856)	(88,560)	(36,520)	Principal payments on bonds and notes
(100)		(402)	(224)	Principal payments on capital leases
3,754		10,005		Proceeds from refunding bonds
(152)	(8,685)	(205,987)	(27,892)	Acquisition and construction of capital assets
(29,495)	203,863	105,418	(33,390)	Net cash provided by (required for) capital and related financing activities
13	1,001	4,753	349	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
(15,227)	18,086	(12,824)	(6,229)	Net increase (decrease) in cash and cash equivalents
18,636	39,080	264,320	78,369	Cash and cash equivalents, July 1, 2004
$ 3,409	57,166	$ 251,496	$ 72,140	Cash and cash equivalents, June 30, 2005

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (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)	$ 81,001	(12,373)	104,350	65,648	(35,726)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	1,750	2,459	3,086	2,625	147
Other charges - net	(968)	118	2,619	1,612	74
(Increase) decrease in:					
Accounts receivable - net	16,983	15,148	61,313	3,420	12,050
Interest receivable					
Other receivables	(441)	8	(785)	(837)	767
Due from other funds	(17,288)	(39,979)	(370,620)	(13,593)	10,565
Inventories	(263)	(1,128)	(428)	(292)	761
Net pension obligation	7,149	853	18,774	7,968	5,548
Increase (decrease) in:					
Accounts payable	(2,768)	1,900	(96)	5,201	(1,299)
Accrued payroll	1,380	3,290	1,876	761	(2,386)
Other payables	271	358	378	271	(138)
Accrued vacation and sick leave	779	3,835	1,241	(624)	(2,856)
Due to other funds	13,245	56,348	268,624	54,151	(7,286)
Deferred revenue		290	(51)		(290)
Pension bonds payable	(7,549)	10,335	(19,822)	(8,413)	(17,093)
Workers' compensation liability	(1,600)	9,580	(5,079)	(2,111)	(13,223)
Litigation and self-insurance liability	(782)	10,607	(804)	(339)	(6,957)
Third party payor liability	3,458	15,981	13,880	(825)	(10,005)
TOTAL ADJUSTMENTS	13,356	90,003	(25,894)	48,975	(31,621)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 94,357	77,630	78,456	114,623	(67,347)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 9,180	8,680	146,541	7,018	
Other investments					
Restricted assets	1,621	7,030	10,660	191	
TOTAL	$ 10,801	15,710	157,201	7,209	

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:				
Operating income (loss)	$ 41,230	(197,250)	$ 46,880	$ 3,857
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	2,387	6,840	19,294	28,325
Other charges - net	(167)	3,572	6,860	(362)
(Increase) decrease in:				
Accounts receivable - net	11,505		120,419	
Interest receivable				23
Other receivables	43	8,370	7,125	(1,651)
Due from other funds	(8,806)	(37)	(439,758)	2,599
Inventories	(8)		(1,358)	80
Net pension obligation	5,146		45,438	8,729
Increase (decrease) in:				
Accounts payable	(41)	(3,406)	(509)	(1,389)
Accrued payroll	195		5,116	347
Other payables	113	279	1,532	220
Accrued vacation and sick leave	265		2,640	159
Due to other funds	(16,371)	429	369,140	(1,476)
Deferred revenue		340	289	(158)
Pension bonds payable	(5,433)		(47,975)	(9,216)
Workers' compensation liability	(2,864)		(15,297)	4,079
Litigation and self-insurance liability	257		1,982	(162)
Third party payor liability	(1,441)		21,048	
TOTAL ADJUSTMENTS	(15,220)	16,387	95,986	30,147
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 26,010	(180,863)	$ 142,866	$ 34,004
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Pooled cash and investments	$ 2,597	37,252	$ 211,268	$ 52,606
Other investments		19,914	19,914	7,166
Restricted assets	812		20,314	12,368
TOTAL	$ 3,409	57,166	$ 251,496	$ 72,140

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 4)	$ 50,945	$ 9,228,149	$ 1,289,769
Other investments: (Note 4)		946,603	202,764
Stocks	17,367,171		
Bonds	8,467,784		
Short-term investments	947,634		
Real estate	3,213,698		
Mortgages	268,449		
Alternative assets	1,777,213		
Collateral on loaned securities	3,001,156		
Taxes receivable			204,760
Interest receivable	109,878	52,177	
Other receivables	412,671		
TOTAL ASSETS	35,616,599	10,226,929	$ 1,697,293
LIABILITIES			
Accounts payable	509,383		
Other payables (Note 4)	3,081,111		
Due to other governments			1,697,293
TOTAL LIABILITIES	3,590,494		$ 1,697,293
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 32,026,105	$ 10,226,929	

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, 2005 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 527,810	$
Member	286,096	
Contributions to investment trust funds		34,588,350
Total contributions	813,906	34,588,350
Investment earnings:		
Interest	1,850,038	247,226
Net increase in the fair value of investments	1,597,148	
Securities lending income (Note 4)	79,263	
Total investment earnings	3,526,449	247,226
Less - Investment expenses:		
Expense from investing activities	59,664	
Expense from securities lending activities (Note 4)	70,592	
Total net investment expense	130,256	
Net investment earnings	3,396,193	247,226
Miscellaneous	3,222	
TOTAL ADDITIONS	4,213,321	34,835,576
DEDUCTIONS:		
Salaries and employee benefits	27,276	
Services and supplies	15,905	
Depreciation and amortization	1	
Benefit payments	1,606,051	
Distribution from investment trust funds		35,666,507
Miscellaneous	19,166	
TOTAL DEDUCTIONS	1,668,399	35,666,507
CHANGE IN NET ASSETS	2,544,922	(830,931)
NET ASSETS HELD IN TRUST, JULY 1, 2004	29,481,183	11,057,860
NET ASSETS HELD IN TRUST, JUNE 30, 2005	$ 32,026,105	$ 10,226,929

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, 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. At the end of the current fiscal year, High Desert Health Systems and Antelope Valley Rehabilitation Center transferred from the High Desert Hospital Enterprise Fund to the Olive View/UCLA Medical Center Enterprise Fund.

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 $20 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, 2005. 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 2004-2005 gross assessed valuation of the County of Los Angeles was $769,390,544,000.

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 10,881 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, 2005 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, $39,721,000 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, 2005 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.

Advances Payable

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

Vacation and Sick Leave Benefits

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

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

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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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.

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 40

For the fiscal year ended June 30, 2005, the County implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3". This Statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on the County's financial statements for the year ended June 30, 2005, but required additional disclosures (see Note 4) related to deposits and investment risks.

2. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2005 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor/UCLA Medical Center	$ 78,163
Olive View/UCLA Medical Center	96,108
M. L. King/Drew Medical Center	162,493
Internal Service Fund-	
Public Works	95,105

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice and third party payor liabilities, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded. Enterprise funds' deficits are further explained in Note 11.

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:

3. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2005, the Fund Financial Statements reflect an investment asset (referred to as "Other Investments") held by the JPA of $349,690,000 that has been recorded in the Nonmajor Governmental Funds. The Fund Financial Statements do not reflect a liability for the related Bonds Payable ($349,690,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the 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 ($349,690,000 for each) and Investment Earnings and Interest Expense ($15,385,000 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 $349,690,000 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, 2005 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 3,804,205	$ 286,389			$ 4,090,594
Proprietary Funds	263,874	27,080	$ 17,645	$ 15,037	323,636
Fiduciary Funds (excluding Pension Trust Fund)	10,517,918	1,149,367			11,667,285
Pension Trust Fund	50,945	35,043,105			35,094,050
Component Unit	726,920				726,920
Total	$ 15,363,862	$ 36,505,941	$ 17,645	$ 15,037	$ 51,902,485

4. CASH AND INVESTMENTS-Continued

Deposits-Custodial Credit Risk

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

At June 30, 2005, the carrying amount of the County's deposits was $79,720,000 and the balance per various financial institutions was $76,451,000. The County's deposits are not exposed to custodial credit risk since all its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2005, the carrying amount of Pension Trust Fund deposits was $67,625,000. Pension Trust Fund deposits are not exposed to custodial credit since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled 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 State Statutes which are referred to as the "County Employees' Retirement Law of 1937." Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. Detailed deposit and investment risk disclosures are included in Note 4 of LACERA's Report on Audited Financial Statements for the year ended June 30, 2005.

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-seven percent (87%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2005 (in thousands) are as follows:

	Fair Value
U.S. Government securities	$ 6,019,118
Negotiable certificates of deposit	3,579,256
Commercial paper	5,244,633
Corporate and deposit notes	1,021,161
Municipal bonds	5,450
Los Angeles County securities	36,922
Guaranteed investment contracts	515,000
Investment in money market funds	226,448
Investment in State and local agency investment funds	130,528
1st and 2nd Mortgages	1,144
Total	$ 16,779,660

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2005 (in thousands) and are as follows:

	Fair Value
Domestic and International Equity	$ 20,300,702
Fixed Income	8,467,784
Real Estate	3,213,698
Private Equity	1,777,213
Short term investments	947,634
Mortgages	268,449
Total	$ 34,975,480

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2005 totaling $50,945,000. 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, 2005 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	Weighted Average Maturity (Years)
U. S. Government securities	$ 5,549,155	$ 5,584,733	1.45% - 9.25%	07/07/05 - 12/01/08	0.79
Negotiable certificates of deposit	3,504,314	3,504,685	3.01% - 3.44%	07/01/05 - 02/14/06	0.08
Commercial paper	5,219,636	5,219,028	2.98% - 3.38%	07/01/05 - 08/17/05	0.05
Corporate and deposit notes	1,006,173	1,007,474	1.75% - 3.65%	07/18/05 - 08/06/07	0.59
Los Angeles County securities	36,922	36,922	3.08% - 4.98%	06/30/06 - 08/01/07	1.89
Deposits	65,306	65,306			
	$ 15,381,506	$15,418,148			

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 130,387	$ 130,529	1.67 - 2.85%	12/31/05	0.50
Commercial paper	24,997	25,000	3.02 - 3.04%	07/18/05	0.05
Corporate and deposit notes	14,988	15,000	3.22%	10/17/05	0.30
Mortgage trust deeds	1,144	1,144	4.50 - 5.50%	08/01/12 - 04/01/17	9.26
Municipal bonds	5,450	5,450	5%	09/02/21	16.19
Negotiable certificates of deposit	74,942	75,003	3.03 - 3.39%	07/18/05 - 01/20/06	0.27
Guaranteed investment contracts	515,000	515,000	2.29%	08/30/05	0.17
U.S. agency securities	172,814	173,686	1.88 - 5.38	07/05/05 - 04/13/10	0.74
U.S treasury securities	92,434	92,633	1.50 - 11.25%	08/15/05 - 05/15/16	1.17
U.S. treasury bills	204,740	203,986	2.78 - 3.18%	08/18/05 - 12/22/05	0.38
Money market mutual funds	226,565	226,565	1.72 - 2.80%	07/01/05	
Deposits	14,413	14,413			
	$ 1,477,874	$ 1,478,409			

4. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding asset investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to less than 18 months. Of the Pooled Cash and Investments and Other Investments at June 30, 2005, over 70% have a maturity of six months or less. Of the remainder, less than 12% have a maturity of more than one year.

As of June 30, 2005, variable-rate notes comprised 5.20% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basic. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain certificates of participation issued by Los Angeles County entities, investment in the State's Local Area Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2005, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's investment policy establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A". At June 30, 2005, the County was invested in guaranteed investment contracts and the Local Agency Investment Fund, which are unrated as to credit quality.

At June 30, 3005, the County did not exceed the County investment policy limitations that state that no more than 5% of total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one money market mutual fund.

4. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2005:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	A-1	P-1	34.08%
Corporate and deposit notes	A-1	P-1	7.68%
Los Angeles County securities	AAA	Aaa	0.24%
Negotiable certificates of deposit	A-1	P-1	21.77%
U.S. agency securities	AAA	Aaa	32.25%
U.S. treasury securities	AAA	Aaa	3.98%
			100.00%
Other Investments:			
Local agency investment fund	Not rated	Not rated	8.91%
Commercial paper	A-1	P-1	1.71%
Corporate and deposit notes	A-1	P-1	1.02%
Mortgage trust deeds	AAA	Aaa	0.08%
Municipal bonds	AAA	Aaa	0.37%
Negotiable certificates of deposit	A-1	P-1	5.12%
Guaranteed investment contracts	Not rated	Not rated	35.19%
U.S. agency securities	AAA	Aaa	11.81%
U.S. treasury securities	AAA	Aaa	20.31%
Money market mutual funds	AAA	Aaa	15.48%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2005 was 2.16%.

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, 2005 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 15,381,506
Equity of internal pool participants	$ 6,103,101
Equity of external pool participants	9,278,405
Total equity	$ 15,381,506
Statement of Changes in Net Assets	
Net assets at July 1, 2004	$ 15,505,088
Net change in investments by pool participants	(123,582)
Net assets at June 30, 2005	$ 15,381,506

The unrealized loss on investments held in the Treasurer's Pool was $36,642,000 as of June 30, 2005. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

4. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

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

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

Derivatives

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

The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2005, there were approximately $1,059,272,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2005, forward currency contracts receivable and payable totaled $52,215,000 and $50,828,000, respectively.

Securities Lending Transactions

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

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2005, 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, 2005.

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

As of June 30, 2005, the fair value of securities on loan was $2.95 billion. The value of the cash collateral received for those securities was $3 billion and the non cash collateral was $6.7 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $3 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $8.67 million for the year ended June 30, 2005.

For the year ended June 30, 2005, 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, 2005 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 79,720	$ 67,625	$ 147,345
Investments	16,779,660	34,975,480	51,755,140
	$ 16,859,380	$ 35,043,105	$ 51,902,485

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 are as follows (in thousands):

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities				
Capital assets, not depreciated:				
Land	$ 277,728	$ 9,008	$ (187)	$ 286,549
Construction in progress-buildings and improvements	87,101	54,588	(55,726)	85,963
Construction in progress-infrastructure	64,417	35,178	(38,203)	61,392
Subtotal	429,246	98,774	(94,116)	433,904
Capital assets, depreciated:				
Buildings and improvements	3,662,120	68,816	(7,302)	3,723,634
Equipment	771,261	80,759	(51,015)	801,005
Infrastructure	151,207	57,220		208,427
Subtotal	4,584,588	206,795	(58,317)	4,733,066
Less accumulated depreciation for:				
Buildings and improvements	(1,146,468)	(64,734)	2,281	(1,208,921)
Equipment	(546,440)	(70,715)	35,569	(581,586)
Infrastructure	(14,426)	(8,013)		(22,439)
Subtotal	(1,707,334)	(143,462)	37,850	(1,812,946)
Total capital assets, being depreciated, net	2,877,254	63,333	(20,467)	2,920,120
Governmental activities capital assets, net	$3,306,500	$162,107	$(114,583)	$ 3,354,024
Business-type Activities				
Capital assets, not depreciated:				
Land	$ 117,407		$ (34)	$ 117,373
Construction in progress-buildings and improvements	351,156	$197,933	(7,352)	541,737
Subtotal	468,563	197,933	(7,386)	659,110
Capital assets, being depreciated:				
Buildings and improvements	1,102,218	7,547	(605)	1,109,160
Equipment	217,988	13,905	(10,308)	221,585
Subtotal	1,320,206	21,452	(10,913)	1,330,745
Less accumulated depreciation for:				
Buildings and improvements	(631,490)	(13,988)	553	(644,925)
Equipment	(184,686)	(12,481)	5,917	(191,250)
Subtotal	(816,176)	(26,469)	6,470	(836,175)
Total capital assets, being depreciated, net	504,030	(5,017)	(4,443)	494,570
Business-type activities capital assets, net	972,593	192,916	(11,829)	1,153,680
Total Capital Assets, net	$4,279,093	$355,023	$(126,412)	$ 4,507,704

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	$ 13,724
Public protection, including depreciation of infrastructure assets	71,845
Public ways and facilities, including depreciation of infrastructure assets	7,966
Health and sanitation	6,942
Public assistance	6,972
Education	1,559
Recreation and cultural services	13,304
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	21,150
Total depreciation expense, governmental activities	$ 143,462
Business-type activities:	
Hospitals	$ 12,454
Aviation	1,210
Waterworks	3,183
Community Development Commission	2,447
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,175
Total depreciation expense, business-type activities	$ 26,469

Discretely Presented Component Unit

Capital assets activity for the Children and Families First Commission component unit for the year ended June 30, 2005 was as follows (in thousands):

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not depreciated:				
Land		$ 2,039	$	$ 2,039
Capital assets, depreciated:				
Buildings and improvements	$ 13,867	1,933		15,800
Equipment	206	959		1,165
Subtotal	14,073	2,892		16,965
Less accumulated depreciation for:				
Buildings and improvements	(5,368)	(49)		(5,417)
Equipment	(124)	(96)		(220)
Subtotal	(5,492)	(145)		(5,637)
Total capital assets being depreciated, net	8,581	2,747		11,328
Component unit capital assets, net	$ 8,581	$ 4,786	$	$ 13,367

6. PENSION PLAN

Plan Description

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

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

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

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible 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 2004-2005:

	A	B	C	D	E
General Members	20.02%	13.07%	12.67%	12.72%	12.38%
Safety Members	26.84%	23.20%			

The rates were determined by the actuarial valuation performed as of June 30, 2003 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 2004-2005, the County did not pay LACERA the full amount of the ARC. LACERA applied $222,542,000 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 2004-2005 were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 750,234
Non County entities	118
Total ARC	750,352
Interest on net pension obligation	(47,098)
Annual pension cost	703,254
Contributions made:	
County	527,692
Non County entities	118
Total contributions	527,810
Cost in excess of contributions	175,444
Net pension obligation (asset), July 1, 2004	(588,730)
Net pension obligation (asset), June 30, 2005	$ (413,286)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2003	$ 455,452	71.3%	$ (662,635)
June 30, 2004	468,967	84.2%	(588,730)
June 30, 2005	703,254	75.1%	(413,286)

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2003 using the entry age normal method. The valuation assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.01% to 9.98%, with both assumptions including a 3.5% inflation factor. The valuation also assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The June 30, 2004 valuation determined the funding ratio to be 82.8% and recognized an unfunded actuarial accrued liability (UAAL) of $5.61 billion. The County contribution rate (effective for the 2005-2006 fiscal year) was, therefore, increased by 6.41% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) over the normal cost rate of 9.60%.

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, 2005, the unamortized balance was $30,767,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2005 was $1,454,542,000. The bonds have interest rates varying from 6.86% 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 2004-2005 from 0.97% to 2.99%. The fixed rate certificates which remain outstanding have a rate of 6.875%. At June 30, 2005, the total outstanding principal (including accreted interest) for the refunding bonds and remaining fixed rate certificates was $174,033,000 and has been included in the financial statements as pension bonds payable.

For the year ended June 30, 2005, the combined principal and interest payments for both the bonds and certificates were $265,208,000 and $71,121,000, respectively. For governmental activities, the total debt service was $249,223,000. For business-type activities, the total debt service was $87,106,000. At June 30, 2005, the total outstanding principal, including accreted interest of $616,975,000 on both bonds and certificates, was $1,628,575,000.

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
2006	$ 231,952	$ 32,503	$ 81,068	$ 11,360
2007	140,963	141,525	49,274	49,461
2008	115,664	167,121	40,423	58,406
2009	86,377	151,001	30,188	52,773
2010	86,851	178,557	30,354	62,403
2011-2015	87,801	187,956	30,685	65,688
Total	$ 749,608	$ 858,663	$ 261,992	$ 300,091
Accretions	457,186		159,789	
Total Pension Bonds Payable	$1,206,794		$ 421,781	

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, 2005, the swap's notional amount of $131,800,000 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, 2005 was 2.21%.

"Credit risk" refers to the risk that the counterparty will not fulfill its obligations. As of June 30, 2005, the County was not exposed to credit risk because the swap transaction had a negative fair value of $7,948,000. 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
2006	$ 61,300	$ 2,913	$ 5,628	$ 69,841
2007	70,500	1,558	3,010	75,068
Total	$ 131,800	$ 4,471	$ 8,638	$ 144,909

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 50,000 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, 2005, the amounts of such payments were approximately $192,658,000, for governmental activities, and $39,782,000, for business-type activities. These amounts exclude $62,318,000 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, 2005 (in thousands):

Year Ending June 30	Governmental Activities
2006	$ 71,342
2007	61,741
2008	50,465
2009	41,677
2010	23,508
2011-2015	44,394
2016-2020	842
2021-2025	29
Total	$ 293,998

Rent expenditures related to operating leases were $78,539,000 for the year ended June 30, 2005.

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, 2005 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2006	$ 27,381	$ 477
2007	26,839	314
2008	26,687	149
2009	22,111	145
2010	16,946	148
2011-2015	46,729	
2016-2020	29,085	
2021-2025	28,725	
2026-2030	28,724	
2031-2035	7,095	
Total	260,322	1,233
Less: Amount representing interest	129,394	136
Present value of future minimum lease payments	$ 130,928	$ 1,097

7. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2005 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 9,578	
Buildings and improvements	132,579	$ 1,200
Equipment	49,060	2,098
Accumulated depreciation	(47,296)	(2,081)
Total	$ 143,921	$ 1,217

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 83 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 30 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 62 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.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2005 (in thousands):

Year Ending June 30	Governmental Activities
2006	$ 36,377
2007	36,067
2008	35,473
2009	35,448
2010	35,447
Thereafter	1,229,040
Total	$ 1,407,852

7. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of rental income for these operating leases for the year ended June 30, 2005 (in thousands):

	Governmental Activities
Minimum rentals	$ 36,372
Contingent rentals	14,695
Total	$ 51,067

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 Par Amount of Debt	Balance June 30, 2005
Los Angeles County General Obligation Detention Facilities Bonds, 6.5% to 7.875%	$ 96,000	$ 16,205
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 2.5% to 8.5%	132,090	2,265
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	119,615
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3% to 6%	349,690	369,229
Community Development Commission Notes Payable, 3.82% to 7.91%	51,045	32,297
NPC Bond Anticipation Notes 2.1% to 3.4%	15,750	15,750
NPC Bonds 2.4% to 4.0%	39,813	9,862

8. LONG-TERM OBLIGATIONS-Continued

	Original Par Amount of Debt	Balance June 30, 2005
Marina del Rey Certificates of Participation, 4.75% to 6.5%	189,491	66,828
Marina del Rey Loans Payable, 4.5% to 4.7%	23,000	21,841
Public Buildings Certificates of Participation, 2.8% to 7.75%	1,322,301	938,701
Total	$ 2,362,375	$ 1,592,593

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

	Original Par Amount of Debt	Balance June 30, 2005
NPC Bond Anticipation Notes, 2.1% to 3.4%	$ 9,250	$ 9,250
NPC Bonds 2.4% to 4.0%	23,382	5,793
Public Buildings Certificates of Participation, 2.8% to 7.0%	262,599	182,156
Commercial Paper, 2.37% to 2.85%	187,400	187,400
Waterworks District Bonds, 3.3% to 8.0%	1,335	181
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,384	6,471
Total	$ 495,350	$ 391,251

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
2006	$ 8,995	$ 1,379	$ 45	$ 15
2007	9,105	704	15	12
2008	370	9	17	11
2009			18	9
2010			19	7
2011-2015			67	10
Total	$ 18,470	$ 2,092	$ 181	$ 64

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
2006	$ 23,980	$ 17,150
2007	21,475	16,021
2008	22,630	14,835
2009	23,670	13,644
2010	24,835	12,441
2011-2015	144,155	41,681
2016-2020	88,945	9,607
Total	$ 349,690	$ 125,379

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		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	$ 145,403	$ 47,064	$ 29,933	$ 11,548
2007	77,364	45,355	22,125	8,914
2008	78,969	42,692	22,066	7,849
2009	80,415	39,782	12,151	7,036
2010	78,214	37,060	12,012	6,393
2011-2015	312,052	146,591	64,144	22,981
2016-2020	92,288	125,023	15,513	4,643
2021-2025	111,399	46,897		
2026-2030	70,855	17,538		
2031-2035	32,545	3,227		
Total	$ 1,079,504	$ 551,229	$177,944	$ 69,364

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
2006	$ 10,075	$ 2,594	$ 189,865	$ 246
2007	14,500	2,501	8,060	200
2008	1,992	2,405	710	151
2009	2,096	2,300	830	99
2010	1,926	2,197	355	45
2011-2015	12,248	9,091	350	13
2016-2020	12,583	5,541	965	
2021-2025	9,063	2,225		
2026-2030	5,405	622		
Indeterminate maturity			1,986	
Total	$ 69,888	$ 29,476	$ 203,121	$ 754

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	$ 18,470	2,092	$ 181	64
Assessment Bonds	349,690	125,379		
Certificates of Participation	1,079,504	551,229	177,944	69,364
Notes, Loans, and Commercial Paper	69,888	29,476	203,121	754
Subtotal		708,176		70,182
Add: Accreted Interest	62,545			
Unamortized Bond Premiums	37,629		10,005	
Less: Unamortized Loss on Advance Refunding of Debt	(25,133)			
Total Bonds and Notes Payable	$ 1,592,593		$ 391,251	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refundings.

Advance Refunding of Debt

On February 15, 2005, the County issued $181,220,000 of Regional Park and Open Space District revenue refunding bonds, maturing on various dates between 2005 and 2019. These bonds with an average interest rate of 3.50%, were issued to partially refund the outstanding principal amount of $188,175,000 of bonds issued in 1997 at an interest rate of 5.05%.

On March 1, 2005, the County issued $393,315,000 of Public Buildings lease revenue refunding bonds, maturing on various dates between 2005 and 2032. These bonds, with an average interest rate of 3.85%, were issued to refund the outstanding principal amount of $433,655,000 of bonds issued between 1993 and 1997 at interest rates ranging from 5.26% to 5.79%.

U.S. Government securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Assets - Governmental Activities. Specific disclosures related to each refunding issue are as follows (in thousands):

8. LONG-TERM OBLIGATIONS-Continued

Advance Refunding of Debt-Continued

	February 2005 Refunding	March 2005 Refunding
Proceeds of refunding bonds issued	$ 181,220	$ 393,315
Prior years' bond reserves and/or premiums	20,691	28,095
Deposit to escrow	$ 201,911	$ 421,410
Future years' aggregate debt service payment reduction	$ 19,122	$ 105,058
Present value savings (economic gain)	$ 12,608	$ 30,039

For each of the two advance refunding transactions, the carrying amount of the refunded debt was less than the reacquisition price. These differences were $13,736,000 and $25,133,000, respectively, for the February 2005 and March 2005 refunding transactions. These amounts have been reported as reductions of the amount of outstanding debt in the basic financial statements.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2005, the amount of outstanding bonds and certificates of participation considered defeased was $519,160,000. 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, 2005 (in thousands):

	Balance July 1, 2004	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,724,734	$ 505,571	$ 637,712	$ 1,592,593	$ 190,945
Pension bonds payable (Note 6)	1,344,056	63,366	200,628	1,206,794	231,952
Capital lease obligations (Note 7)	135,258	7,341	11,671	130,928	14,571
Accrued vacation and sick leave	588,449	65,800	47,686	606,563	46,606
Workers' compensation liability (Note 15)	2,163,712	217,368	270,954	2,110,126	353,975
Litigation and self-insurance liability (Note 15)	384,700	54,485	35,898	403,287	98,501
Third party payor liability	26,512	19,016	24,911	20,617	20,617
Total governmental activities	$6,367,421	$ 932,947	$1,229,460	$ 6,070,908	$ 957,167

8. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Liabilities-Continued

Business-type activities:					
Bonds and notes payable	$ 411,389	$ 221,998	$ 242,136	$ 391,251	$ 220,939
Pension bonds payable (Note 6)	469,756	22,147	70,122	421,781	81,068
Capital lease obligations (Note 7)	1,499		402	1,097	421
Accrued vacation and sick leave	107,464	13,450	10,810	110,104	9,327
Workers' compensation liability (Note 15)	392,889	27,358	42,655	377,592	57,903
Litigation and self-insurance liability (Note 15)	222,093	22,800	20,818	224,075	31,543
Third party payor liability (Note 11)	350,170	32,049	11,002	371,217	11,906
Total business-type activities	$ 1,955,260	$ 339,802	$ 397,945	$1,897,117	$ 413,107

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 2004-2005 thereby reducing liabilities for Bonds and Notes Payable by $12,834,000 for governmental activities. Liabilities for Pension Bonds Payable were increased for governmental and business-type activities by $63,366,000 and $22,147,000, 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, 2004, the County issued $600 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 1.6%. 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 2004. The notes matured and were redeemed on June 30, 2005.

10. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2005, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $97,541,000 and limited obligation improvement bonds totaling $17,249,000. 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 $1,445,164,000. The amount of bonds outstanding as of June 30, 2005 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, 2005, the amount of industrial development and other conduit bonds outstanding was $19,435,000.

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.

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 assist the County in restructuring its health care delivery system.

As part of this extension agreement, the County committed 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, was 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 provided 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 did 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 County believes that it met the requirements; however, external auditors found that, in many cases, it did not. The County has contested these findings and is awaiting a final decision by the State.

The Project Federal Financial Participation (FFP) revenues recognized in the Hospital Enterprise Funds totaled $71.7 million for the year ended June 30, 2005 and consisted of the following:

- $52.8 million in additional Medi-Cal matching funds for indigent care at health centers and outpatient facilities.

- $18.9 million in increased Medi-Cal funding for providing at least 450,000 outpatient visits.

The County transitioned to a new method of health care financing effective fiscal year 2005-06 (see Note 18).

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 was scheduled to expire on June 30, 2005. A new state plan amendment to extend CBRC is pending with the federal government. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics and health centers (excluding clinics that provide predominately public health services). Certain other services to Medicare beneficiaries are reimbursed based on fee schedule or other rates. Revenues from Medi-Cal and Medicare programs represent approximately 86% and 4% respectively, of net patient care revenue for the year ended June 30, 2005.

Medi-Cal cost audit reports have been issued for all hospitals through Fiscal Year 2001-02 with the exception of Martin Luther King, Jr./Drew Medical Center (King). Medi-Cal CBRC Fiscal Year 2001-02 audit reports have been issued for all hospitals except for King. Fiscal Year 2002-03 audit reports for both Medi-Cal inpatient services and Medi-Cal CBRC have not been issued and the audits are in progress.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

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. For Fiscal Year 1999-2000, the audits have been completed at all hospitals; however, the notice of program reimbursement has not been issued for LAC+USC Medical Center (LAC+USC) and Rancho Los Amigos National Rehabilitation Center (Rancho). For Fiscal Year 2000-01, only King, Olive View/UCLA Medical Center and High Desert Hospital have been audited and the notices of program reimbursement have been issued. For Fiscal Year 2001-02, only Rancho's audit has been completed and the notice of program reimbursement has been issued. For Fiscal Years 2002-03 and 2003-04, the audits have not been scheduled.

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 $89.4 million have also been recognized as liabilities in the basic financial statements as of June 30, 2005. The amount includes $61.0 million and $28.4 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.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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.

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.

The State has complied with CMS' requirement to submit a state plan amendment ("SPA") regarding bad debt and CMS has accepted the SPA. The State believes that the other changes can be made administratively, and has done so and has sought CMS approval for what it has done. An issue remains as to whether CMS will accept these changes without a formal SPA. Even if this issue can not be satisfactorily resolved, the County believes that the potential liabilities of $98 million will not significantly affect the County's financial position.

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, 2005 was $11.8 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.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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.

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, 2005, the cost of the IGTs and the supplemental funding received are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project (SPP)	$ 18,882	$ 37,764
SB 855	444,442	599,788
SB 1255	451,500	855,500
Total	$ 914,824	$1,493,052

During the fiscal year, the County changed its accounting method to initially record the IGT as a health expenditure in each of the hospital funds. This new accounting method did not have an impact on the financial statements.

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other eligibility plans utilized by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care-Continued

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2005, based on established rates, is as follows (in thousands):

Charges forgone	$1,395,615
Less: Federal and State subventions	11,809
Net charges forgone	$1,383,806

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 expired during fiscal year 2004-2005. To address projected budget deficits, the Board approved two strategic plans that provided several options for a redesigned Health Care Delivery System (System).

As of June 30, 2005, the Department has not been able to fully implement either of these plans because of a preliminary injunction issued by a federal district court prohibiting any service reductions at these two facilities. On August 9, 2005, the Board of Supervisors approved negotiated settlement to the lawsuits with the plaintiffs. One settlement is awaiting final approval by the courts and the implementation process for the other has begun. 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 the Department 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.

In Fiscal Year 2004-05 the incremental cost of operating Rancho and not reducing 100 acute beds at LAC+USC was $53.9 million and $29.8 million, respectively.

At the end of the current fiscal year, High Desert Health Systems and Antelope Valley Rehabilitation Center have been transferred from the High Desert Hospital Enterprise Fund to the Olive View/UCLA Medical Center Enterprise Fund.

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, 2005.

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

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, 2005 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 3,758
	Flood Control District	3,657
	Public Library	3,294
	Regional Park and Open Space District	4,500
	Internal Service Funds	5,073
	Harbor UCLA Medical Center	47,553
	Olive View UCLA Medical Center	66,109
	LAC+USC Medical Center	270,241
	M.L. King/Drew Medical Center	71,985
	Rancho Los Amigos Medical Center	12,568
	Nonmajor Enterprise Funds	412
	Nonmajor Governmental Funds	67,060
		556,210
Fire Protection District	General Fund	5,284
	Flood Control District	4
	Internal Service Funds	4
	LAC+USC Medical Center	14
	Nonmajor Governmental Funds	7
		5,313
Flood Control District	General Fund	264
	Internal Service Funds	8,123
	Nonmajor Governmental Funds	37
		8,424
Public Library	General Fund	1,845
	Internal Service Funds	3
	Nonmajor Governmental Funds	248
		2,096
Regional Park and Open Space District	General Fund	2,257
Internal Service Funds	General Fund	10,078
	Fire Protection District	19
	Flood Control District	12,877
	Public Library	8
	Regional Park and Open Space District	8
	LAC+USC Medical Center	40
	M. L. King/Drew Medical Center	26

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Internal Service Funds-Continued	Rancho Los Amigos Medical Center	28
	Nonmajor Enterprise Funds	4,206
	Nonmajor Governmental Funds	22,640
		49,930
Harbor UCLA Medical Center	General Fund	105,204
	Fire Protection District	3
	Olive View UCLA Medical Center	12,906
	LAC+USC Medical Center	34,120
	M.L. King/Drew Medical Center	234
	Rancho Los Amigos Medical Center	71
	Nonmajor Governmental Funds	18,120
		170,658
Olive View UCLA Medical Center	General Fund	68,843
	Fire Protection District	24
	Harbor UCLA Medical Center	23
	LAC+USC Medical Center	46,561
	Rancho Los Amigos Medical Center	18
	Nonmajor Governmental Funds	20,898
		136,367
LAC+USC Medical Center	General Fund	686,317
	Fire Protection District	49
	Harbor UCLA Medical Center	3,733
	Olive View UCLA Medical Center	3,430
	M.L. King/Drew Medical Center	2,403
	Rancho Los Amigos Medical Center	1,044
	Nonmajor Governmental Funds	20,101
		717,077
M. L. King/Drew Medical Center	General Fund	59,467
	Fire Protection District	26
	Harbor UCLA Medical Center	27
	LAC+USC Medical Center	54,635
	Rancho Los Amigos Medical Center	71
	Nonmajor Governmental Funds	12,255
		126,481
Rancho Los Amigos Medical Center	General Fund	54,309
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	10
	M.L. King/Drew Medical Center	25
		54,346

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Funds	General Fund	2
	Internal Service Funds	853
		855
Nonmajor Governmental Funds	General Fund	7,586
	Flood Control District	12
	Internal Service Funds	9,958
	Olive View UCLA Medical Center	144
	Nonmajor Governmental Funds	6,490
		24,190
Total Interfund Receivables/Payables		$1,854,204

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, 2005 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 25,961
	Internal Service Funds	115
	Harbor UCLA Medical Center	51,990
	Olive View UCLA Medical Center	43,095
	LAC+USC Medical Center	306,984
	M.L. King/Drew Medical Center	42,365
	High Desert Hospital	42,642
	Rancho Los Amigos Medical Center	61,407
	Nonmajor Governmental Funds	158,567
		733,126
Fire Protection District	Nonmajor Governmental Funds	28,011
Flood Control District	Internal Service Funds	609
	Nonmajor Governmental Funds	17,578
		18,187
Public Library	General Fund	21
	Nonmajor Governmental Funds	1,801
		1,822
Regional Park and Open Space District	Nonmajor Governmental Funds	38,109

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Internal Service Funds	General Fund	1,468
Olive View UCLA Medical Center	High Desert Hospital	12,941
	Nonmajor Governmental Funds	303
		13,244
M. L. King/Drew Medical Center	Nonmajor Governmental Funds	1
Nonmajor Enterprise Funds	Internal Service Funds	218
	Nonmajor Governmental Funds	5,711
		5,929
Nonmajor Governmental Funds	General Fund	74,579
	Fire Protection	48
	Public Library	55
	Regional Park and Open Space District	1,056
	Internal Service Funds	851
	Harbor UCLA Medical Center	32,949
	Olive View UCLA Medical Center	24,642
	LAC+USC Medical Center	65,222
	M.L. King/Drew Medical Center	22,007
	Rancho Los Amigos Medical Center	22
	Nonmajor Governmental Funds	63,712
		285,143
Total Interfund Transfers		$1,125,040

Short-term Advances

Advances from/to other funds at June 30, 2005 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 5,867
	Harbor UCLA Medical Center	95,131
	Olive View UCLA Medical Center	96,407
	LAC+USC Medical Center	117,458
	M.L. King/Drew Medical Center	117,125
	Rancho Los Amigos Medical Center	13,349
		445,337
Flood Control District	Internal Service Funds	6,544
Nonmajor Enterprise Funds	Internal Service Funds	1,159
Nonmajor Governmental Funds	Internal Service Funds	8,430
	Nonmajor Government Funds	2,100
		10,530
Total Short-term Advances		$ 463,570

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	$ 908,610	$ 29,949	$ 13,482	$ 4,409	$ 129,047
Reserves and designations	1,417,652	91,338	112,613	8,306	111,080
Subtotal	2,326,262	121,287	126,095	12,715	240,127
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	103,286	(459)		81	
Reversal of accrued vacation and sick leave benefits	38,270				
Deferral of unearned investment income	(20,056)	(991)		(220)	
Change in revenue accruals	(121,033)	(16,648)	(4,799)	(2,151)	(1,325)
Subtotal	467	(18,098)	(4,799)	(2,290)	(1,325)
Fund balance - GAAP basis	$2,326,729	$ 103,189	$ 121,296	$ 10,425	$ 238,802

14. COMMITMENTS

Construction Commitments

At June 30, 2005, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately $202,978,000 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, 2005, LACERA had outstanding capital commitments to various investment managers, approximating $2,080,000,000. Subsequent to June 30, 2005, LACERA funded $108,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2005, the County had open trade commitments with various brokers to purchase investments approximating $199,816,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2005 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 1, 2005, 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 2003-2004 or 2004-2005.

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, 2005 were approximately $2.488 billion. This amount is undiscounted and is based on an actuarial study of the County’s self-insured program as of June 30, 2005. Approximately $252 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2005, the County's best estimate of these liabilities is $3.115 billion. Changes in the reported liability since July 1, 2003 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
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
2004-2005				
Workers’ Compensation	$ 2,556,601	$ 244,726	$ 313,609	$ 2,487,718
Other	606,793	77,285	56,716	627,362
Total 2004-2005	$ 3,163,394	$ 322,011	$ 370,325	$ 3,115,080

15. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $197 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 benefits to be applied in determining pension compensation.

The most significant of these items sought to expand the types of employee compensation that was includable in the determination of pension benefits. As a result of a series of Court decisions related to this issue, LACERA's actuary assumed a present value estimate of $190 million as an additional unfunded actuarial accrued liability (UAAL). This estimated was included in the actuarial valuation of the County's pension conducted as of June 30, 2003. Revised County contribution rates were recommended by the actuary and included in a provision to fund the UAAL over a rolling thirty year period. These rates were adopted by the Board of Supervisors (Board) and were effective throughout 2004-2005. During the current year, the Board authorized an agreement with all parties to the litigation for joint submission in the trial court. The settlement establishes the County's actuarial liability for this matter at $176.9 million. This amount will update the previously estimated amount of $190 million, will be factored into the subsequent actuarial study, and will continue to be amortized over thirty years.

The final outcome of two other significant pension benefit litigation issues is still pending. One matter pertains to the effect of certain employee benefits (commonly known as "flexible benefits") on final pension compensation. The second matter pertains to a group of employees classified as temporary or recurrent. This group of employees is seeking enhanced pension benefits. The total estimated exposure for these issues approximates $54 million. The County's ultimate liability for these matters would be added to the UAAL and would be funded over 30 years.

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, 2005, a portion ($204.7 million) of the General Fund's designation for budgetary uncertainties pertained to such collections.

17. SPECIAL ITEM-SALE OF ACCOUNTS RECEIVABLE

During the year, the County sold accounts receivable which were attributable to the pending receipt of State vehicle license fees approximating $204,710,000. The fees were originally receivable by the County from the State in FY 2003-2004. Due to severe budget shortfalls at that time, the State deferred payment of such amounts and indicated its intent to pay the County in FY 2006-2007. The withheld funds have been commonly referred to as the Gap Loan Receivable.

In August 2004, State legislation was specifically adopted to permit cities and counties to sell Gap Loan Receivables. The County sold its receivable to the JPA Public Works Financing Authority (PWFA), a component unit. The PWFA issued Gap Loan Receivable Notes (Notes) with a par value of $204,710,000 and received a premium of $6,563,000. The Notes mature on December 1, 2006 and the total proceeds of $211,273,000 were applied as follows (in thousands):

Capitalized interest	$ 15,603
Fees and expenses	7,177
Net proceeds to County	188,493
Total	$ 211,273

The capitalized interest proceeds were deposited with an independent trustee bank (Trustee) to provide for semi-annual interest payments through the final maturity date. The County has also irrevocably instructed the State to remit payments of the Gap Loan Receivable directly to the Trustee.

The Notes are secured solely by the County's receivable from the State. Under no circumstances will the County or the PWFA be obligated to pay the debt service on the Notes except from amounts received from the Gap Loan Receivable. The credit status of the State has been relied upon to issue the Notes, which do not constitute a charge against the general credit of the County or the PWFA. Accordingly, a liability has not been recorded for the Notes in the accompanying basic financial statements.

17. SPECIAL ITEM-SALE OF ACCOUNTS RECEIVABLE-Continued

Government-wide Financial Statements

Due to the severity of the State's budgetary shortfalls, there was no carrying value established for the Gap Loan Receivables in the fiscal year 2003-2004 Government-wide Financial Statements. Accordingly, this transaction has been recorded as a "Special Item-Gain on Sale of Receivables" for the entire amount of the net proceeds ($188,493,000) realized when such receivables were sold.

Fund Financial Statements

The County established a new capital project fund (referred to as the Gap Loan Capital Projects Fund) to account for the net proceeds from the sale of the Gap Loan Receivables. The net proceeds ($188,493,000) have been recorded as a "Special Item-Proceeds from Sale of Receivables" and their usage is legally restricted to capital spending.

18. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2005, the County issued $500,000,000 in 2005-06 TRANS which will mature on June 30, 2006. The TRANS are collateralized by taxes and other revenues attributable to the 2005-06 fiscal year and were issued in the form of Fixed Rate Notes at an interest rate of 2.54%.

Public Works Financing Authority-Flood Control District Revenue Bonds Series 2005A

On July 13, 2005, the Authority issued $20,540,000 in revenue bonds maturing from 2006 to 2025, with interest rates ranging from 4% to 4.125%. The bond proceeds will be used to finance the design, renovation, and seismic retrofitting of the District's headquarters building.

Capital Asset Leasing Corporation Bond Anticipation Notes

On both July 21, 2005 and September 1, 2005, the Corporation issued a $5,000,000 Bond Anticipation Note each with an initial interest rate of 3.389%. The rate is adjustable on January 2 and July 1 of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2008. Proceeds of the notes are being used to purchase equipment. The notes are to be repaid from the proceeds of lease revenue bonds.

Defeasance of Gap Loan Receivable Notes

As discussed in Note 17, the County issued $204,710,000 of Gap Receivable Notes ("Notes"), which have not been recognized as obligations of the County. On July 26, 2005, the State remitted $204.7 million to the Trustee and this payment fully satisfies the State's obligation for this matter. The State's full payment of this obligation occurred earlier than anticipated and the Notes were legally defeased on August 12, 2005. Repayment funds have been placed in escrow by the trustee and will be held until December 1, 2006, which is the maturity date of the Notes.

18. SUBSEQUENT EVENTS-Continued

Marina Del Rey Certificates of Participation

On August 1, 2005, the County prepaid all $55,313,000 of the outstanding Marina Del Rey Certificates of Participation (COPs) as permitted under the Trust Agreement. The other $11,515,000 of Marina Del Rey COPs were redeemed as part of the regularly scheduled July 1, 2005 debt service payment. General Fund revenues were used to finance the prepayment.

Medi-Cal Redesign

On August 1, 2005, the California Health and Human Services Agency and CMS approved for the five-year period, August 1, 2005 through July 31, 2010, California's Medi-Cal Hospital/Uninsured Care Section 1115(a) Medicaid Demonstration Project.

Tax-Exempt Commercial Paper

On September 27, 2005, the Los Angeles County Capital Asset Leasing Corporation issued an additional $60,000,000 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 2.70%, is secured by a long-term lease of County real estate and a letter of credit.

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)
06/30/02	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%
06/30/04	27,089,440	32,700,505	5,611,065	82.8%	4,919,531	114.1%

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions contained in the Leases, the Subleases and the Indentures. Such summaries are not intended to be definitive, and reference is made to the complete documents for the complete terms thereof. In addition to the provisions summarized below, certain terms of the documents are described in earlier sections of this Official Statement. Unless otherwise specifically stated herein, each of the provisions described herein applies in the same manner to the each of the Series A Lease, the Series B Lease, the Series A Sublease, the Series B Sublease, the Series A Indenture and the Series B Indenture, as applicable.

Definitions of Certain Terms

The following definitions are contained in the Indenture and in the Sublease.

"Additional Bonds" means any additional bonds executed, authenticated and delivered pursuant to the Indenture.

"Additional Rental" means those amounts required under the Sublease to be paid by the County as rent, in addition to the Base Rental, for the right to use and possession of the Facilities; such Additional Rental includes taxes, assessments and certain insurance premiums, the fees and expenses of the Trustee (to the extent not paid out of proceeds of the sale of the Bonds) in connection with the Indenture, the Lease or the Sublease, and the 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, the Lease or the Indenture or any transactions contemplated thereby or related to the Facilities.

"Authority" means the Los Angeles County Public Works Financing Authority, a joint exercise of powers entity formed pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code, and its successors and assigns.

"Authority Representative" means the Treasurer of the Authority or another official designated by such officer and authorized by such officer to act on behalf of the Authority under or with respect to the Indenture and all other agreements related to the Indenture.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental" means those amounts required under the Sublease to be paid by the County as rent, excluding Additional Rental, for the right to use and possession of the Facilities.

"Base Rental Fund" means the fund of that name established pursuant to the Indenture.

"Bond Fund" means the fund of that name established pursuant to the Indenture.

"Bond Register" means the books for the registration of the ownership of Bonds referred to in the Indenture.

"Bonds" means the 2006 Series A Bonds or the 2006 Series B Bonds, as applicable.

"Business Day" means a day which is other than a Saturday, a Sunday, a day on which banking institutions are authorized or required by law or executive order to be closed in the State of New York or the State of California for commercial banking purposes or a day on which the New York Stock Exchange is closed.

"Chair of the Board of Supervisors" means the Chair, Chairman, Chairperson or Mayor of the Board of Supervisors of the County.

"Closing Date" means the date of delivery of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and all proposed, temporary or final regulations promulgated thereunder.

"Construction and Acquisition Fund" means the fund of that name established pursuant to the Indenture.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate of the County, dated as of December 1, 2006.

"Costs of Issuance" means all the costs of preparation, sale, execution and delivery of the Bonds and other costs related to the financing provided thereby, including, but not limited to: all printing and document preparation expenses in connection with the Financing Documents, the Bonds and the preliminary and final official statements pertaining to the Bonds; Rating Agency fees; market study fees; filing and recording fees; title search and title insurance fees; legal fees and expenses of counsel with respect to the financing of the Facilities; any computer and other expenses incurred in connection with the Bonds; the initial fees and expenses of the Trustee and its counsel and any paying agent and its counsel (including without limitation origination fees and first annual fees payable in advance); fees and expenses of financial advisors, escrow agents and verification agents; any costs associated with obtaining a municipal bond insurance policy or a surety bond; and other fees and expenses incurred in connection with the execution, authentication and delivery of the Bonds or the implementation of the financing for the Facilities, to the extent such fees and expenses are approved by a County Representative or an Authority Representative.

"Costs of Issuance Fund" means the account of that name established pursuant to the Indenture.

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

"County Representative" means the Treasurer and Tax Collector of the County or another official designated by such officer and authorized by such officer to act on behalf of the County under or with respect to the Indenture and all other agreements related thereto.

"Credit Facility" means a letter of credit, line of credit, surety bond or insurance policy or similar facility, or a substitute letter of credit, a substitute line of credit, a substitute surety bond, a substitute insurance policy or a substitute similar facility.

"Deposit Date" means each February 15 and August 15 during the Term of the Sublease, commencing August 15, 2007, or, if any such date is not a Business Day, the next succeeding Business Day.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority with the consent of the Trustee.

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

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

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

"Environmental Regulations" means all laws and regulations now or hereafter in effect with respect to hazardous materials including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. Section 9601, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 1101, et seq.), Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, et seq.), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

"Event of Default" means any one or more of the events defined as such in the Indenture.

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

"Facilities" means the real property together with the improvements currently thereon, as described in Exhibit A to the Sublease, as such Exhibit A may be amended from time to time.

"Financial Guaranty Agreement" means the Financial Guaranty Agreement, if any, by and between the Authority and the Insurer relating to the Surety.

"Financing Documents" means the Indenture, the Lease and the Sublease, as each may from time to time be amended or supplemented in accordance with its respective terms.

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

"Government Obligations" means: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury), including United States Treasury Securities — State and Local Government Securities ("SLGS"); (b) noncallable obligations of a state, a territory or a possession of the United States of America, or any political subdivision of any of the foregoing, or of the District of Columbia, within the meaning of Section 103(c) of the Code, which are rated AAA by S&P and Aaa by Moody's and which are not guaranteed directly or indirectly by direct or indirect obligations of the United States of America within the meaning of Section 149(b) of the Code; (c) noncallable obligations of, or obligations guaranteed as to principal and interest by, any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, (i) all direct or fully guaranteed U.S. Treasury Obligations, Farmers Home Administration certificates of beneficial ownership, General Services Administration participation certificates, U.S. Maritime Administration guaranteed Title XI financing, Small Business Administration - guaranteed participation certificates and guaranteed pool certificates, Government National Mortgage Association ("GNMA") - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U.S. Department of Housing and Urban Development local authority bonds, Washington Metropolitan Area Transit Authority guaranteed transit bonds and State and Local Government Series; (ii) non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government, including, but not limited to, Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly Federal Land Banks, Intermediate Credit Banks and Banks for Cooperatives) consolidated systemwide bonds and notes, Federal Home Loan Banks (FHL Banks) consolidated debt obligations, Federal National Mortgage Association (FNMA) debt obligations, and

Resolution Funding Corp. (REFCORP) debt obligations; and (iii) certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e., CATs, TIGERS, unit investment trusts and mutual funds, etc.; (d) such other federal securities as may be permitted under regulations issued pursuant to Section 149(b) of the Code which, in the opinion of Independent Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds; or (e) pre-refunded tax-exempt municipal obligations for which a defeasance opinion has been rendered by nationally recognized bond counsel.

"Indenture" means, (i) with respect to the 2006 Series A Bonds, the Indenture of Trust relating to the 2006 Series A Bonds, dated as of December 1, 2006, by and among the County, the Authority and the Trustee, as it may from time to time be amended or supplemented in accordance with its terms and (ii) with respect to the 2006 Series B Bonds, the Indenture of Trust relating to the 2006 Series B Bonds, dated as of December 1, 2006, by and among the County, the Authority and the Trustee, as it may from time to time be amended or supplemented in accordance with its terms.

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

"Insurance Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

"Insurer" means Financial Guaranty Insurance Company, or any successor thereto or assignee thereof.

"Interest Account" means the account by that name within the Bond Fund established pursuant to the Indenture.

"Interest Payment Date" means March 1 and September 1 in each year, commencing September 1, 2007, until the maturity or earlier redemption of the Bonds.

"Investment Earnings" means all income or gains received with respect to the investment of money on deposit in any fund, account or subaccount established under the Indenture.

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

"Lease" means (i) with respect to the 2006 Series A Bonds, the Lease relating to the 2006 Series A Bonds, dated as of December 1, 2006, by which the County has leased the Facilities to the Authority, as it may from time to time be amended or supplemented in accordance with its terms and (ii) with respect to the 2006 Series B Bonds, the Lease relating to the 2006 Series B Bonds, dated as of December 1, 2006, by which the County has leased the Facilities to the Authority, as it may from time to time be amended or supplemented in accordance with its terms.

"Lease Year" means the period from each July 1 to and including the following June 30 during the Term of the Sublease.

"Maximum Annual Debt Service" means the largest of the sums obtained during any Lease Year for the Bonds after totaling the following for each such year:

A. The principal amount of all Outstanding Bonds maturing in such year; and

B. The interest which would be due during such year on the aggregate principal amount of Bonds Outstanding in such year.

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

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

"Outstanding" when used as of any particular time with respect to Bonds, means all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds that have been paid or are deemed to have been paid in accordance with the Indenture; (3) Bonds that have been called for redemption or with respect to which irrevocable instructions to redeem have been given to the Trustee and for which sufficient funds to pay the redemption price are held irrevocably in trust by the Trustee in accordance with the Indenture; and (4) Bonds in lieu of or in exchange for which other Bonds shall have been executed and delivered by the Trustee pursuant to the Indenture.

"Permitted Encumbrances" means, with respect to the Facilities, as of any particular time, (i) to the extent in effect on the Closing Date, the right, title and interest of the County to the Property and the existing interests of the Financing Authority to the Property as lessee of the County, and the existing interests of the County to the Facilities as lessee of the Financing Authority; (ii) the Lease; (iii) the Sublease, (iv) with respect to the 1996 Leased Premises, the 1996 Master Refunding Lease and the 1996 Master Refunding Sublease; (v) the Indenture and the Trustee's and the Financing Authority's interests in the Facilities, (vi) liens for taxes and assessments not then delinquent, (vii) utility, access and other easements and rights of way, restrictions and exceptions existing on the Closing Date that a County Representative certifies will not interfere with or impair the use intended to be made of the Facilities; (viii) any additions and improvements to the Facilities as permitted in the Sublease, (ix) any sublease or use permitted by the Sublease, (x) covenants, conditions or restrictions or liens of record relating to the Facilities and existing on the Closing Date, and (xi) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Facilities and as do not materially impair the use intended to be made of property affected thereby as exist on the Closing Date.

"Principal Account" means the account by that name established within the Bond Fund pursuant to the Indenture.

"Qualified Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the County:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

a. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

b. Federal Housing Administration Debentures (FHA)

c. General Services Administration

Participation certificates

d. Government National Mortgage Association (GNMA or "Ginnie Mae")

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations (participation certificates)

e. U.S. Maritime Administration

Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

a. Federal Home Loan Bank System

Senior debt obligations (Consolidated debt obligations)

b. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")

Participation Certificates (Mortgage-backed securities)

Senior debt obligations

c. Federal National Mortgage Association (FNMA or "Fannie Mae")

Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal.)

d. Student Loan Marketing Association (SLMA or "Sallie Mae")

Senior debt obligations

e. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

f. Farm Credit System

Consolidated systemwide bonds and notes

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's. The collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

7. Investment Agreements, including GIC's, acceptable to MBIA (Investment Agreement criteria is available upon request).

8. Commercial paper rated "Prime – 1" by Moody's and "A-1+" or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime – 1" or "A3" or better by Moody's and "A-1+" by S&P.

11. Repurchase agreements ("Repos") that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repos must be between the Trustee and a dealer bank or securities firm

i. Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody's, or

ii. Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investors Service.

b. The written Repo contract must include the following:

i. Securities which are acceptable for transfer are:

(1) Direct U.S. governments

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

ii. The term of the Repo may be up to 30 days

iii. The collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

iv. The Trustee has a perfected first priority security interest in the collateral.

v. Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a Repo or reverse Repo.

vi. Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate collateral.

vii. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the Repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

c. Legal opinion which must be delivered to the Trustee:

Repo meets guidelines under state law for legal investment of public funds.

12. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

13. Local Agency Investment Fund of the State of California (LAIF), created pursuant to Section 16429.1 of the California Government Code.

"Rating Agencies" collectively, means the rating agencies maintaining a rating on the Bonds, initially S&P and Moody's. The term "Rating Agency" means any one of the Rating Agencies.

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

"Redemption Account" means the account of that name established in the Bond Fund pursuant to the Indenture.

"Representation Letter" shall have the meaning assigned to such term in the Indenture.

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

"Reserve Requirement" means, as of any date of calculation, the least of (i) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of the Bonds; (ii) 125% of the average annual debt service on the then Outstanding Bonds or (iii) the Maximum Annual Debt Service for that and any subsequent year.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a New York corporation, and its successors and assigns.

"Sinking Account Installment" means, only with respect to the 2006 Series B Bonds, the principal amount of the Bonds required to be paid on any Sinking Account Installment Date pursuant to the Indenture.

"Sinking Account Installment Date" means, only with respect to the 2006 Series B Bonds, each date on which a Sinking Account Installment is due, determined as set forth in the Indenture.

"Sublease" means (i) with respect to the 2006 Series A Bonds, the Sublease relating to the 2006 Series A Bonds, dated as of December 1, 2006, by which the County has leased the Facilities to the Authority, as it may from time to time be amended or supplemented in accordance with its terms and (ii) with respect to the 2006 Series B Bonds, the Sublease relating to the 2006 Series B Bonds, dated as of December 1, 2006, by which the County has leased the Facilities to the Authority, as it may from time to time be amended or supplemented in accordance with its terms.

"Surety" means the credit instrument, if any, provided by the Insurer to satisfy the Reserve Requirement for the Bonds.

"Tax Certificate" means the Tax Compliance Certificate of the County and the Authority, dated the date of issuance of the Bonds.

"Trustee" means U.S. Bank National Association, the trustee acting in its capacity as such under the Indenture, or any successor appointed as therein provided.

"2006 Series A Bonds" means the Authority's Lease Revenue Refunding Bonds (2006 Master Refunding Project), Series A, authenticated and delivered by the Trustee pursuant to the Indenture and any Additional Bonds issued in accordance with the Indenture.

"2006 Series B Bonds" means the Authority's Lease Revenue Refunding Bonds (2006 Master Refunding Project), Series B, authenticated and delivered by the Trustee pursuant to the Indenture and any Additional Bonds issued in accordance with the Indenture.

Lease

Lease. The County has leased certain real property and certain buildings, fixtures and improvements currently thereon to the Authority, all in accordance with the terms of the Lease, (a) with respect to the 2006 Series A Bonds, for a term expiring upon the earlier of (i) September 1, 2016 or (ii) the date of termination of the Sublease and (b) with respect to the 2006 Series B Bonds, for a term expiring upon the earlier of (i) September 1, 2033 or (ii) the date of termination of the Sublease. The term of the Lease shall automatically be extended ten years if, on September 1, 2016, with respect to the 2006 Series A Bonds, or September 1, 2033, with respect to the 2006 Series B Bonds, the Indenture has not been fully discharged and shall terminate on the date when the Indenture has been fully discharged. The Lease specifies that at the termination thereof any title to and any interest of the Authority in the Facilities, including all buildings, improvements and fixtures thereon at the time of termination of the Lease, shall vest in the County. As full and complete consideration to the County for the lease of the Facilities to the Authority, the Authority has agreed to pay advance rent to the County, by deposit with the Trustee of the proceeds of the Bonds and to execute and deliver the Sublease to the County.

Sublease

Term with Respect to the 2006 Series A Bonds. The term of the Sublease relating to the 2006 Series A Bonds shall commence on the Closing Date. The term of such Sublease will end on September 1, 2016, or with respect to all or any portion of the Facilities, at such earlier time as (i) the Bonds payable from Base Rental attributable to such portion of the Facilities shall have been paid or provision for their payment shall have been made in accordance with such Sublease and the Indenture as determined by the Authority and as provided in writing to the Trustee and the County by the Authority Representative, or (ii) the date on which the County has exercised its right to purchase the whole of the Authority's rights, title and interest in the Facilities pursuant to such Sublease. The term of such Sublease shall automatically be extended ten years if, on September 1, 2016, the Indenture has not been fully discharged, and shall terminate on the date when the Indenture has been fully discharged. At the end of the term of such Sublease with respect to all or any portion of the Facilities, all of the Authority's rights, title and interest in and to the Facilities and any other improvements thereon or additions thereto, including all of the Authority's leasehold interest therein granted pursuant to the Lease and such Sublease, 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.

Term with Respect to the 2006 Series B Bonds. The term of the Sublease relating to the 2006 Series B Bonds shall commence on the Closing Date. The term of such Sublease will end on September 1, 2033, or with respect to all or any portion of the Facilities, at such earlier time as (i) the Bonds payable from Base Rental attributable to such portion of the Facilities shall have been paid or provision for their payment shall have been made in accordance with such Sublease and the Indenture as determined by the Authority and as provided in writing to the Trustee and the County by the Authority Representative, or (ii) the date on which the County has exercised its right to purchase the whole of the Authority's rights, title and interest in the Facilities pursuant to such Sublease. The term of such Sublease shall automatically be extended ten years if, on September 1, 2033, the Indenture has not been fully discharged, and shall terminate on the date when the Indenture has been fully discharged. At the end of the term of such Sublease with respect to all or any portion of the Facilities, all of the Authority's rights, title and interest in and to the Facilities and any other improvements thereon or additions thereto, including all of the Authority's leasehold interest therein granted pursuant to the Lease and such Sublease, 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 shall pay to the Authority the Base Rental payments for the right to use and possession of the Facilities. The County shall also pay Additional Rental payments to the Authority. The Sublease is intended to be a triple net lease. The County agrees that the Base Rental provided for in the Sublease shall be an absolute net return to the Authority free and clear of any expenses, charges or setoffs whatsoever.

Base Rental. The County agrees to pay from legally available funds Base Rental for the right to use and possession of the Facilities in the amounts, at the times and in the manner set forth in the Sublease. The Base Rental payable by the County under the Sublease shall be due on March 1 and September 1 of each year commencing September 1, 2007. In order to secure its obligation to pay the Base Rental due in each year, the County shall deposit amounts in respect thereof with the Trustee on or prior to the Deposit Date. In no event shall the aggregate Base Rental payments in any Fiscal Year exceed the fair rental value of the Facilities as set forth in a certificate delivered by the County to the Authority on the Closing Date.

The obligation of the County to pay Base Rental under the Sublease shall commence on the Closing Date.

Additional Rental. In addition to the Base Rental, the County agrees in the Sublease to pay to the Authority 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 Facilities or upon any interest of the Authority, the Trustee or the Owners therein or in the Sublease or the Lease; (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 Bonds) of the Trustee in connection with the Indenture, the Lease or the Sublease; and (iv) any other fees, costs or expenses incurred by the County (including, without limitation, the provision pursuant to the Sublease of monies to or for the benefit of the Authority in an amount sufficient to enable compliance with the requirements of Section 148(f) of the Code, relating to the payment of rebate to the United States) or the Authority in connection with the execution, performance or enforcement of the Sublease or any assignment thereof, the Lease or the Indenture or any of the transactions contemplated thereby or related to the Facilities, including amounts owed to the Insurer pursuant to the Indenture or pursuant to the Financial Guarantee Agreement, and including any amounts required to replenish the Reserve Fund pursuant to the Indenture.

Amounts constituting Additional Rental shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts 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.

Consideration. The payments of Base Rental and Additional Rental under the Sublease for each Fiscal Year or portion thereof during the term of the Sublease shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the County for and in consideration of the right to use and possess the Facilities.

Budget. The County has covenanted to take such action as may be necessary to include and maintain all rental payments due under the Sublease in its annual budget and to make the necessary annual appropriations therefor (except to the extent such payments are abated).

Addition and/or Removal of Property. The County shall have, so long as the Sublease is in effect, the right at any time and from time to time, to add other real property (the "New Property") to the Facilities, or to remove property (the "Former Property") from the Facilities (or to both add New Property and remove Former Property), provided that the County shall satisfy all of the following requirements which are conditions precedent to such addition or removal:

(1) No Event of Default shall have occurred and be continuing;

(2) The County shall file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder, sufficient memorialization of an amended Exhibit A to the Sublease describing the Facilities after such addition and/or removal;

(3) The County shall obtain a California Land Title Association ("CLTA") policy of title insurance (or, as appropriate, an endorsement or other amendment to the then current policy of title insurance) insuring the County's leasehold estate (and the Authority's leasehold estate therein under the Lease) in the Facilities as amended by such addition of New Property, subject only to Permitted Encumbrances, in an amount sufficient to satisfy the requirements of the Sublease;

(4) The County shall certify in writing to the Authority and to the Trustee that such New Property constitutes property which the County is permitted to lease under the laws of the State of California;

(5) Such addition and/or removal shall not cause the County to violate any of its covenants, representations and warranties made herein; and

(6) The County shall file with the Authority and the Trustee a certificate of a County Representative stating that: (i) the total fair rental value of the Facilities after such addition and/or removal is at least equal to 100% of the maximum amount of Base Rental and Additional Rental payments coming due in the then current Lease Year and in any subsequent Lease Year; (ii) the useful life of the Facilities after such addition and/or removal at least equals the lesser of (a) the useful life of the Facilities before such addition and/or removal, or (b) the date of the final Base Rental payment; and (iii) such addition and/or removal of property will not interfere with or impair the use intended to be made of the Facilities.

(7) The Insurer shall have consented in writing to the addition and/or removal of such property.

Upon the satisfaction of such conditions precedent, and upon the County delivering to the Authority and the Trustee a written certification of the County certifying that the conditions set forth in paragraphs (1) and (5) above have been satisfied, the Term of the Sublease shall thereupon end as to the Former Property and shall thereupon commence as to the New Property, and all references to the Facilities shall apply with full force and effect to the Facilities as amended by such addition and/or removal. The County shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments or Additional Rental whatsoever as a result of such addition and/or removal of property. The County and the Authority shall execute, deliver and cause to be recorded all documents required to discharge the Sublease of record against the Former Property.

The provisions of the preceding paragraph notwithstanding, the County may grant or vacate, or cause the granting or vacating of, any easement burdening or benefiting the Facilities, provided that the County shall satisfy the requirements set forth in paragraphs (1) through (6) above (such requirements understood to pertain to the granting or vacating of easements instead of the addition or removal of property), which are conditions precedent to such grant or vacation.

Upon the satisfaction of the conditions precedent required pursuant to the preceding paragraph, and upon the County delivering to the Authority and the Trustee a written certification of the County certifying that the conditions set forth in paragraphs (1) and (5) above have been satisfied with respect to the granting and/or vacating of such easements, the Term of the Sublease shall thereupon commence as to the Facilities as subject to such granted or vacated easements, and all references to the Facilities shall apply with full force and effect to the Facilities as amended by such granting and/or vacating of easements. The County shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments or Additional Rental whatsoever as a result of such granting and/or vacating of easements.

Replacement, Maintenance and Repair of the Facilities. The County shall, at its own expense, maintain the Facilities, 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 shall immediately, without further act, become part of the Facilities without cost to the Authority. The County shall apply, from any source of legally available funds, an amount sufficient to repair or replace the Facilities 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 Facilities or any portion thereof which would result in an abatement of rental payments or any portion thereof; provided, however, that the County shall not be required to repair or replace any such portion of the Facilities if there shall be applied to the redemption of Outstanding Bonds insurance proceeds or other legally available funds sufficient to redeem (i) all of the Bonds Outstanding, or (ii) any portion thereof and the resulting Base Rental payments in any Lease Year following such partial redemption are sufficient to pay the Bonds to remain Outstanding after such partial redemption.

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 Facilities. The Authority shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Facilities other than as specified in the Plans and Specifications. The County shall keep the Facilities free and clear of any and all liens senior to the lien of the Sublease except that Permitted Encumbrances and any laborers' and mechanics' liens shall be permitted.

Insurance. The County covenants to secure and maintain the following insurance: (1) all risk insurance, including earthquake and flood, with respect to the Facilities in an amount not less than the lesser of the full replacement value of the Facilities or the aggregate principal amount of the Outstanding Bonds; (2) comprehensive general liability coverage, 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 Chief Administrative Officer; (3) boiler and machinery coverage of not less than $5,000,000 per accident to the extent that facilities included in the Facilities qualify for such insurance; (4) workers' compensation insurance; (5) rental interruption insurance; and (6) a CLTA policy or policies of title insurance for the Facilities not less than the aggregate principal amount of all Outstanding Bonds. The County, at its option, may self-insure any of the risks for which the insurance described in this paragraph is otherwise required (with the exception of rental interruption and title insurance). If the County determines that any such insurance (other than rental interruption and title insurance) is not offered by reputable insurers at a reasonable cost on the open market and elects not to maintain the insurance required by the Sublease with outside insurers, it agrees to self-insure those risks for which insurance is required, and, except for any self-insured workers' compensation liability for which no reserves shall be required, the County agrees to establish and fund self-insurance reserves in such amounts determined to be adequate by the County Chief Administrative Officer.

Proceeds of insurance maintained under clauses (1), (3), (5) and (6) above received in respect of damage or destruction to the Facilities, or any portion thereof shall be deposited with the Trustee for application in accordance with the Indenture. Proceeds of insurance maintained under clauses (2) and (4) above shall be paid to the County. If the County elects pursuant to the Indenture to apply insurance proceeds to the replacement, repair or reconstruction of the Facilities or the affected portion thereof the Base Rental shall again begin to accrue with respect thereto upon restoration of the Facilities or the affected portion thereof to tenantable condition. Under the terms of the Indenture, if the damage, destruction or loss is such that there resulted a substantial interference with the County's right to the use and possession of the Facilities and an abatement of rental payments would result, then the County is required to either (i) apply sufficient funds from the insurance proceeds and other legally available funds deposited with the Trustee by the County to replace or repair the Facilities or portions thereof which have been damaged, or (ii) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption in full of all Outstanding Bonds or those Outstanding Bonds which would have been payable from that portion of the Base Rental payments which are abated as a result of the damage or destruction, such that the Base Rental payable with respect to the remaining portions of the Facilities is sufficient to pay all principal and interest on Bonds to remain Outstanding after such redemption.

If the County determines that an abatement of rental under the Sublease will result from a title defect affecting the Facilities or any portion thereof, then either (i) the County will apply the proceeds of any policy of title insurance received in connection with such title defect to remove the defect, or (ii) if the Trustee is not notified within 90 days of the receipt of the title insurance proceeds that the County will use the proceeds to remove the defect, the Trustee shall deposit such proceeds in the Redemption Account of the Bond Fund. Proceeds of any policy of title insurance in connection with a title defect which the County determines has not materially affected County's right to the use and possession of the Facilities and which will not cause an abatement rental under the Sublease will be deposited to the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Thereafter if certain conditions are met, and if the annual fair rental value of the Facilities, notwithstanding the title defect for which the payment was made, is at least equal to 100% of the maximum amount of Base Rental becoming due under the Sublease in the then current Lease Year, such proceeds may be used for other County purposes.

Liens. Other than sums of money due in connection with the Permitted Encumbrances the County shall promptly pay or cause to be paid all sums 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 Facilities and which may be secured by any mechanic's, materialman's or other lien against the Facilities or any portion thereof or the interest of the County or the Authority therein, and shall 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) may 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 Facilities and their operation, including without limitation the Environmental Regulations. The County further agrees to place, keep, use, maintain and operate the Facilities in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Tax Matters. The County has agreed to execute and deliver the Tax Certificate in connection with the issuance of the Bonds, containing additional representations and covenants pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated in the Indenture as though expressly set forth therein.

Essentiality; Useful Life. The County covenants and agrees that the Facilities are essential to the County's exercise of its governmental functions. The County covenants and agrees that the useful life of the Facilities is equal to or greater than the final maturity of the Bonds.

Condemnation. The County covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds remain outstanding and unpaid, the County will not exercise the power of condemnation with respect to all or any portion of the Facilities. The County further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the County should fail or refuse to abide by such covenant and condemns all or any portion of the Facilities, the appraised value of the Facilities so condemned shall not be less than the greater of (i) if such Bonds are then subject to redemption, the principal and interest components of the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

Eminent Domain Awards. Any award made in eminent domain proceedings concerning Facilities shall be paid to the Trustee for application in accordance with provisions of the Indenture.

Assignment and Sublease. The County shall not mortgage, pledge, assign or transfer any interest of the County in the Sublease by voluntary act or by operation of law, or otherwise; provided, however, that the County may sublease all or any portion of the Facilities, may grant concessions to others involving the use of all or any portion of the Facilities, and may assign its right to purchase the Authority's rights, title and interest in the Facilities, or any portion thereof, pursuant to the Sublease, provided that any such action does not cause the County to be in breach of the covenants set forth in the Indenture. The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease, notwithstanding any subletting or granting of concessions which may be made. The County has covenanted that it will not sublease or permit the use of all or any portion of the Facilities to or by any person so as to cause the interest on the Bonds to be included in gross income for federal income tax purposes or to be subject to personal income taxes of the State of California.

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

Events of Default. Events of default under the Sublease occur if the County shall (i) fail to deposit with the Trustee any Base Rental payment required to be so deposited by the close of business on any day such deposit is required to be made pursuant to the Sublease, (ii) fail to pay any item of Additional Rental as and when due and payable pursuant to the Sublease, or (iii) breach any other terms, covenants or conditions contained in the Sublease or the Indenture and shall fail to remedy any such breach with all reasonable dispatch within 30 days after receipt of written notice of such failure from the Authority or its assignee, or if such breach cannot be remedied within such 30 day period, shall fail to institute corrective action within such 30 day period and diligently pursue the same to completion.

Insurer Right to Control Remedies. Notwithstanding anything to the contrary in the Sublease, the Insurer shall have the right to direct the pursuit of any remedies provided in the Sublease.

Remedies. Upon the happening of an event of default, the Sublease provides that the Authority or its assignee shall have the right, to pursue any remedy available at law or in equity, except as otherwise expressly provided in the Sublease. The Authority or its assignee shall have the right, at their or its option, to sublet the Facilities whether or not the Sublease has terminated. Notwithstanding anything to the contrary contained in the Sublease, in addition to the remedies described above, the Authority or its assignee shall have the right, at their or its option, without any further demand or notice to re-enter the Property or any portion thereof and eject all parties therefrom, and, without terminating the Sublease, relet such Property or any portion thereof as the agent for the account of the County upon such terms and conditions as the Authority or its assignee may deem advisable, in which event the rental received on such re-letting shall be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of such Property to its original condition (taking into account normal wear and reasonable attorneys fees and any real estate commission, actually paid, second to Base Rental in accordance with the Sublease and the Indenture and third to Additional Rental in accordance with the Sublease and the Indenture and if a sufficient sum shall not be thus realized to pay such sums and other charges, then the County shall pay to the Authority or its assignee any net deficiency existing on the date when Base Rental or Additional Rental is due under the Sublease; provided, however, that such re-entry and re-letting as described in this Paragraph shall be done only with the consent of the County, which consent is irrevocably given by the County. Any re-entry shall be allowed by the County without hindrance, and the Authority and its assignee shall not be liable for damages for any such re-entry or be guilty of trespass.

Remedies Cumulative; Limitations. Each and every remedy of the Authority under the Sublease shall be available to any assignee of the rights of the Authority thereunder and is cumulative and the exercise of one remedy under the Sublease shall not impair the right of the Authority or its assignee to any or all other remedies. The Authority or its assignee shall not exercise their or its remedies, respectively, under the Sublease so as to cause the interest on the Bonds to be includable in gross income for federal income tax purposes or to be subject to State of California personal income taxes. Notwithstanding any other provision of the Sublease or the Indenture, in no event shall the Authority or its assignee have the right to accelerate the payment of any Base Rental thereunder or otherwise declare any Base Rental not then in default to be immediately due and payable.

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

Option to Purchase. The County shall have the exclusive right and option, which shall be irrevocable during the term of the Sublease, to purchase the Authority's right, title and interest in the Facilities in whole or in part, but only if the County is not in default under the Sublease and the Authority is not in default under the Indenture (or any such default has been cured and the Trustee is able to pay the principal and interest on the Bonds on or before the time the County intends to exercise its option to purchase pursuant to the Sublease), and so long as the purchase is made in accordance with the provisions of the Sublease and with the consent of the Insurer, which consent shall not be unreasonably withheld.

The option price for the purchase of the Authority's right, title and interest in the Facilities in whole shall be the amount necessary to pay all principal, premium, if any, and accrued interest on the Bonds from the Base Rental due under the Sublease on the date of such purchase.

The option price for the purchase of the applicable Authority's right, title and interest in any Component or portion thereof shall be sufficient to pay or redeem the principal amount of the Bonds relating to such Component or portion thereof as determined and directed by the Authority and as provided in writing to the Trustee and the County by an authorized representative of the Authority in Authorized Denominations, premium, if any, and accrued but unpaid interest on the Bonds to be paid or redeemed with such option price on the date of such purchase plus the amount of interest to accrue until the next succeeding Interest Date; provided, however, that on and after such purchase date the annual fair rental value of the Authority's right, title and interest in the Component or Components, applicable, not purchased by the County for each year on and after the purchase date shall equal or exceed the amount due in each such year to pay the principal of and interest on the Bonds to remain Outstanding after the purchase date, as evidenced by a certificate of a County Representative.

If the Business Day on which the County intends to exercise its option to purchase under the Sublease is a date on which Bonds are subject to optional redemption, the County shall give notice to the Trustee of its intention to exercise its option 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, 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 to purchase under the Sublease is not a date on which Bonds are subject to optional redemption. then the option price shall be payable in installments. Each such installment of Bonds (x) shall be payable at each time at which a principal portion of a component of Base Rental would have been payable had such option not been exercised, until the due date of the final installment specified below, and (y) shall equal the principal amount of each Base Rental payment referred to in clause (x) above. Each such installment shall bear interest until paid at a rate equal to the rate which would have been payable with respect to the payments of Base Rental referred to in clause (x) above. At the option of the County, the final installment shall be payable on (A) the final maturity date of the Bonds then Outstanding, or (B) the first date on which the Bonds are subject to optional redemption pursuant to the terms of the Indenture; provided, however, that the County must designate the date of such final installment not later than the date on which the purchase option 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 adversely affect the exclusion from gross income for Federal or State of California income tax purposes of the interest on the Bonds.

In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the County, concurrently with the exercise of its option under the Sublease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or direct U.S. or U.S. guaranteed obligations, or AAA- rated pre-refunded municipal bonds in such amount as will, in the opinion of an independent verification agent, together with the interest to accrue on such investments without the need for further investment, be sufficient to pay the installments (including all principal and interest) referred to in the immediately preceding paragraph at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the County shall be remitted to the County.

On any Business Day as to which the County shall have exercised the option granted it pursuant to the Sublease, and shall have paid or made provision (as set forth in the Sublease) 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 right, title and interest so purchased. If the County shall exercise the option to purchase the Authority's right, title and interest in the Facilities in whole prior to the expiration date of the Lease term and the Authority shall execute and deliver a quitclaim deed as aforesaid and upon payment of any amounts due and payable to the Trustee and the Authority under the Sublease or the Indenture, then the Sublease shall terminate, but such termination shall not affect the County's obligation to pay the option price on the terms set forth in the Sublease.

Amendment. The Sublease can be amended only in accordance with the terms of the Indenture.

Indenture

Pledge and Assignment. Under the Indenture, (a) all Base Rental payments and any other amounts (including proceeds of the sale of the Bonds or income thereon or amounts derived in respect of the Sublease, including amounts derived upon termination and reletting of the Facilities) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Excess Earnings Account of the Earnings Fund) are irrevocably pledged to the payment of the principal of and interest on the Bonds as provided therein; and shall not be used for any other purpose while any of the Bonds remain Outstanding except for such purposes as are permitted thereunder. The pledge constitutes a pledge of and charge and lien upon such amounts and all other moneys on deposit in the funds and accounts established under the Indenture (excluding other amounts on deposit in Excess Earnings Account of the Earnings Fund) for the payment of the interest and premium, if any, on and principal of the Bonds in accordance with the terms hereof and thereof. (b) the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners of the Bonds, all of the Authority's rights, title and interest in and to the Lease, and the Sublease (except for the Authority's rights to indemnification under the Sublease), including the Authority's rights to receive Base Rental, as well as its rights to enforce payment of such Base Rental when due or otherwise to protect its interests in the event of a default by the County under the Sublease, in accordance with the terms thereof.

Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract among the Authority, the County, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered under the Indenture and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered thereunder, subject to the agreements, conditions, covenants and provisions contained therein; and all agreements and covenants set forth therein to be performed by or on behalf of the Authority or the County shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the series, number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided therein.

Funds and Accounts. The Indenture establishes the following funds to be held by the Trustee: the Costs of Issuance Fund, the Base Rental Fund, the Bond Fund, the Reserve Fund and the Earnings Fund.

The Trustee shall disburse money from the Costs of Issuance Fund to pay Costs of Issuance pursuant to the written request of an Authority Representative. The Trustee also shall disburse money from the appropriate subaccount within the General Account to pay Construction and Acquisition Costs for the corresponding Component pursuant to the written request of a County Representative. Any amounts remaining in the Costs of Issuance Fund on the earlier of the six month anniversary of the issuance of the Bonds or the date on which an Authority Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred to the Interest Account of the Bond Fund. Following the transfer of all amounts remaining in the Costs of Issuance Fund, the Trustee shall close such fund.

The Base Rental Fund shall be maintained by the Trustee until all required Base Rental is paid in full, or until such earlier date as there are no Bonds Outstanding. All payments of Base Rental received by the Trustee under the Sublease shall be deposited into the Base Rental Fund. All delinquent Base Rental payments received pursuant to the Sublease and any proceeds of liquidated damages and rental interruption insurance shall be deposited into the Base Rental Fund and applied, first to the payment of overdue interest, second to the payment of overdue principal, and finally, to make up any deficiency in the Reserve Fund.

The Bond Fund consists of the Interest Account, the Principal Account and the Redemption Account. Moneys transferred to the Interest Account and the Principal Account of the Bond Fund shall be applied by the Trustee to make payments of principal and interest due and payable on the Bonds for which such transfer was made on any Interest Payment Date, Sinking Account Installment Date (solely with respect to the 2006 Series B Bonds) and maturity date therefor or to reimburse the Authority for the purchase of Bonds pursuant to the Indenture. Any excess amounts remaining in the Interest Account or the Principal Account following each Interest Payment Date shall be transferred to the Base Rental Fund. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the Sublease, or until such date as there are no Bonds Outstanding. Any proceeds of insurance (other than rental interruption insurance) or condemnation awards not required to be used to repair, reconstruct or replace the Facilities and other amounts provided for the redemption of Bonds shall be deposited in the Redemption Account of the Bond Fund and used to redeem Bonds in accordance with the Indenture.

The Reserve Fund shall be maintained by the Trustee in the amount of the Reserve Requirement until there are no longer any Bonds Outstanding; provided, however, at the option of the Authority, a Credit Facility in the amount of the Reserve Requirement or any portion thereof may be substituted for the funds or for the Credit Facility held by the Trustee in the Reserve Fund so long as the Credit Facility satisfies certain conditions contained in the Indenture. Amounts in the Reserve Fund are to be transferred to the Bond Fund when amounts in the accounts of the Bond Fund are not sufficient to pay principal and interest on the Bonds when due.

The Earnings Fund consists of an Investment Earnings Account and an Excess Earnings Account. Investment Earnings shall be deposited into the Earnings Fund and used as described under "Investments" below.

Surplus. Any money remaining in any of the funds, accounts and subaccounts established under the Indenture after the payment, redemption or provision for payment of all principal of, premium, if any, and interest on the Bonds, the payment of all fees and expenses of the Trustee and the transfer of amounts required to be deposited in the Excess Earnings Account pursuant to the Tax Certificate or after defeasance of the Bonds, will be remitted to the County.

Investments Authorized. Money held by the Trustee in any fund, account or subaccount established under the Indenture will be invested in Qualified Investments by the Trustee pursuant to written direction by an Authority Representative.

Application of Investment Earnings. Except as otherwise provided in the Indenture, the Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it under the Indenture, other than Investment Earnings on amounts deposited in the Excess Earnings Account, into the Investment Earnings Account of the Earnings Fund. All Investment Earnings on amounts on deposit in the Excess Earnings Account shall be retained therein for use as set forth in the Indenture. Investment Earnings on amounts in the Excess Earnings Account of the Earnings Fund shall be retained therein.

Application of Earnings Fund. Amounts on deposit in the Investment Earnings Account within the Earnings Fund shall be transferred to the Excess Earnings Account pursuant to written instructions of a County Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount in the Excess Earnings Account which exceeds the amount required to be maintained therein as set forth in the written direction of an Authority Representative in accordance with the provisions of the Tax Certificate shall be transferred as designated in writing by an Authority Representative, or, in the absence of such written instructions, first, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and second, to the Interest Account of the Bond Fund for application to the payment of interest on the Bonds on the next succeeding Interest Payment Date. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall be applied only to payments made to the United States of America in accordance with written instructions of an Authority Representative.

Trustee. The Indenture describes the duties and procedures for removal, resignation, protection and compensation of the Trustee, and appointment of any successor Trustee. The Indenture requires that any successor Trustee be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and be subject to supervision or examination by a federal or state banking authority (or have its obligation guaranteed by an affiliate which meets such qualification).

Removal of Trustee. The Authority upon 30 days' notice may, so long as no event of default has occurred and is continuing under the Indenture, or the Owners of a majority in the aggregate principal amount of the Outstanding Bonds may, at any time by written request, remove the Trustee and appoint a successor. The Insurer has the right to direct the removal of the Trustee, but only in the event that an Event of Default under the Sublease shall have occurred and be continuing, and upon such a removal of the Trustee, the County shall appoint a successor Trustee with the consent of the Insurer.

Amendment to Indenture. The Indenture may be amended in writing by the Authority, the County and the Trustee, but no such amendment shall become effective as to the Owners of the Bonds then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. The Indenture may also be amended without such consent upon the written agreement of the Authority and the Trustee, but only: (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Indenture which the Trustee deems necessary or desirable and not inconsistent with the Indenture and which do not adversely affect the interests of the Owners of the Bonds then Outstanding; (c) to preserve and maintain the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes; (d) to qualify the Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect; (e) to authorize the execution, authentication and delivery of Additional Bonds if the conditions described below under "Additional Bonds" are met; or (f) for any other reason, provided such amendment does not materially adversely affect the interests of the Owners of the Bonds then Outstanding. The Authority and the Trustee may rely in entering into any such amendment upon an opinion of Independent Counsel stating that the foregoing requirements have been met with respect to such amendment. No amendment may impair the right of any Bond Owner to receive such Owner's principal and interest in accordance with the terms of the Owner's Bond. The Trustee shall not be required to enter into or consent to any amendment or modification which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee in the Indenture. No modification, amendment or supplement to the Indenture requiring the consent of the Owners of the Bonds may become effective except upon obtaining the prior written consent of the Insurer.

Amendment to Lease and Sublease. The Lease and the Sublease may be amended in writing by agreement between the parties thereto, with the consent of the Trustee. No such amendment shall become effective as to the Owners of the Bonds then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. However, the Lease and the Sublease may also be amended upon the written agreement between the parties, with the consent of the Trustee, but without the consent of any Owners of the Bonds, but only (a) for the purposes of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Lease or the Sublease, (b) in regard to questions arising under the Lease or the Sublease which the Trustee, the County and the Authority deem necessary or desirable and not inconsistent with the terms thereof and which shall not materially adversely affect the interests of the Owners of the Bonds then Outstanding, (c) to modify or amend the description of the Facilities, to release from the Lease or the Sublease any portion of the Facilities, or to substitute other property and/or improvements for the Facilities or any portion thereof pursuant to the Sublease, (d) to provide for the authorization of Additional Bonds if the conditions described below under "Additional Bonds" have been met, or (e) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the Owners of the Bonds then Outstanding; provided, however, that the County, the Authority and the Trustee may rely in entering into any such amendment or modification thereof or in giving consent thereto upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification.

Consent of Owners. If the Authority or the County desires the written consent of the Owners, the Board of Directors of the Authority may propose the amendment via resolution to which the consent is desired. A copy of such resolution, together with a request to Owners for their consent to the proposed amendment, shall be mailed to each registered Owner at the Owner's address as it appears on the Bond Register. Any such written consent shall be binding upon the Owner giving such consent and on any subsequent Owner unless the consent is revoked in writing by the Owner or by the subsequent Owner as provided by the Indenture prior to the adoption of the resolution. After the Owners of at least a majority in aggregate principal amount of the Outstanding Bonds have provided written consent, the Board of Directors of the Authority shall adopt a resolution accepting such consents.

Additional Bonds. The Authority may from time to time, by a supplement or amendment to the Indenture, authorize one or more series of Additional Bonds, on a parity with or secured separately from, the Outstanding Bonds. Such supplement or amendment to the Indenture may provide for the creation of such funds and accounts as may be required for the issuance of Additional Bonds. The Authority shall execute and the Trustee shall authenticate and deliver the Additional Bonds of any series only upon the receipt by the Trustee of among other things:

(1) A copy of a supplement or amendment to the Indenture authorizing such series of Additional Bonds which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Bonds, (ii) the purpose for which such Additional Bonds are to be executed, authenticated and delivered, (iii) the maturity date or dates of such Additional Bonds, (iv) the source of security of such Additional Bonds, (v) the interest payment dates for and the interest rate or rates or the maximum rate of interest payable on the

Additional Bonds of such series, (vi) the denominations of and the manner of dating and numbering such Additional Bonds, (vii) the redemption provisions and redemption dates and prices and any defeasance provisions for such Additional Bonds, (viii) the form of the Additional Bonds, (ix) the establishment of any provisions concerning additional funds, accounts and subaccounts in the Bond Fund or a bond fund created pursuant to such supplement or amendment, held by the Trustee under the Indenture to provide for the payment of principal, premium, if any, and interest on such Additional Bonds, (x) the establishment of any provisions concerning additional funds, accounts and subaccounts in the Reserve Fund or a reserve fund created pursuant to such supplement or amendment and held by the Trustee under the Indenture so that such Additional Bonds are secured by a reserve requirement calculated on the same basis as the Reserve Requirement, and (xi) the establishment of any provisions concerning such other funds, accounts and subaccounts as the Authority shall deem necessary or desirable for such Additional Bonds, including, without limitation, construction and acquisition funds.

(2) A duly executed copy of an amendment to the Lease or the Sublease such that (i) the Base Rental payable under the Sublease, as amended, is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds and that the Base Rental payable thereunder is not in excess of the fair rental value of the Facilities, including any new Facilities, additions or improvements thereto to be financed with the proceeds of such Additional Bonds, and (ii) the insurance provisions of the Sublease shall provide adequate coverage for any new Facilities, additions or improvements, as appropriate, such amendment or amendments shall contain any modifications necessary to include any such financed Facilities, additions or improvements in the Facilities.

(3) Evidence that any amendments to the Lease and the Sublease executed in connection with such Additional Bonds have been duly recorded in the official records of the County Recorder of the County of Los Angeles.

(4) If such Additional Bonds are being executed, authenticated and delivered to finance the construction or acquisition of new Facilities, additions or improvements to the Facilities, either (i) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Facilities, without taking into account such new Facilities, additions or improvements, is at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds, (ii) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Facilities, including any new Facilities, additions or improvements which are completed and are available for use and possession by the County, is at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds, or (iii) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Facilities, including such new Facilities, additions or improvements, when completed, will be at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds, which certificate shall be accompanied by (1) an executed copy of a fixed price construction contract for such new Facilities, additions or improvements, which contract includes a scheduled completion date and provides for liquidated damages sufficient to pay the portion of Base Rental attributable thereto for each day from the scheduled completion date to the date on which such new Facilities, additions or improvements are accepted by the County, and (2) the deposit of a sufficient amount of capitalized interest to pay interest on the Additional Bonds until such scheduled completion date.

(5) An opinion of Independent Counsel to the effect that (i) the supplement or amendment to the Indenture and any amendments to the Lease or the Sublease executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Indenture and have been duly and validly authorized, executed and delivered by the Authority and the County, as applicable, and constitute the legally valid and binding obligations of the Authority and the County, as applicable, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) the execution, authentication and delivery of such Additional Bonds will not adversely affect the exclusion for federal income tax purposes of the interest on the Bonds received by or allocated to the Owners of the Bonds and the owners of any Additional Bonds previously executed, authenticated and delivered.

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

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend the dates upon which the principal of the Bonds is required to be paid or redeemed, or the time of payment of interest thereon. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue any securities for the purpose of providing funds for the redemption or payment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Tax Matters. The Authority covenants that it will not use, and will not permit the use of, and will not omit to use any Gross Proceeds (as defined in Treasury Regulation 1.148-1(c)) or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond or Prior Obligations (as defined in the front part of this Official Statement) to fail to be excluded pursuant to Section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes.

Continuing Disclosure. The County covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default; however, the Trustee or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with this covenant. The sole remedy under the Continuing Disclosure Certificate in the event of any failure of the County to comply with the Continuing Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Certificate. For purposes of this section of the Indenture, the terms "Beneficial Owner" and "Participating Underwriter" shall have the meanings ascribed thereto in the Continuing Disclosure Certificate.

Events of Default. The following are events of default under the Indenture and the terms "Events of Default" and "default" shall mean any one or more of the following events: (i) default in the due and punctual payment of the interest on any Bond or the principal or premium, if any, on any Bond when and as the same become due and payable; provided, however, that any default in such due and punctual payment which is due to a rental abatement under the Sublease shall not be considered an Event of Default under the Indenture; (ii) an event of default shall occur under the Sublease with respect to the failure by the County to make any deposit of Base Rental or to pay Additional Rental when due under the Sublease; or (iii) an event of default shall occur under the Sublease, or the Authority shall fail to observe or perform any covenants, conditions or agreements on its part to be observed or performed under the

Indenture (other than such failure as may constitute an Event of Default under clause (i) or clause (ii) as described above), and failure to remedy any such breach within a period of 30 days after written notice thereof to the Authority or the County, as applicable, and by the Trustee, or to the Authority or the County, as applicable, and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided, however, if such failure cannot be remedied within such 30 day period, then such period shall be extended so long as the Authority or the County, as applicable, shall institute corrective action within such 30 day period and diligently pursue the same until the default is corrected, but only if such extension would not materially adversely affect the interests of any Owner.

Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in clause (ii) under the caption "Events of Default" above, the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default under the Indenture, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and upon being indemnified to its satisfaction by such Owners shall proceed) to exercise the remedies set forth in the Sublease or available to the Trustee under the Indenture.

Upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct all remedies granted to the Owners of the Bonds or the Trustee or their assignee under the Sublease as applicable.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee under the Indenture or the Sublease is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Sublease, or now or hereafter existing at law or in equity.

Action by Owners. In the event the Trustee fails to take any action to eliminate an Event of Default under the Sublease or under the Indenture, including the collection of Base Rental when due, the Owners of a majority in aggregate principal amount of the Outstanding Bonds may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Sublease or the Indenture, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Sublease or the Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

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

Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal of and interest then due and unpaid on all Outstanding Bonds and to make the deposits into the Base Rental Fund required to be made pursuant to the Sublease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Indenture or the Sublease shall be deposited by the Trustee into the Bond Fund and transferred first to the Interest Account therein and then to the Principal Account therein to pay the principal and interest due on the Bonds. If the amount deposited in the Bond Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of such interest due and unpaid to such Owners. If the amount deposited into the Bond Fund is not sufficient to pay all overdue payments of principal, the amounts deposited shall be distributed pro rata to the Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Bond Fund as described in the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Indenture or the Sublease shall be applied as follows in the order of priority indicated: (i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (ii) to the payment of Additional Rental then due and payable; and (iii) deposited into the Bond Fund for application to the payments due on the Bonds on the next succeeding payment dates therefor.

No Liability of Trustee for Base Rental Payments by County. Except as provided in the Indenture, the Trustee has no obligation or liability to the Owners with respect to the payment of Base Rental by the County when due, or with respect to the performance by the County or the Authority of any other covenant made by any of them in the Sublease or the Indenture.

Defeasance. If all Bonds shall be paid and discharged as provided in the Indenture, then all obligations of the Trustee and the Authority under the Indenture with respect to all Bonds shall cease and terminate, except the obligation of the Trustee to pay or cause to be paid to the Owners thereof all sums due with respect to the Bonds and to register, transfer and exchange Bonds pursuant to the Indenture and the obligations of the Authority to pay certain amounts owing to the Trustee and to comply with certain covenants relating to tax matters. Any Bond or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding if paid or discharged in any one of the following ways: (i) by paying or causing to be paid the principal of and interest on such Bond which have become due and payable; (ii) by depositing with the Trustee, in trust, cash which, together with the amounts then on deposit in the Base Rental Fund, the Bond Fund and the Reserve Fund and dedicated to this purpose, is fully sufficient to pay when due all principal of, premium, if any, and interest on such Bond to the maturity or earlier redemption date thereof; or (iii) by depositing with the Trustee, in trust, cash and/or noncallable Obligations and/or pre-refunded municipal bonds rated Aaa by Moody's and AAA by S&P in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue on such Government Obligations, without the need for reinvestment, be fully sufficient to pay when due all principal of, premium, if any, and interest on such Bond to the maturity or earlier redemption date thereof.

Notwithstanding the foregoing, no deposit under clauses (ii) and (iii) above shall be deemed a payment of such Bond until the earlier to occur of: (a) if such Bond is by its terms subject to redemption or will be affected pursuant to the option to purchase under the Sublease within 45 days, proper notice of redemption of such Bond or of such purchase and its effect on such Bond, as applicable, shall have been previously given in accordance with the Indenture or the Sublease, as applicable, to the Owner thereof or, in the event such Bond is not by its terms subject to redemption or will be affected pursuant to the option to purchase under the Sublease within 45 days of making the deposit under clause (ii) or (iii) above, the Authority shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owner of such Bond as soon as practicable stating that the deposit required by clause (ii) or (iii) above, as applicable, has been made with the Trustee and that such Bond is deemed to have been paid and further stating such redemption date or dates upon which money will be available for the payment of the principal and accrued interest thereon or the date on which such option to purchase will be exercised pursuant to the Sublease; or (b) the maturity of such Bond.

Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Bonds, which are not required for payment to Owners, or for payment to be made to the Trustee by the Authority, shall be passed over to the Authority.

Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and the Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 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 D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 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 shall 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 UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 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 Underwriters 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 Underwriters are 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 E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Continuing Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") as of December 1, 2006 in connection with the offer and sale of (i) $217,575,000 Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series A and (ii) $103,410,000 Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series B (collectively, the "Bonds"). The offer and sale of the Bonds is being effected pursuant to the terms of an Indenture of Trust with respect to each series of Bonds, each dated as of December 1, 2006 (together, the "Indentures"), each among the County, the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, Los Angeles, California (the "Trustee"), as trustee. The County hereby covenants and agrees as follows:

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

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

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

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

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Continuing Disclosure Certificate, the County has not appointed a Dissemination Agent.

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

"National Repository" means, at any time, a then-existing nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories currently approved by the Commission are set forth in the Commission's web site located at www.sec.gov/info/municipal/nrmsir.htm.

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

"Repository" means each National Repository and each State Repository.

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

“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 as such by the Commission. As of the date of this Continuing Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County’s fiscal year ended June 30, 2007, provide to each Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Continuing Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Continuing Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection 5(c).

(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 Continuing Disclosure Certificate.

(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) if the Annual Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in “State of California Accounting Standards and Procedures for Counties.” If the County’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Continuing Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

(ii) summary financial information on revenues, expenditures and fund balances for the 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.

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 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 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 any credit enhancements reflecting financial difficulties;

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

(vi) adverse tax opinions or events affecting the tax status of the Bonds;

(vii) modifications to the rights of Owners of the Bonds;

(viii) bond calls other than scheduled sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and

(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 laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the respective 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 6. Termination of Reporting Obligation. The County's obligations under this Continuing Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty days written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Continuing Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Certificate, the County may amend this Continuing Disclosure Certificate, and any provision of this Continuing Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 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 execution and delivery 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 Owners of the Bonds in the same manner as provided in the respective Indenture for amendments to the respective Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Continuing Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Continuing Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Certificate, the County shall have no obligation under this Continuing Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Continuing Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Continuing Disclosure Certificate. A default under this Continuing Disclosure Certificate shall not be deemed an Event of Default under either of the Indentures with respect to the Bonds, and the sole remedy under this Continuing Disclosure Certificate in the event of any failure of the County to comply with this Continuing Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Continuing Disclosure Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including 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.

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

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

Section 15. Effective Date. This Continuing Disclosure Certificate shall be effective upon the issuance of the Bonds.

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

COUNTY OF LOS ANGELES

By:______________________________________
Treasurer and Tax Collector

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Los Angeles County Public Works Financing Authority
Name of Issue:	$________ Lease Revenue Refunding Bonds (2006 Master Refunding Project) Series [A/B]
Date of Issuance:	December __, 2006

NOTICE IS HEREBY GIVEN that the COUNTY OF LOS ANGELES, CALIFORNIA (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated as of December 1, 2006, executed and delivered by the County. [The County anticipates that the Annual Report will be filed by ____________________.]

Dated: ____________________

COUNTY OF LOS ANGELES

By:_______________________

Title:______________________

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES
CALIFORNIA

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

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 Refunding Bonds (2006 Master Refunding Project), Series A and Series B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of $320,995,000 aggregate principal amount of Los Angeles County Public Works Financing Authority Lease Revenue Bonds (2006 Master Refunding Project), Series A and Series B (collectively, the "Bonds"), dated the date hereof. In such connection, we have reviewed: a Sublease and Option to Purchase with respect to each Series of the Bonds, each dated as of December 1, 2006 (the "Subleases"), each by and between the County of Los Angeles (the "County") and Los Angeles County Public Works Financing Authority (the "Authority"); an Indenture with respect to each series of the Bonds, each dated as of December 1, 2006, each by and between the Authority and U.S. Bank National Association (the "Trustee"), as trustee (the "Indentures"); a Lease with respect to each series of Bonds, each dated as of December 1, 2006, each by and between the County and the Authority; a tax certificate of the Authority and the County with exhibits, dated the date hereof (collectively the "Tax Certificate"); opinions of counsel to the County, counsel to the Authority and counsel to the Trustee; certificates of the County, the Trustee, the Authority 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 Indentures and the Subleases.

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 Authority. 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 Authority in the Subleases, the Indentures, 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 Authority 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 Subleases, the Indentures, 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 Subleases 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 Authority.

2. The Indentures have been duly authorized, executed and delivered by, and each constitutes the valid and binding obligation of, the Authority.

3. The Subleases have been duly authorized, executed and delivered by the County and the Authority and constitute the valid and binding obligations of the County and of the Authority, respectively. The obligations of the County to pay the Base Rental and Additional Rental during the term of the respective Sublease constitute the valid and binding obligations of the County, payable from funds of the County lawfully available therefor, and do 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 do not constitute obligations for which the County or the State are 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,

APPENDIX G

FORM OF MUNICIPAL BOND NEW ISSUE INSURANCE POLICY

COUNTY OF LOS ANGELES

CALIFORNIA

Exhibit A

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond
New Issue Insurance Policy

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

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FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

SPECIMEN

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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125 Park Avenue
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T 212-312-3000
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Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	**Control Number:** 0010001

SPECIMEN

The insurance provided by this Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	**Control Number:** 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
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Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number:	**Control Number:** 0010001

SPECIMEN

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the ___________ [Conduit Obligor] (as such term is defined in the bond documentation).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY • LEASE REVENUE REFUNDING BONDS (2006 MASTER REFUNDING PROJECT) SERIES A AND SERIES B

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