

NEW ISSUE – BOOK ENTRY ONLY

RATINGS:
Moody's: MIG 1
Standard & Poor's: SP-1+
Fitch: F1+
(See "RATINGS" herein.)

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



\$500,000,000
COUNTY OF LOS ANGELES
2006-07 Tax and Revenue Anticipation Notes, Series A
4.50% Priced to Yield 3.50%
CUSIP No. 544657GY9

Dated: July 3, 2006

Due: June 29, 2007

The County of Los Angeles 2006-07 Tax and Revenue Anticipation Notes, Series A (the "Notes") will be issued as fixed rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest at a fixed rate per annum from their dated date and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Notes are being issued to provide moneys to help meet Fiscal Year 2006-07 County General Fund Expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 16, 2006 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2006-07 Tax and Revenue Anticipation Notes, Series A" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2006-07 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for Issue" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the County by the County Counsel. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 3, 2006.

Goldman, Sachs & Co.

Banc of America Securities LLC
Great Pacific Securities

Lehman Brothers
Estrada Hinojosa & Company, Inc.



COUNTY OF LOS ANGELES

2006-07 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

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

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

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

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

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

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

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

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OFFICIAL STATEMENT

\$500,000,000

**COUNTY OF LOS ANGELES
2006-07 TAX AND REVENUE ANTICIPATION NOTES, SERIES A**

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery of \$500,000,000 in aggregate principal amount of 2006-07 Tax and Revenue Anticipation Notes, Series A (the “Notes”) of the County of Los Angeles, California (the “County”). The Notes will be issued as fixed rate notes bearing interest as set forth on the cover of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2006-07 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the “Act”), and a resolution adopted by the Board of Supervisors of the County (the “Board of Supervisors”) on May 16, 2006 and entitled “Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2006-07 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed \$1,000,000,000” (the “Resolution”). The Notes are issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the “Treasurer”) entitled “Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2006-07 Tax and Revenue Anticipation Notes, Series A” (the “Financing Certificate”) delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon are general obligations of the County payable from the taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2006-07 and lawfully available therefor. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2006-07 as specified in the Resolution and the Financing Certificate. See “THE NOTES – Security for Issue.” The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The County

The County is located in the southern coastal portion of the State of California (the “State”) and covers 4,084 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 42 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT” and APPENDIX B – “COUNTY OF LOS ANGELES FINANCIAL STATEMENTS.”

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to \$1,850,000,000. The Resolution authorizes the County to issue and sell up to \$1,000,000,000 aggregate principal amount of 2006-07 Tax and Revenue Anticipation Notes in one or more series. Accordingly, subsequent to the County's issuance of the Notes, the County may issue up to \$500,000,000 of additional 2006-07 Tax and Revenue Anticipation Notes that may be secured by a pledge of unrestricted taxes, income, revenue, cash receipts or other moneys attributable to Fiscal Year 2006-07 on parity with the Notes or on a subordinate basis. If such additional obligations are issued, each monthly set-aside with respect to the Notes must be met before the County sets aside moneys in each such month to repay any such additional series of 2006-07 Tax and Revenue Anticipation Notes. The County presently has no plans to issue such additional obligations. See "THE NOTES – Security For Issue."

In addition to the 2006-07 Tax and Revenue Anticipation Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow." The County reserves the right to undertake such a borrowing under the Resolution. See "THE NOTES – Security for Issue," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

The Notes will be issued in the aggregate principal amount of \$500,000,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 3, 2006, will mature on June 29, 2007, and will be issued in fully registered form. The Notes are not subject to redemption prior to maturity.

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

Authority for Issuance

The Notes are being issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Financing Certificate.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2006-07 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The proceeds of the Notes will be invested in the Pooled Surplus Investments Fund (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *Los Angeles County Pooled Surplus Investments*".

Security for Issue

The 2006-07 Tax and Revenue Anticipation Notes, Series A issued under and pursuant to the Resolution and the Financing Certificate are ratably secured by a pledge of the first \$174,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after December 20, 2006; the first \$90,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after January 1, 2007; the first \$57,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after February 1, 2007; the first \$61,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after March 1, 2007; and the first \$118,000,000 (plus an amount equal to the interest on the Notes that has accrued and will accrue to maturity) of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after April 20, 2007.

Pursuant to Section 53856 of the Act, the Notes and the interest thereon are a lien and charge against, and are payable from, such pledged moneys. In addition to such pledged moneys, pursuant to Section 53857 of the Act, the Notes are general obligations of the County, and, to the extent not payable from the taxes, income, revenue, cash receipts and other moneys of the County pledged for Fiscal Year 2006-07 for the payment thereon shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for the repayment of the Notes.

In accordance with the terms of the Resolution, the County Auditor-Controller (the "Auditor-Controller") will deposit with the Treasurer the money pledged for the repayment of the Notes. Each series of 2006-07 Tax and Revenue Anticipation Notes will have its own separate Repayment Fund. There will be established the 2006-07 TRANs Repayment Fund Series A for the Notes (the "Series A Repayment Fund"). Moneys pledged for the payment of the Notes will be deposited into the Series A Repayment Fund in the amount and at the times described above. The Treasurer will hold the pledged money until the Notes are paid. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments (herein defined). Interest on amounts in the Series A Repayment Fund and in each other Repayment Fund established in connection with the issuance of additional series of 2006-07 Tax and Revenue Anticipation Notes will be credited to the General Fund of the County. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

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

Available Sources of Payment

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

The County estimates that the total moneys to be available for payment of the principal of and interest on the 2006-07 Tax and Revenue Anticipation Notes, including the pledged amounts, will be in excess of approximately \$5.9 billion as indicated in the table below. Except for pledged amounts, these moneys will be expended during the course of the fiscal year, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the 2006-07 Tax and Revenue Anticipation Notes and the interest thereon.

**COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2006-07
BASED ON PROPOSED BUDGET⁽¹⁾**

<u>Source</u>	<u>Amount</u>
Property Taxes	\$3,231,568,000
Other Taxes	192,960,000
Subvention and Grants	
In-Lieu Taxes	509,881,000
Homeowner’s Exemptions	20,500,000
Fines, Forfeitures, and Penalties	195,662,000
Licenses, Permits and Franchises	53,727,000
Charges for Services	1,606,881,000
Use of Money and Property	127,903,000
Other Intergovernmental Transfers	<u>50,000,000</u>
Total	<u>\$5,989,082,000</u>
Less amount pledged for payment of the Notes ⁽²⁾	<u>(522,250,000)</u>
Net total in excess of pledged revenues	<u>\$5,466,832,000</u>

⁽¹⁾ Reflects revenues set forth in the 2006-07 Proposed Budget (defined herein) adopted by the Board of Supervisors on April 18, 2006. Information subject to change to reflect the impact of the 2006-07 State Budget and other matters. See “THE NOTES – State of California Finances” and APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information.”

⁽²⁾ Based on \$500,000,000 aggregate principal amount of Notes, plus an amount equal to interest thereon.

State of California Finances

On May 12, 2006, the Governor released the May Revision (the “May Revision”) to the Fiscal Year 2006-07 Proposed State Budget (the “2006-07 Proposed State Budget”). The May Revision includes approximately \$4.8 billion and \$2.76 billion in additional State General Fund revenues for Fiscal Years 2005-06 and 2006-07, respectively, over what was assumed in the initial 2006-07 Proposed State Budget of January 2006. Much of this additional revenue is attributable to the May Revision’s assumptions of an increase in personal income tax revenue and an increase in corporate taxes in Fiscal Year 2005-06. Certain of the principal features of the May Revision affecting counties include: (i) proposed increase in funding for the Citizens’ Option for Public Safety and Crime Prevention Act programs in the amount \$42.6 million, which is expected to be divided equally between the two programs, and (ii) creation of a new trust in each county for local detention facilities, which are expected to be funded from State grants of \$40 million per year for the operation, renovation and construction of local detention facilities. The County estimates that it will receive an overall net gain of \$33.6 million as a result of the changes set forth in May Revision.

On May 15, 2006, the State’s Legislative Analyst’s Office (the “LAO”) released an analysis of the May Revision entitled “Overview of the 2006-07 May Revision” (the “LAO Overview”). According to the LAO Overview, the May Revision has a number of positive features, including its reliance on cautious revenue assumptions and its emphasis on debt prepayments, one-time spending and the build up of the year end reserve. The LAO Overview states that even though the revenue outlook has improved by \$7.5 billion from the estimates set forth in the 2006-07 Proposed State Budget, the State will continue to face operating budget shortfalls of approximately \$3.5 billion in each of Fiscal Years 2007-08 and 2008-09 and \$1 billion in Fiscal Year 2009-10 (assuming continued economic and revenue growth and excluding potential added costs associated with lawsuits and other factors). To place greater priority on regaining long-term fiscal balance, the LAO recommends that the State Legislature weigh the benefits associated with fully funding the K-14 Proposition 98 education funding targets proposed in the May Revision against the economic shortfalls that such Proposition 98 funding is projected to create in Fiscal Years 2007-08 and 2008-09. The LAO further recommends that the State legislature not adopt the proposal to accelerate \$1 billion of deficit-financing bond prepayments, based on the assumption that the added payment will not produce any benefits to the State General Fund until Fiscal Year 2009-10. Instead, the LAO states that the \$1 billion should either be left in reserve or used to prepay debt coming due in Fiscal Years 2007-08 and 2008-09, when the projected shortfalls are the largest.

The Fiscal Year 2006-07 State Budget (the “2006-07 State Budget”) is expected to be subject to significant negotiation and revision prior to its ultimate adoption. There can be no assurances that the final 2006-07 State Budget will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The 2006-07 State Budget is subject to approval by the State Legislature, and the County cannot predict the ultimate impact of the final approved 2006-07 State Budget on the County’s financial situation. In the event the final 2006-07 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A - “COUNTY OF LOS ANGELES INFORMATION STATEMENT.”

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. "Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. All notes issued in connection with the County's cash management program, with the exception of \$500,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2005-06 which are due June 30, 2006, have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund held by the County, separate from the General Fund, to repay the 2005-06 Tax and Revenue Anticipation Notes, Series A at maturity.

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

GENERAL FUND CASH FLOW

The Auditor-Controller has prepared the following five-year summary of month-end cash balances in the General Fund. Also shown on the following pages is a detailed analysis of the Fiscal Year 2005-06 General Fund cash flow (which includes actual figures for the first ten months of such fiscal year and projections for the remainder of such fiscal year) and of the projected cash flow for Fiscal Year 2006-07. The cash flow projections are based on the 2006-07 Proposed Budget adopted by the Board of Supervisors on April 18, 2006 (the "2006-07 Proposed Budget"). Such cash flow projections could change based on the final form of the County's 2006-07 Budget, when adopted.

**COUNTY OF LOS ANGELES
GENERAL FUND
MONTH-END CASH BALANCES⁽¹⁾
FISCAL YEARS 2001-02 THROUGH 2005-06
(In Thousands)**

	<u>2001-02</u> ⁽³⁾	<u>2002-03</u> ⁽⁴⁾	<u>2003-04</u> ⁽⁵⁾	<u>2004-05</u> ⁽⁶⁾	<u>2005-06</u> ⁽⁷⁾
July	\$828,878	\$976,113	\$1,078,529	\$1,495,033	\$1,261,166
August	874,428	856,749	667,423	1,033,691	1,032,306
September.....	690,640	691,326	308,176	720,170	763,434
October.....	447,656	447,121	302,740	436,387	340,692
November.....	410,165	245,917	192,258	184,646	(94,322) ⁽²⁾
December	909,138	498,302	689,307	831,138	174,098
January	756,137	614,206	503,898	1,083,012	559,038
February	494,967	573,555	554,452	861,378	471,091
March	591,024	295,964	303,562	284,599	380,571
April	686,313	(9,302) ⁽²⁾	272,210	412,913	498,427
May	686,716	607,547	412,805	1,056,905	672,529 ⁽⁸⁾
June	775,257	918,806	986,202	1,241,153	960,890 ⁽⁸⁾

⁽¹⁾ Month-end balances include the effects of intrafund borrowing net of deposits to the repayment funds relating to the short-term notes. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow." See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

⁽²⁾ Effective with Fiscal Year 1998-99 certain monthly periods may reflect negative cash balances. The borrowable resources that were available to provide coverage for the deficits are set forth in APPENDIX A.

⁽³⁾ Includes receipt in July 2001 of proceeds from sale of \$600,000,000 of 2001-02 Tax and Revenue Anticipation Notes, Series A.

⁽⁴⁾ Includes receipt in July 2002 of proceeds from sale of \$650,000,000 of 2002-03 Tax and Revenue Anticipation Notes, Series A.

⁽⁵⁾ Includes receipt in July 2003 of proceeds from sale of \$600,000,000 of 2003-04 Tax and Revenue Anticipation Notes, Series A.

⁽⁶⁾ Includes receipt in July 2004 of proceeds from sale of \$600,000,000 of 2004-05 Tax and Revenue Anticipation Notes, Series A.

⁽⁷⁾ Includes receipt in July 2005 of proceeds from sale of \$500,000,000 of 2005-06 Tax and Revenue Anticipation Notes, Series A.

⁽⁸⁾ Estimated.

**COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2005-06
(in thousands)
ACTUALS THROUGH APRIL**

	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
Revenue From 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 & 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 Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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	\$672,528.6	
\$685,338.0	\$183,576.0	\$18,383.0	\$521,643.0	\$684,553.0	\$2,222.0	\$2,991,665.0
17,244.0	23,755.0	17,204.0	17,421.0	14,064.6	11,350.4	204,000.0
3,419.0	12,029.0	2,999.0	9,154.0	3,708.8	3,233.2	56,000.0
12,575.0	23,281.0	16,008.0	19,314.0	29,752.9	9,651.1	220,000.0
14,661.0	14,537.0	17,980.0	14,922.0	8,167.0	16,573.0	170,075.0
264,424.0	353,639.0	247,040.0	231,895.0	255,370.4	212,466.6	3,021,698.0
139,889.0	72,756.0	177,675.0	86,120.0	94,685.0	31,757.2	1,084,265.2
8,210.0	10,895.0	14,067.0	112,598.0	1,315.7	1,270.3	229,439.0
15,561.0	84,505.0	219,749.0	6,894.0	11,381.9	740,328.2	1,229,729.1
350,326.0	249,872.0	366,012.0	341,651.0	242,057.8	240,269.2	3,547,000.0
11,254.0	18,919.0	6,237.0	4,738.0	9,511.8	7,746.2	140,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
\$1,522,901.0	\$1,047,764.0	\$1,103,354.0	\$1,366,350.0	\$1,354,568.8	\$1,796,811.5	\$13,913,815.3
\$169,398.0	\$219,470.0	\$219,407.0	\$216,763.0	\$182,815.1	\$264,369.9	\$2,570,000.0
446,709.0	466,691.0	423,698.0	465,380.0	434,143.0	410,294.0	5,366,900.0
209,051.0	240,196.0	258,733.0	230,038.0	225,047.5	253,383.5	2,950,000.0
222,803.0	152,354.0	231,036.0	198,369.0	338,461.6	60,458.4	2,267,290.0
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	\$1,180,467.2	\$1,508,449.8	\$14,194,078.0
\$559,038.0	\$471,091.0	\$380,571.0	\$498,427.0	\$672,528.6	\$960,890.3	
\$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	\$0.0	\$0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2006-07
(in thousands)
12-MONTHS PROJECTION

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006
Beginning Balance	\$960,890.3	\$1,219,673.1	\$1,281,567.6	\$895,954.0	\$265,136.2	\$45,226.4
Receipts						
Property Taxes	\$55,593.5	\$89,549.5	(\$492.5)	\$4,442.1	\$42,321.7	\$761,487.4
Sales and Other Taxes	12,368.8	22,266.3	16,217.5	19,272.8	15,749.2	13,766.0
Licenses, Permits & Franchises	2,785.3	11,044.0	598.5	2,338.6	1,469.6	2,646.2
Fines, Forfeitures & Penalties	27,877.5	22,091.3	15,390.9	13,444.6	19,665.0	12,798.8
Revenue From Use of Money & Property	16,018.0	11,071.5	12,042.8	15,836.8	12,932.3	14,241.0
Intergovernmental Revenue	303,591.6	206,271.8	224,018.2	271,995.6	238,914.4	299,323.5
Charges for Current Services	129,465.8	122,510.4	66,095.8	51,658.9	51,828.3	121,325.0
Other Revenue	13,870.0	24,970.0	12,346.0	11,541.0	8,049.0	9,151.0
Expenditure Transfers & Reimbursements	30,344.0	75,207.0	26,482.3	39,323.2	202,781.3	19,216.7
Welfare Advances	355,595.3	274,676.0	332,276.1	349,147.9	245,103.9	255,709.6
Other Receipts	242,202.0	31,065.0	2,930.0	2,700.0	1,143.0	1,554.0
Intrafund Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANS Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANS Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	\$1,689,711.9	\$890,722.8	\$707,905.6	\$781,701.4	\$839,957.6	\$1,511,219.2
Disbursements						
Welfare Warrants	\$232,497.8	\$213,933.7	\$215,107.3	\$226,805.9	\$186,768.4	\$206,204.6
Salaries & Employee Benefits	780,704.1	299,756.3	438,413.8	469,118.0	457,727.3	443,616.4
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	170,894.2	120,422.3	199,021.2	386,628.3	148,505.7	92,637.7
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	\$1,430,929.1	\$828,828.3	\$1,093,519.2	\$1,412,519.2	\$1,059,867.4	\$1,170,650.6
Ending Balance	\$1,219,673.1	\$1,281,567.6	\$895,954.0	\$265,136.2	\$45,226.4	\$385,795.0
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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$174,000.0

*Detail may not add due to rounding

January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	Total 2006-07
\$385,795.0	\$656,273.4	\$641,693.3	\$356,607.5	\$341,214.9	\$708,235.8	
\$707,534.8	\$195,590.3	\$20,072.1	\$530,960.6	\$677,768.9	\$3,264.2	\$3,088,092.6
16,734.2	23,034.5	16,968.3	16,891.3	13,854.7	11,280.4	198,404.0
3,327.4	11,706.8	2,918.7	8,908.8	3,609.4	3,146.6	54,500.0
12,787.6	23,674.7	16,278.7	19,640.6	20,086.9	19,983.3	223,720.0
16,232.9	16,644.6	20,589.9	17,880.9	8,992.3	13,177.0	175,660.0
233,619.3	319,472.7	244,048.3	257,229.0	232,855.7	223,414.0	3,054,754.0
109,169.5	84,344.5	181,413.0	76,061.8	65,849.4	65,377.7	1,125,100.0
8,210.0	10,895.0	14,067.0	108,546.1	8,833.0	8,528.3	239,006.4
19,296.4	61,375.7	11,932.0	9,275.4	70,790.6	211,387.1	777,411.7
344,820.8	241,057.2	350,459.7	268,223.3	269,804.8	272,125.5	3,559,000.0
11,254.0	18,919.0	6,237.0	9,278.5	7,009.3	5,708.2	340,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	522,250.0	522,250.0
\$1,482,987.0	\$1,006,714.9	\$884,984.6	\$1,322,896.2	\$1,379,455.1	\$1,359,642.3	\$13,857,898.7
\$166,786.5	\$218,627.8	\$213,513.9	\$209,893.4	\$202,030.3	\$203,830.4	\$2,496,000.0
474,084.1	495,213.7	449,835.0	493,868.5	460,951.8	435,814.2	5,699,103.0
209,051.0	240,196.0	258,733.0	230,038.0	240,047.5	238,383.5	2,950,000.0
272,587.1	10,257.4	186,988.6	264,238.9	109,404.6	37,545.1	1,999,131.0
90,000.0	57,000.0	61,000.0	140,250.0	0.0	0.0	522,250.0
0.0	0.0	0.0	0.0	0.0	522,250.0	522,250.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$1,212,508.6	\$1,021,294.9	\$1,170,070.5	\$1,338,288.8	\$1,012,434.2	\$1,437,823.1	\$14,188,734.0
\$656,273.4	\$641,693.3	\$356,607.5	\$341,214.9	\$708,235.8	\$630,055.0	
\$174,000.0	\$264,000.0	\$321,000.0	\$382,000.0	\$522,250.0	\$522,250.0	\$0.0
90,000.0	57,000.0	61,000.0	140,250.0	0.0	0.0	522,250.0
0.0	0.0	0.0	0.0	0.0	522,250.0	522,250.0
\$264,000.0	\$321,000.0	\$382,000.0	\$522,250.0	\$522,250.0	\$0.0	\$0.0

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

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

Resolution to Constitute Contract

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

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2006-07 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

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

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

Paying Agent and Note Registrar

The Treasurer will act as Paying Agent and as Note Registrar for the Notes. The Paying Agent may at any time resign and be discharged of the duties and obligations created by the Financing Certificate by giving at least 60 days' written notice to the County. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the County. In the event of the

resignation or removal of a Paying Agent, the County may appoint a successor Paying Agent in accordance with the terms of the Financing Certificate. A successor Paying Agent will be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least \$100,000,000. Resignation or removal of a Paying Agent will be effective upon appointment and acceptance of a successor Paying Agent. In no event shall the resignation or removal of the Paying Agent become effective prior to the assumption of such resigning or removed Paying Agent's duties and obligations by a successor Paying Agent.

Negotiability and Transfer of the Notes

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

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

Permitted Investments

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

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

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

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets of \$500 million and having “A” or better rating for issuer’s debt, other than commercial paper, as provided by Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s (“S&P”). The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(4) The Los Angeles County Treasury Pool.

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

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

(7) Negotiable certificates of deposits issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating of “AA” or “Aa” or better from S&P and Moody’s, respectively.

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

(9) Investment agreements and guaranteed investment contracts with issuers rated at least “AA-” by S&P.

Supplemental Resolutions and Supplemental Financing Certificates

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

Additionally, a Supplemental Resolution of the County may be adopted or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add limitations and restrictions to be observed by the County which are

not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the Financing Certificate as required to obtain a rating for the Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders, (vi) to supplement or amend the Resolution or the Financing Certificate in order to provide security for the repayment of any Additional Notes, or (vii) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

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

- (1) default in the due and punctual payment of the principal of or interest on any Notes when and as the same become due and payable;
- (2) default in the performance or observance by the County of any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Financing Certificate, the Resolution or any of the Notes and the continuation of such default for a period of 60 days after written notice thereof to the County by the Holders of not less than 10 percent in aggregate principal amount of the outstanding Notes; or
- (3) filing by the County of a petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and be continuing, the Holders of the Notes, and any adversely affected former Holders of the Notes, and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Financing Certificate and in the Act. Nothing in the Financing Certificate will preclude an individual Holder from enforcing such Holder’s rights to payment of principal of and interest on such Holder’s Notes.

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes which remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

TAX EXEMPTION

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

Bond Counsel is further of the opinion that interest on the Notes is exempt from personal income taxes of the State of California under present State law.

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

Under the Code and the Treasury Regulations promulgated thereunder (the "Regulations"), if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and the Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2006-07. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2006-07, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2006-07 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes.

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

Bond Counsel has expressed no opinion with respect to the exclusion of interest on the Notes from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the County should fail to comply with any of such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made), unless such failure to comply is based on the advice or opinion of Bond Counsel. Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date hereof, on the exclusion of interest on the Notes from gross income for federal income tax purposes. In addition, no assurance can be given that such legislation could not directly or indirectly reduce the benefits of the receipt of interest which is otherwise excluded from gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding the impact of ownership of, receipt of interest on, or disposition of the Notes other than as expressly described above. Prospective purchasers of the Notes should be aware that ownership of, receipt of interest on, or disposition of the Notes may be affected by additional federal income tax provisions. Prospective purchasers are advised to consult with their tax advisors regarding the impact of any additional federal income tax provisions on the ownership of, receipt of interest on, or disposition of the Notes.

APPROVAL OF LEGAL PROCEEDINGS

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

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. and Fitch Ratings have given the Notes the ratings of "MIG 1," "SP-1+" and "F1+," respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

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

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. The aggregate amount of the uninsured liabilities of the County which may result from all suits and claims will not, in the opinion of the County Counsel, materially impair the County's ability to repay the Notes. Note 15 of "Notes to the Basic Financial Statements" included in APPENDIX B discusses this liability as of June 30, 2005. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

UNDERWRITING

The Notes are being purchased for reoffering by the Underwriters of the Notes. The Underwriters have agreed to purchase the Notes at a purchase price of \$504,547,586 (representing the principal amount of the Notes of \$500,000,000, plus original issue premium of \$4,775,000, less Underwriters' discount of \$227,414). The Contract of Purchase provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

ADDITIONAL INFORMATION

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

Appropriate County officials, acting in their official capacity, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to such effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, in a timely manner, notice of the occurrence of the events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), if material, to each Nationally Recognized Municipal Securities Repository, as that term is defined in Rule 15c2-12, or to the Municipal Securities Rulemaking Board, and to the appropriate State Information Depository, as defined in Rule 15c2-12, if any. Such events include the following: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) adverse tax opinions or events affecting the tax-exempt status of the Notes; (4) modifications to rights of Note holders; and (5) rating changes. The County has not failed to comply with prior undertakings of the County under Rule 15c2-12.

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

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

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



APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT



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 10.3 million in 2005, 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 90% of the County workforce is represented by certified employee organizations. Under labor relations policy direction from the Board of Supervisors and Chief Administrative Officer, the CAO/Employee Relations Division negotiates fifty-two (52) individual Collective Bargaining Agreements and two Fringe Benefit Agreements. The Fringe Benefit Agreements reached with the Coalition of County Unions and SEIU Local 660 have a term of three years and will expire on September 30, 2006.

As of January 10, 2006, the Board of Supervisors had approved agreements with all fifty-two bargaining units with term dates of 2003-2006. These bargaining units are represented either by Local 660, the Coalition of County Unions (consisting of 10 unions), or by one of six independent unions.

During the first four months of 2006, the County reached agreement under re-opener provisions with the Association for Los Angeles Deputy Sheriffs, the Professional Peace Officers Association, and Probation Officers for new contracts that will extend through January 2009. Negotiations for similar contract extensions are currently ongoing with the four bargaining units represented by the Los Angeles County Fire Fighters and the Los Angeles County Lifeguard Association. With respect to the remaining forty-five (45) bargaining units, Successor 2006-2009 negotiations, which will include both salary and fringe benefits, will commence in July 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. The

Holmgren and *Shiell* cases are still in the pre-trial stages of litigation. In the *Hall* case, summary judgment has been granted in favor of the County, and plaintiffs have filed an appeal. The potential financial impact of these cases on the County has not yet been determined.

Litigation by County Safety Police Officers

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 2006. The County's special counsel advises that there are significant meritorious grounds to overturn the judgment on appeal.

RETIREMENT PROGRAM

General

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

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service and age. County employees may participate in contribution based plans, or for those who began employment after January 4, 1982, in a non-contribution based plan. With respect to 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 April 26, 2006, the Board of Investments approved an annual valuation dated as of 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. 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, 2005 are 33% domestic equity, 24% international equity, 27% fixed income, 10% real estate, 5% alternative investments and 1% 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 are forecasted to be \$854 million. Towards this latter amount, the County expects to apply approximately \$168 million of excess earnings to help fund its employer contribution to LACERA for retirement costs. A summary of employer contributions for the six years ending on June 30, 2005 is presented in Table 3 ("County Pension Related Payments") on page A-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 \$50 million in Fiscal Year 2006-07 and increase the net cost to the County ("NCC") by this same \$50 million amount. The 2006-07 Proposed County 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 May 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%.

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 has estimated a total HBP-related payment of \$327.9 million, of which \$65.8 million will be funded by LACERA excess earnings. This growth in post-employment benefit payments is expected to continue in Fiscal Year 2006-07, with a projected County contribution of \$282.7 million plus an offset from excess earnings of \$70.7 million. Total HBP-related payments for Fiscal Year 2006-07 are forecasted to be \$353.4 million.

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

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes financial reporting standards for 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 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 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 the 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 the fall of 2006. The data from this report will provide the first estimate of what the County might anticipate for its OPEB liability.

Retirement System Litigation

On October 1, 1997, the California Supreme Court issued a final ruling in *Ventura County Deputy Sheriffs' Association v. Board of*

Retirement. The Court established a new rule for determining which items of remuneration constituted “compensation earnable” and should be included in the calculation of final compensation for pension purposes.

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

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

On December 7, 2004, the Board of Supervisors authorized the County to enter into an agreement with all parties to the litigation for joint submission of a proposed judgment to the trial court, which would establish the County’s actuarial liability at \$176.9 million, amortized over thirty years. The terms of the proposed settlement were then approved by the San Francisco Superior Court in August 2005.

In January 2005, an action was brought against LACERA entitled *Donald E. Simpson v. LACERA*. In this case, Plaintiff contends, inter alia, that he was misled when he transferred from LACERA Retirement Plan A into the non-contributory Plan E in 1982 and was thereafter continually misled by the County and LACERA, thereby tolling the statute of limitations. LACERA has filed a cross-complaint against the County. Should Plaintiff succeed in this action, LACERA and the County may face potential claims for reinstatement to Plan A by several hundred employees currently in Retirement Plans D or E. Trial is presently scheduled for July 14, 2006. If the plaintiff and other potential claimants were given the opportunity for reinstatement into Plan A, the estimated liability could be greater than \$100 million. If the plaintiff alone is reinstated into Plan A, the liability is estimated at less than \$1 million.

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
06/30/2000	\$31,565,348	\$25,426,507	\$24,720,380	(\$706,127)	102.86%
06/30/2001	28,353,262	26,490,000	26,489,976	(24)	100.00%
06/30/2002	26,047,240	28,262,129	28,437,493	175,364	99.38%
06/30/2003	26,247,806	26,564,328	30,474,025	3,909,697	87.17%
06/30/2004	29,481,183	27,089,440	32,700,505	5,611,065	82.84%
06/30/2005	32,026,105	29,497,485	34,375,949	4,878,464	85.81%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005.

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

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

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

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

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 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 XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A 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 XIII B 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 2005-06 is \$12,590,591,069. The 2005-06 County Budget reflects proceeds of taxes at \$5,222,019,000, which is well below the allowable limit.

Proposition 62

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

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

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

In May 2005, a lawsuit entitled *Ornoz 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. A class certification motion has been calendared for September 2006, and the parties are currently conducting discovery. It is estimated that the County collected approximately \$204.7 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.

There are currently two critical issues yet to be determined by the courts regarding Proposition 62. Those issues are: 1) whether a current challenge brought as to the validity of non-

voter-approved taxes is barred because of the delay in bringing a lawsuit to the attention of the local government; and 2) whether the decision holding the Proposition 62 voter-approved requirement for local taxes to be constitutional should only apply to taxes that are adopted after that decision. It is anticipated that it may take several years before a final decision is rendered by the courts on these issues.

Proposition 218

On November 5, 1996, California voters passed Proposition 218 which established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate;
- required that any existing general tax that was imposed, extended or increased by a local government on or after January 1, 1995 without voter approval be submitted to the voters for consideration by the November 1998 general election; and
- ensured that voters may reduce or repeal any local taxes, assessments, fees or changes through the initiative process.

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

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

In a June 3, 1997 election, voters approved special tax measures to maintain the Fire Protection District's benefit assessment and the Public Library's benefit charge by the required two-thirds majority. In September 1998, the Board of Supervisors approved ordinance amendments that brought the County's general purpose taxes into conformance with Proposition 218 requirements.

PROGRAM FUNDING BY FEDERAL/STATE GOVERNMENTS

A significant portion of the County budget is comprised of

revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page A-12 of this Appendix, \$3.9 billion of the \$15.5 billion Proposed 2006-07 General County Budget is received from the federal government and \$4.6 billion is funded by the State. The balance of \$7.0 billion in County financing is generated from property taxes and a variety of other sources. The fact that 55% 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 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. An estimated thirteen (13) companies are claiming that they have lost market share as a result of the settlement agreement, and have also filed a complaint claiming that states are not adequately enforcing statues against tobacco companies that did not participate in the MSA. A portion of the settlement payments have been withheld until this matter is settled by the courts. Therefore, payments received by the states were reduced proportionately 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 \$80 million in Tobacco Settlement Revenues (TSRs) have been allocated for specific programmatic use in Fiscal Year 2006-07.

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

April 30, 2006, the County has received \$806.1 million in tobacco settlement proceeds and accrued interest. It is estimated that approximately \$526.9 million of the collected proceeds will be expended by June 30, 2006.

The resulting difference between proceeds and expenditures of approximately \$300 million came 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 the 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 2001. 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 April 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 \$72.7 million in Fiscal Year 2005-06 and \$92.1 million in Fiscal Year 2006-07.

It should be noted that the Centers for Medicare and Medicaid Services has approved an Inpatient State Plan Amendment. Approval of DSH and Physician State Plan Amendments are 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, which will restrict the State's authority over local government finances. This proposition provided for an amendment to the State Constitution that will limit the State's

authority to reduce local sales tax rates or alter their method of allocation, shift property taxes from local governments to schools or community colleges, or decrease Vehicle License Fee revenues without providing replacement funding.

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

2006-07 STATE BUDGET

The Governor's proposed State Budget, released in January 2006, has substantially less of an impact to the County than in prior years due in part to the passage of Proposition 1A. The Governor's Budget, among other things, proposes to continue the suspension of the Property Tax Administration Grant Program (PTAP) (\$13.5 million) and reduces funding for the CalWORKs Programs (\$88.2 million), for an overall estimated \$105.0 million loss of revenue. This reduction is partially offset by a gain of \$78.8 million from the partial repayment of deferred mandates and the Fiscal Year 2004-05 Proposition 42 loan, continuation of the Proposition 36 Program, and funding for election cost reimbursement. The estimated net loss to the County is approximately \$26.2 million.

On May 12, 2006, the Governor released revisions to the Proposed 2006-07 State Budget. The County's public safety agencies are the prime beneficiaries of the Governor's May Revision although other departments, such as Mental Health, will also benefit. In addition, the May Revised Budget restores \$36.3 million in funding for CalWORKs Programs. Should the Governor's May Revision be adopted in its entirety, the County would likely experience an overall net gain of approximately \$33.6 million.

Expect for the suspension of the PTAP, the impacts of any new State proposed reduction are not included in the County's 2006-07 Proposed Budget. Upon adoption by the State Budget, the County will align its budget to be consistent with State action.

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 79.8% of the 2006-07 Proposed County Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 9.0% of the 2006-07 Proposed County Budget and are used to account for the allocation of revenues that are restricted to specific purposes, such as Public Library operations, courthouse construction programs and operations, and specified automation projects.

Special Districts account for approximately 8.0% of the 2006-07 Proposed County Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. They are governed by the Board of Supervisors and include, among others, the Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts.

Other Enterprises reflect only 0.8% of the 2006-07 Proposed 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 2.4% of the 2006-07 Proposed County Budget and go towards a number of separate legal entities such as the Community Development Commission and Housing Authority, which are not special districts but are controlled by the Board of Supervisors.

The following table details historical General County appropriations.

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

Fund	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Proposed 2006-07
General Fund	\$ 12,129,125	\$ 12,104,810	\$ 12,616,794	\$ 13,723,601	\$ 13,732,033
Hospital Enterprise Fund	1,746,353	1,640,514	1,745,137	1,963,466	1,721,563
Debt Service Fund	44,489	43,521	44,362	10,290	9,511
Total General County Budget	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 15,697,357	\$ 15,463,107

**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	Proposed 2006-07
Requirements					
Social Services	\$ 4,647,236	\$ 4,696,224	\$ 4,711,572	\$ 4,651,813	\$ 4,484,301
Health	4,253,006	4,216,053	4,318,251	4,638,706	4,793,563
Justice	3,361,320	3,401,501	3,550,049	3,826,565	4,020,408
Other	1,658,405	1,475,067	1,826,421	2,580,273	2,164,835
Total	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 15,697,357	\$ 15,463,107
Revenue Sources					
Property Taxes	\$ 1,637,300	\$ 1,756,796	\$ 2,532,415	\$ 2,744,055	\$ 3,237,383
State Assistance	4,684,729	4,260,158	4,252,927	4,417,274	4,603,761
Federal Assistance	4,284,553	4,510,919	4,070,743	3,986,571	3,922,219
Other	3,313,385	3,260,972	3,550,208	4,549,457	3,699,744
Total	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 15,697,357	\$ 15,463,107

**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	Proposed 2006-07
Financing Requirements					
Salaries & Employee Benefits	\$ 6,091,773	\$ 6,245,540	\$ 6,607,111	\$ 7,101,154	\$ 7,628,425
Services & Supplies	4,532,836	4,539,358	4,619,687	4,993,336	4,998,692
Other Charges	3,772,010	3,779,382	3,782,145	3,607,279	3,393,432
Fixed Assets	444,208	372,395	490,517	812,222	691,937
Other Financing Uses	1,258,244	1,005,172	1,129,523	1,406,675	1,529,557
Residual Equity Transfers Out	377	370	299	291	287
Appropriation for Contingencies	100,322	22,526	16,221	-	32,116
Interfund Transfer	(1,715,532)	(1,584,315)	(1,728,744)	(2,099,672)	(2,209,262)
Gross Appropriation	\$ 14,484,238	\$ 14,380,428	\$ 14,916,759	\$ 15,821,285	\$ 16,065,184
Less: Intrafund Transfers	738,466	697,293	708,686	769,845	778,571
Net Appropriation	\$ 13,745,772	\$ 13,683,135	\$ 14,208,073	\$ 15,051,440	\$ 15,286,613
Reserves					
General Reserve	\$ 4,581	\$ 4,367	\$ 4,007	\$ 3,747	\$ 3,000
Designations/Other Reserves	169,385	100,987	194,034	641,722	173,047
Estimated Delinquencies	229	356	179	448	447
Total Financing Requirements	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 15,697,357	\$ 15,463,107
Available Financing					
Fund Balance	\$ 605,949	\$ 681,196	\$ 874,846	\$ 911,894	\$ 624,429
Cancellation of Reserve/Designation	447,023	264,763	222,101	944,318	383,443
Property Taxes: Regular Roll	1,601,800	1,706,011	2,452,682	2,638,633	3,123,000
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	11,217,852
Total Available Financing	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 15,697,357	\$ 15,463,107

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 eight (8) fiscal years (\$50 million in Fiscal Year 2005-06 and \$285 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 May 2, 2006. While the DHS Fiscal Year 2006-07 Proposed 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 \$56.5 million in Fiscal Year 2006-07, and an

operating deficit of approximately \$117.9 million in Fiscal Year 2007-08 upon implementation. In addition to this 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 to the Board of Supervisors for further savings.

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 Proposed 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 PROPOSED BUDGET

The 2006-07 Proposed Budget, which was approved by Board of Supervisors on April 18, 2006, appropriates \$19.4 billion, a 2.5% decrease from the prior year. For General County purposes (General Fund, Hospital Enterprise Fund and Debt Service Fund), the Proposed Budget appropriates \$15.4 billion, which represents a 1.5% decrease from the 2005-06 Final Adopted Budget. The General County Budget adds 2,803 positions for Fiscal Year 2006-07.

The 2006-07 Proposed General County Budget is supported by \$3.2 billion in property taxes, \$3.9 billion in federal contributions, \$4.6 billion in State contributions, \$383 million in reserves and cancelled designations and approximately \$4.0 billion in other funding. The Proposed Budget is based in part on the following economic assumptions:

- 8.5% increase in property tax
- 3.5% increase in local sales tax
- 3.5% increase in realignment sales tax
- 3.5% increase in public safety augmentation sales tax
- 6.1% increase in realignment vehicle license fees

Overall, the 2006-07 Proposed General County Budget results in a \$233.6 million decrease. The decrease is the result of eliminating the one-time use of fund balance generated in Fiscal Year 2004-05 (-\$286.9 million) that was used to fund one-time expenditures, the deletion of cancellations of reserves/designations (-\$351.1 million), and various workload/caseload reductions (-\$152.8 million), partially offset with new program requirements (\$557.2 million). The new program requirements are focused in four critical areas: public protection, health services, children services and homeless and housing programs.

The Board of Supervisors is scheduled to consider recommendations to the 2006-07 Proposed Budget through final

deliberations, which begin on June 26, 2006. Deliberations will continue on a daily basis until a Final 2006-07 Budget is adopted. Unlike many prior years, these deliberations should not be significantly impacted by possible changes to the State budget. The passage of Proposition 1A has made the impact of the State budget process far more predictable and far less volatile to the County.

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

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

Function	2005-06 Final Budget ⁽¹⁾	2006-07 Proposed Budget ⁽²⁾	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	\$ 853,908.0	\$ 945,761.0	\$ 91,853.0	10.76%
General Services	227,932.0	219,297.0	(8,635.0)	-3.79%
Public Buildings	662,803.0	573,864.0	(88,939.0)	-13.42%
Total General	\$ 1,744,643.0	\$ 1,738,922.0	\$ (5,721.0)	-0.33%
Public Protection				
Justice	3,585,055.0	3,760,224.0	\$ 175,169.0	4.89%
Other Public Protection	128,752.0	125,099.0	(3,653.0)	-2.84%
Total Public Protection	\$ 3,713,807.0	\$ 3,885,323.0	\$ 171,516.0	4.62%
Health and Sanitation				
Public Assistance	\$ 4,638,706.0	\$ 4,744,528.0	\$ 105,822.0	2.28%
Recreation and Cultural Services	4,651,813.0	4,577,147.0	(74,666.0)	-1.61%
Insurance and Loss Reserve	219,479.0	225,616.0	6,137.0	2.80%
Reserves/Designations	73,897.0	73,897.0	-	0.00%
Debt Services	645,917.0	176,494.0	(469,423.0)	-72.68%
Appropriation for Contingency	9,095.0	9,064.0	(31.0)	-0.34%
	-	32,116.0	32,116.0	100.00%
Total Requirements	\$ 15,697,357.0	\$ 15,463,107.0	\$ (234,250.0)	-1.49%
AVAILABLE FUNDS				
Property Taxes				
Fund Balance	\$ 2,744,055.0	\$ 3,237,383.0	\$ 493,328.0	17.98%
Cancelled Prior-Year Reserves	911,894.0	624,429.0	(287,465.0)	-31.52%
	944,318.0	383,443.0	(560,875.0)	-59.39%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 482,104.0	\$ 509,881.0	\$ 27,777.0	5.76%
Homeowners' Exemption	20,562.0	20,575.0	13.0	0.06%
Public Assistance Subventions	1,423,413.0	1,472,442.0	49,029.0	3.44%
Other Public Assistance	463,775.0	538,181.0	74,406.0	16.04%
Public Protection	737,376.0	848,130.0	110,754.0	15.02%
Health and Mental Health	898,781.0	846,316.0	(52,465.0)	-5.84%
Capital Projects	100,854.0	68,584.0	(32,270.0)	-32.00%
Other State Revenues	65,449.0	37,881.0	(27,568.0)	-42.12%
Total State Revenues	\$ 4,192,314.0	\$ 4,341,990.0	\$ 149,676.0	3.57%
Federal Revenues				
Public Assistance Subventions	\$ 2,145,989.0	\$ 2,029,324.0	\$ (116,665.0)	-5.44%
Other Public Assistance	209,614.0	201,174.0	(8,440.0)	-4.03%
Public Protection	207,408.0	132,166.0	(75,242.0)	-36.28%
Health and Mental Health	554,071.0	566,757.0	12,686.0	2.29%
Capital Projects	5,318.0	1,821.0	(3,497.0)	-65.76%
Other Federal Revenues	3,810.0	2,297.0	(1,513.0)	-39.71%
Total Federal Revenues	\$ 3,126,210.0	\$ 2,933,539.0	\$ (192,671.0)	-6.16%
Other Governmental Agencies				
	101,945.0	82,828.0	(19,117.0)	-18.75%
Total Intergovernmental Revenues	\$ 7,420,469.0	\$ 7,358,357.0	\$ (62,112.0)	
Fines, Forfeitures and Penalties				
Licenses, Permits and Franchises	\$ 192,355.0	\$ 195,662.0	\$ 3,307.0	1.72%
Charges for Services	55,694.0	53,727.0	(1,967.0)	-3.53%
Other Taxes	1,465,234.0	1,482,602.0	17,368.0	1.19%
Use of Money and Property	187,657.0	192,960.0	5,303.0	2.83%
Miscellaneous Revenues	124,735.0	128,215.0	3,480.0	2.79%
Operating Contribution from General Fund	1,119,433.0	915,094.0	(204,339.0)	-18.25%
	531,513.0	891,235.0	359,722.0	67.68%
Total Available Funds	\$ 15,697,357.0	\$ 15,463,107.0	\$ (234,250.0)	-1.49%

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

(2) Reflects the Proposed 2006-07 General County Budget approved by the Board of Supervisors on April 18, 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				
Public Assistance	\$ 2,675,240.0	\$ -	\$ 1,963,466.0	\$ 4,638,706.0
Recreation and Cultural Services	4,651,813.0	-	-	4,651,813.0
Insurance and Loss Reserve	219,479.0	-	-	219,479.0
Reserves/Designations	73,897.0	-	-	73,897.0
Debt Services	644,722.0	1,195.0	-	645,917.0
Appropriation for Contingency	-	9,095.0	-	9,095.0
	-	-	-	-
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 Intergovernmental 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	1,006,173.0	-	459,061.0	1,465,234.0
Other Taxes	187,657.0	-	-	187,657.0
Use of Money and Property	124,521.0	95.0	119.0	124,735.0
Miscellaneous Revenues	592,003.0	-	527,430.0	1,119,433.0
Operating Contribution from General Fund	-	-	531,513.0	531,513.0
Total Available Funds	\$ 13,723,601.0	\$ 10,290.0	\$ 1,963,466.0	\$ 15,697,357.0

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

COUNTY OF LOS ANGELES
PROPOSED 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	\$ 945,761.0	\$ -	\$ -	\$ 945,761.0
General Services	219,297.0	-	-	219,297.0
Public Buildings	573,864.0	-	-	573,864.0
Total General	\$ 1,738,922.0	\$ -	\$ -	\$ 1,738,922.0
Public Protection				
Justice	\$ 3,760,224.0	\$ -	\$ -	\$ 3,760,224.0
Other Public Protection	125,099.0	-	-	125,099.0
Total Public Protection	\$ 3,885,323.0	\$ -	\$ -	\$ 3,885,323.0
Health and Sanitation				
Public Assistance	\$ 3,022,965.0	\$ -	\$ 1,721,563.0	\$ 4,744,528.0
Recreation and Cultural Services	4,577,147.0	-	-	4,577,147.0
Insurance and Loss Reserve	225,616.0	-	-	225,616.0
Reserves/Designations	73,897.0	-	-	73,897.0
Debt Services	176,047.0	447.0	-	176,494.0
Appropriation for Contingency	-	9,064.0	-	9,064.0
	32,116.0	-	-	32,116.0
Total Requirements	\$ 13,732,033.0	\$ 9,511.0	\$ 1,721,563.0	\$ 15,463,107.0
AVAILABLE FUNDS				
Property Taxes	\$ 3,231,568.0	\$ 5,815.0	\$ -	\$ 3,237,383.0
Fund Balance	621,755.0	2,674.0	-	624,429.0
Cancelled Prior-Year Reserves	231,663.0	747.0	151,033.0	383,443.0
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	\$ 509,881.0	\$ -	\$ -	\$ 509,881.0
Homeowners' Exemption	20,500.0	75.0	-	20,575.0
Public Assistance Subventions	1,472,442.0	-	-	1,472,442.0
Other Public Assistance	538,181.0	-	-	538,181.0
Public Protection	848,130.0	-	-	848,130.0
Health and Mental Health	793,948.0	-	52,368.0	846,316.0
Capital Projects	68,584.0	-	-	68,584.0
Other State Revenues	37,881.0	-	-	37,881.0
Total State Revenues	\$ 4,289,547.0	\$ 75.0	\$ 52,368.0	\$ 4,341,990.0
Federal Revenues				
Public Assistance Subventions	\$ 2,029,324.0	\$ -	\$ -	\$ 2,029,324.0
Other Public Assistance	201,174.0	-	-	201,174.0
Public Protection	132,166.0	-	-	132,166.0
Health and Mental Health	564,034.0	-	2,723.0	566,757.0
Capital Projects	1,821.0	-	-	1,821.0
Other Federal Revenues	2,297.0	-	-	2,297.0
Total Federal Revenues	\$ 2,930,816.0	\$ -	\$ 2,723.0	\$ 2,933,539.0
Other Governmental Agencies				
	82,828.0	-	-	82,828.0
Total Intergovernmental Revenues	\$ 7,303,191.0	\$ 75.0	\$ 55,091.0	\$ 7,358,357.0
Fines, Forfeitures and Penalties	\$ 195,662.0	\$ -	\$ -	\$ 195,662.0
Licenses, Permits and Franchises	53,727.0	-	-	53,727.0
Charges for Services	1,154,278.0	-	328,324.0	1,482,602.0
Other Taxes	192,960.0	-	-	192,960.0
Use of Money and Property	127,903.0	200.0	112.0	128,215.0
Miscellaneous Revenues	619,326.0	-	295,768.0	915,094.0
Operating Contribution from General Fund	-	-	891,235.0	891,235.0
Total Available Funds	\$ 13,732,033.0	\$ 9,511.0	\$ 1,721,563.0	\$ 15,463,107.0

(1) Reflects the Proposed 2006-07 General County Budget approved by the Board of Supervisors on April 18, 2006



FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County as shown on the Fiscal Year 2005-06 secured tax roll and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by these twenty largest taxpayers had a full cash value of \$27,399,151,817.

Taxpayer	Total Tax Levy 2005-06
Southern California Edison Co.	\$41,436,322
BP Amoco Corporation	27,173,031
Douglas Emmett Realty Fund	26,883,932
Chevron USA Inc.	25,019,449
Maguire Thomas Partners	24,288,220
SBC California	21,698,801
Arden Realty LTD Partnership	18,916,898
Exxon Mobil Corporation	17,495,809
Southern California Gas Company	16,021,870
Verizon California Inc.	15,494,674
Conocophillips Company	14,109,823
Universal Studios Inc.	13,476,495
Equilon Enterprises LLC	10,203,194
Anheuser Busch Inc.	9,430,100
Macerich LLC	9,285,983
Valero Energy Corporation	8,976,855
Cingular Wireless LLC	6,514,153
One Hundred Towers LLC	6,304,438
AMB Institutional Alliance	6,085,412
Kilroy Realty LP	5,988,052

Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2001-02. For the Fiscal Year 2005-06, collections as a percentage of property tax levies are estimated at 97.65%, which is consistent with data from prior years.

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

Fiscal Year	Full Cash Value ⁽¹⁾	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections ⁽²⁾	Current Collection As a Percent of Levies %
2001-02	\$ 567,296,327,872	\$ 1,409,964,224	\$ 1,373,865,460	97.44%
2002-03	605,942,874,836	1,506,200,807	1,467,167,904	97.41%
2003-04	656,073,063,881	1,617,943,519	1,582,529,914	97.81%
2004-05	709,671,759,735	1,738,123,054	1,697,194,166	97.65%
2005-06	783,342,364,874	1,877,172,898 ⁽³⁾	1,833,059,335 ⁽³⁾	97.65% ⁽³⁾

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

Source: Los Angeles County Auditor-Controller, Tax Division

REDEVELOPMENT AGENCIES

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

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2001-02 through 2005-06.

COMMUNITY REDEVELOPMENT AGENCY (CRA) PROJECTS IN THE COUNTY OF LOS ANGELES FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS FISCAL YEARS 2001-02 THROUGH 2005-06			
Fiscal Year	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾	
2001-02	\$ 61,568,656,691	\$ 582,974,900	
2002-03	67,790,492,894	638,253,845	
2003-04	74,089,202,480	678,254,140	
2004-05	79,019,105,066	801,448,742	
2005-06	94,983,553,733	692,207,070 ⁽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) Tax allocation to CRA as of April 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 2005-06 Tax and Revenue Anticipation Notes (2005-06 Notes) which were issued on July 1, 2005 and are due June 30, 2006, have been repaid on their respective maturity dates.

2005-06 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 17, 2005, the \$500.0 million in 2005-06 Notes are general obligations of the County attributable to the 2005-06 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

The County pledged to deposit sufficient revenues during the 2005-06 fiscal year into a Repayment Fund to repay the 2005-06 Notes at maturity. Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, such deposits are to be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2005-06 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND

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

The County has fully satisfied its deposit obligations. The following table illustrates the Unrestricted General Fund Receipts collected since Fiscal Year 2000-01.

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

	2000-01	2001-02	2002-03	2003-04	2004-05	Estimated 2005-06 ⁽¹⁾
Property Taxes	\$1,458,136.0	\$1,552,293.0	\$1,652,678.0	1,797,267.0	\$2,599,369.0	\$2,991,665.0
Other Taxes	133,614.0	140,125.0	158,010.0	178,277.0	181,614.0	204,000.0
Licenses, Permits and Franchises	44,623.0	47,521.0	57,727.0	56,164.0	56,801.0	56,000.0
Fines, Forfeitures and Penalties	170,147.0	190,916.0	193,734.0	200,901.0	214,316.0	220,000.0
Use of Money and Property	151,977.0	133,336.0	80,675.0	66,362.0	81,391.0	170,075.0
State In-Lieu Taxes	991,739.0	1,091,762.0	1,111,455.0	997,003.0	507,114.0	492,104.0
State Homeowner Exemptions	20,748.0	20,726.0	20,726.0	20,514.0	21,558.0	20,500.0
Charges for Current Services	983,160.0	1,009,844.0	1,192,279.0	1,245,540.0	1,243,492.0	1,084,265.2
Miscellaneous Revenues	189,806.0	213,105.0	227,380.0	190,564.0	245,851.0	229,439.0
TOTAL UNRESTRICTED RECEIPTS	\$4,143,950.0	\$4,399,628.0	\$4,694,664.0	4,752,592.0	\$5,151,506.0	\$5,468,048.2

Detail may not add due to rounding.

(1) Forecast based on actual receipts through April 2006.

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 2004-05 General Fund cash flow statement has been included as well as the General Fund Cash Flow for 2005-06 with actuals through April 2006. Please note that the County is forecasting an ending balance of \$960.9 million for the Fiscal Year 2005-06. These statements are shown on the pages immediately following the average daily balance tables.

**COUNTY OF LOS ANGELES
FUNDS AVAILABLE FOR INTRAFUND BORROWING**

**2004-05: 12 MONTHS ACTUALS
2005-06: 10 MONTHS ACTUALS**

COUNTY OF LOS ANGELES

AVERAGE DAILY BALANCES: 2004-05

FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)

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

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

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

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

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	209,369.0	81,907.0	76,591.0	260,534.0	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	Estimated May 2006	Estimated June 2006	
PROPERTY TAX GROUP						
1,137,711.0	612,806.0	533,173.0	1,451,715.0	437,593.0	198,041.0	Tax Collector's Trust Fund
365,943.0	359,992.0	389,101.0	644,461.0	507,140.0	224,789.0	Auditor Unapportioned Money
97,815.0	76,754.0	53,910.0	49,749.0	60,776.0	97,120.0	Unsecured Property Tax Fund
41,444.0	26,660.0	6,483.0	5,868.0	5,533.0	7,081.0	Miscellaneous Fees & Taxes
39,543.0	43,719.0	34,752.0	31,619.0	29,442.0	31,170.0	State Redemption Fund - TTC
18,837.0	64,914.0	547.0	230,566.0	35,145.0	2,167.0	Educ Rev Augmentation Fund
20,879.0	1,478.0	1,478.0	4,747.0	20,556.0	11,006.0	State Reimbursement Fund
92,415.0	10,610.0	25,084.0	24,782.0	78,688.0	0.0	Sales Tax Replacement Fund
391,055.0	24,222.0	136,397.0	141,476.0	342,068.0	0.0	VLF Replacement Fund
(37,139.0)	(9,796.0)	(10,296.0)	(16,363.0)	(16,940.0)	(21,374.0)	Rebate Fund
2,168,503.0	1,211,359.0	1,170,629.0	2,568,620.0	1,500,000.0	550,000.0	Subtotal
VARIOUS TRUST GROUP						
544,545.0	533,125.0	531,456.0	499,131.0	389,962.0	397,738.0	Departmental Trust Fund
115,969.0	97,607.0	99,134.0	102,497.0	127,866.0	121,204.0	Payroll Revolving Fund
10,427.0	10,247.0	10,204.0	10,019.0	4,414.0	4,232.0	Productivity Investment Fund
2,999.0	3,057.0	3,057.0	2,415.0	1,218.0	1,303.0	ACO Fund-Motor Vehicle/ISD
184.0	220.0	182.0	543.0	229.0	110.0	Civic Center Parking
628.0	766.0	861.0	698.0	334.0	143.0	Reporters Salary Fund
4,645.0	4,596.0	4,787.0	5,013.0	4,762.0	4,458.0	Cable TV Franchise Fund
21,877.0	22,246.0	22,622.0	22,932.0	21,216.0	20,811.0	Megaflex-Various
701,274.0	671,864.0	672,303.0	643,248.0	550,000.0	550,000.0	Subtotal
HOSPITAL GROUP						
487.0	(660.0)	(781.0)	1,079.0	2,000.0		Harbor/UCLA Medical Center
953.0	2,182.0	(4,530.0)	(107.0)	2,000.0		Olive View Medical Center
(3,634.0)	5,488.0	2,737.0	(470.0)	3,000.0		LAC + USC Medical Center
(88.0)	(680.0)	(920.0)	1,081.0	1,000.0		Martin Luther King Jr., Hospital
0.0	0.0	0.0	0.0	0.0		High Desert Hospital
380.0	(3,655.0)	383.0	1,367.0	1,000.0		South/West Network Hospital
110,077.0	110,352.0	110,701.0	111,091.0	111,500.0	112,000.0	ACO-LAC+USC Med Equip Fund
108,175.0	113,027.0	107,590.0	114,041.0	120,500.0	112,000.0	Subtotal
2,977,952.0	1,996,250.0	1,950,522.0	3,325,909.0	2,170,500.0	1,212,000.0	GRAND TOTAL



**COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS**

**2004-05: 12 MONTHS ACTUALS
2005-06: 10 MONTHS ACTUALS**

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

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

*Detail may not add due to rounding.

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

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

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
BEGINNING BALANCE	1,241,153.0	1,261,166.0	1,032,306.0	763,434.0	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	0.0	0.0	0.0	0.0	0.0	174,000.0

*Detail may not add due to rounding.

January 2006	February 2006	March 2006	April 2006	Estimated May 2006	Estimated June 2006	Total 2005 -06
174,098.0	559,038.0	471,091.0	380,571.0	498,427.0	672,528.6	
685,338.0	183,576.0	18,383.0	521,643.0	684,553.0	2,222.0	2,991,665.0
17,244.0	23,755.0	17,204.0	17,421.0	14,064.6	11,350.4	204,000.0
3,419.0	12,029.0	2,999.0	9,154.0	3,708.8	3,233.2	56,000.0
12,575.0	23,281.0	16,008.0	19,314.0	29,752.9	9,651.1	220,000.0
14,661.0	14,537.0	17,980.0	14,922.0	8,167.0	16,573.0	170,075.0
264,424.0	353,639.0	247,040.0	231,895.0	255,370.4	212,466.6	3,021,698.0
139,889.0	72,756.0	177,675.0	86,120.0	94,685.0	31,757.2	1,084,265.2
8,210.0	10,895.0	14,067.0	112,598.0	1,315.7	1,270.3	229,439.0
15,561.0	84,505.0	219,749.0	6,894.0	11,381.9	740,328.2	1,229,729.1
350,326.0	249,872.0	366,012.0	341,651.0	242,057.8	240,269.2	3,547,000.0
11,254.0	18,919.0	6,237.0	4,738.0	9,511.8	7,746.2	140,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
1,522,901.0	1,047,764.0	1,103,354.0	1,366,350.0	1,354,568.8	1,796,811.5	13,913,815.3
169,398.0	219,470.0	219,407.0	216,763.0	182,815.1	264,369.9	2,570,000.0
446,709.0	466,691.0	423,698.0	465,380.0	434,143.0	410,294.0	5,366,900.0
209,051.0	240,196.0	258,733.0	230,038.0	225,047.5	253,383.5	2,950,000.0
222,803.0	152,354.0	231,036.0	198,369.0	338,461.6	60,458.4	2,267,290.0
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	1,180,467.2	1,508,449.8	14,194,078.0
559,038.0	471,091.0	380,571.0	498,427.0	672,528.6	960,890.3	
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	0.0	0.0

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 April 30, 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	\$ 7.961
Schools and Community Colleges	9.330
Independent Public Agencies	1.253
Total	\$18.544

Of these entities, the involuntary participants accounted for approximately 93.24%, and all discretionary participants accounted for 6.76% 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 May 24, 2006, the April 30, 2006 book value of the Treasury Pool was approximately \$18.544 billion and the corresponding market value was approximately \$18.520 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 April 30, 2006, approximately 46.57% of the investments mature within 60 days,

with an average of 184.64 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Treasury Pool as of April 30, 2006:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	42.24
Certificates of Deposit	23.08
Commercial Paper	29.57
Bankers Acceptances	0.00
Municipal Obligations	0.24
Corporate Notes & Deposit Notes	4.84
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.03

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)
	<hr/>
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	\$909,076
<hr/>	
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.
Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 1999, 2000, 2001, 2002 and 2003.

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

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

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

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

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

Source: Los Angeles County Chief Administrative Office

The County's outstanding General County intermediate and long-term debt declined to approximately \$2.1 billion in principal as of May 1, 2006 reflecting debt issuance and payment activity during the fiscal year. An additional \$500.0 million in Tax and Revenue Anticipation Notes and \$45.0 million in Bond Anticipation Notes were also outstanding as of May 1, 2006. The table below summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES SUMMARY OF OUTSTANDING PRINCIPAL

As of May 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	45,000.0
Intermediate & Long-Term Obligations	
General Obligation Bonds	16,205.0
Special Fund Obligations	0.0
Pension Obligations	(1) 737,087.4
Lease Obligations	1,017,242.0
Total Outstanding Principal	\$ 2,315,534.4

(1) Reflects \$313.0 million in principal payments that were deposited with the trustees in advance, but which will not be disbursed to bondholders until June 30, 2006.

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 2005-06 payments.

DEBT RATIOS

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

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

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

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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.

On July 1, 2005, the County issued its 2005-06 Tax and Revenue Anticipation Notes (the "2005-06 Notes") in the principal amount of \$500.0 million, and with a maturity date of June 30, 2006. The 2005-06 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2005-06 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix. Under the authorization for the 2005-06 Notes, the County retains the ability to issue up to an additional \$600.0 million in 2005-06 Notes. The County does not intend to issue any additional 2005-06 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 May 1, 2006, \$45.0 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 2006.

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 May 1, 2006, no 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 May 1, 2006, \$16.2 million in principal remained outstanding. The County does not presently have any additional general obligation authorization.

Special Fund and Special Districts Obligations

On June 2, 1993, the County issued three series of certificates of participation in the aggregate principal amount of \$189.5 million that are secured by revenues generated from the leasing and operation of commercial properties at Marina del Rey, which is a small craft harbor and recreational marina. The County defeased all three series of certificates of participation in 2005.

Pension Obligations

The County has periodically issued bonds or certificates to fund its unfunded actuarial accrued liability for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. As of May 1, 2006, the County had approximately \$1.05 billion in outstanding bonds and certificates that were issued to finance unfunded actuarial accrued liabilities to its retirement system. Payment for approximately \$313 million of the \$1.05 billion in principal was previously delivered to the trustees in July 2005 by the County for those obligations maturing on June 30, 2006. 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, parking authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of May 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 Proposed 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 2005-06 payments on General County obligations by funding source and debt issue;
4. A detail of the principal outstanding in 2005-06 on General County debt issues by funding source and debt issue;
5. A summary of the outstanding principal, future payments and current year payments due on General County long and intermediate term debt obligations as of May 1, 2006;
6. The County's overlapping debt statement as of May 1, 2006.

**COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES**

REPORTS AS OF JULY 1, 2005

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

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

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL OBLIGATIONS AS OF JULY 1, 2005					
Fiscal Year	General Obligation Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Outstanding Principal
2005-06	\$16,205,000	\$66,828,096	\$1,050,107,396	\$1,254,808,941	\$2,387,949,433
2006-07	8,395,000	\$50,226,088	737,087,396	1,152,571,969	1,948,280,453
2007-08	-	\$32,609,875	546,849,148	888,341,956	1,467,800,978
2008-09	-	\$13,910,000	352,255,398	800,552,785	1,166,718,184
2009-10	-	-	235,690,862	721,726,193	957,417,055
2010-11	-	-	118,486,192	645,800,838	764,287,030
2011-12	-	-	-	575,407,754	575,407,754
2012-13	-	-	-	505,122,758	505,122,758
2013-14	-	-	-	443,647,515	443,647,515
2014-15	-	-	-	379,152,430	379,152,430
2015-16	-	-	-	316,520,289	316,520,289
2016-17	-	-	-	272,663,098	272,663,098
2017-18	-	-	-	252,033,779	252,033,779
2018-19	-	-	-	240,023,152	240,023,152
2019-20	-	-	-	227,620,857	227,620,857
2020-21	-	-	-	214,798,886	214,798,886
2021-22	-	-	-	193,215,000	193,215,000
2022-23	-	-	-	161,440,000	161,440,000
2023-24	-	-	-	127,115,000	127,115,000
2024-25	-	-	-	115,555,000	115,555,000
2025-26	-	-	-	103,400,000	103,400,000
2026-27	-	-	-	90,615,000	90,615,000
2027-28	-	-	-	77,170,000	77,170,000
2028-29	-	-	-	63,035,000	63,035,000
2029-30	-	-	-	48,160,000	48,160,000
2030-31	-	-	-	32,545,000	32,545,000
2031-32	-	-	-	23,795,000	23,795,000
2032-33	-	-	-	14,595,000	14,595,000
2033-34	-	-	-	7,490,000	7,490,000
2034-35	-	-	-	-	-
2035-36	-	-	-	-	-
2036-37	-	-	-	-	-
2037-38	-	-	-	-	-
2038-39	-	-	-	-	-

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE AS OF JULY 1, 2005									
Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service	
2005-06	\$185,725,872	\$9,086,144	\$151,791,549	\$34,575,625	\$92,847,554	\$18,344,857	\$96,545,061	\$588,916,661	
2006-07	192,115,668	9,056,106	319,224,260	34,614,761	57,149,791	19,596,644	103,132,946	734,890,175	
2007-08	191,481,486	-	129,817,588	34,440,889	57,148,643	19,615,534	103,232,361	535,736,500	
2008-09	171,001,817	-	103,174,427	34,604,283	44,594,853	16,466,367	86,658,971	456,500,719	
2009-10	179,650,502	-	111,238,814	34,458,675	33,610,204	18,410,755	96,891,870	474,260,821	
2010-11	173,546,692	-	114,862,326	34,548,340	34,920,679	19,128,598	100,669,724	477,676,359	
2011-12	53,002,105	-	18,400,555	33,846,132	-	-	-	105,248,792	
2012-13	47,205,976	-	17,098,045	29,566,565	-	-	-	93,870,586	
2013-14	47,849,798	-	17,098,477	29,722,531	-	-	-	94,670,806	
2014-15	45,488,565	-	16,118,727	28,888,878	-	-	-	90,496,170	
2015-16	30,936,886	-	14,471,134	24,417,059	-	-	-	69,825,079	
2016-17	20,801,284	-	5,684,932	22,866,083	-	-	-	49,352,299	
2017-18	19,814,394	-	-	17,743,000	-	-	-	37,557,394	
2018-19	20,624,681	-	-	17,742,625	-	-	-	38,367,306	
2019-20	21,454,019	-	-	17,736,513	-	-	-	39,190,531	
2020-21	22,321,744	-	-	17,727,269	-	-	-	40,049,013	
2021-22	23,224,363	-	-	17,720,663	-	-	-	40,945,025	
2022-23	24,171,488	-	-	17,719,956	-	-	-	41,891,444	
2023-24	-	-	-	17,710,063	-	-	-	17,710,063	
2024-25	-	-	-	17,700,813	-	-	-	17,700,813	
2025-26	-	-	-	17,695,325	-	-	-	17,695,325	
2026-27	-	-	-	17,686,944	-	-	-	17,686,944	
2027-28	-	-	-	17,674,131	-	-	-	17,674,131	
2028-29	-	-	-	17,674,850	-	-	-	17,674,850	
2029-30	-	-	-	17,661,675	-	-	-	17,661,675	
2030-31	-	-	-	10,201,700	-	-	-	10,201,700	
2031-32	-	-	-	10,198,532	-	-	-	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	-	-	-	-	-	-	-	-	
Total	\$1,470,417,339	\$18,142,250	\$1,018,980,832	\$642,515,222	\$320,271,723	\$111,562,756	\$587,130,933	\$4,169,021,056	

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE AS OF JULY 1, 2005									
Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal	
2005-06	\$817,228,233	\$16,205,000	\$660,558,966	\$387,106,187	\$168,794,174	\$53,978,670	\$284,078,203	\$2,387,949,434	
2006-07	689,277,873	8,395,000	539,905,419	371,625,194	121,789,369	37,888,503	199,399,094	1,948,280,453	
2007-08	562,816,003	-	288,274,374	355,434,443	85,231,199	28,109,687	147,935,272	1,467,800,978	
2008-09	454,317,813	-	213,176,666	338,693,886	47,129,647	18,106,984	95,293,187	1,166,718,184	
2009-10	370,329,101	-	168,132,296	320,963,411	22,117,230	12,115,217	63,759,799	957,417,055	
2010-11	288,500,120	-	123,999,461	302,524,920	11,118,744	6,090,546	32,053,240	764,287,030	
2011-12	215,921,861	-	78,874,248	283,071,645	-	-	-	577,867,754	
2012-13	180,539,292	-	63,799,178	263,389,288	-	-	-	507,727,758	
2013-14	150,010,877	-	49,377,538	247,019,099	-	-	-	446,407,515	
2014-15	118,158,618	-	34,279,455	229,639,358	-	-	-	382,077,430	
2015-16	87,988,277	-	19,440,996	212,186,017	-	-	-	319,615,289	
2016-17	72,115,806	-	5,556,353	198,275,939	-	-	-	275,948,098	
2017-18	66,818,779	-	-	185,215,000	-	-	-	252,033,779	
2018-19	63,298,152	-	-	176,725,000	-	-	-	240,023,152	
2019-20	59,820,857	-	-	167,800,000	-	-	-	227,620,857	
2020-21	56,388,886	-	-	158,410,000	-	-	-	214,798,886	
2021-22	44,695,000	-	-	148,520,000	-	-	-	193,215,000	
2022-23	23,340,000	-	-	138,100,000	-	-	-	161,440,000	
2023-24	-	-	-	127,115,000	-	-	-	127,115,000	
2024-25	-	-	-	115,555,000	-	-	-	115,555,000	
2025-26	-	-	-	103,400,000	-	-	-	103,400,000	
2026-27	-	-	-	90,615,000	-	-	-	90,615,000	
2027-28	-	-	-	77,170,000	-	-	-	77,170,000	
2028-29	-	-	-	63,035,000	-	-	-	63,035,000	
2029-30	-	-	-	48,160,000	-	-	-	48,160,000	
2030-31	-	-	-	32,545,000	-	-	-	32,545,000	
2031-32	-	-	-	23,795,000	-	-	-	23,795,000	
2032-33	-	-	-	14,595,000	-	-	-	14,595,000	
2033-34	-	-	-	7,490,000	-	-	-	7,490,000	
2034-35	-	-	-	-	-	-	-	-	
2035-36	-	-	-	-	-	-	-	-	
2036-37	-	-	-	-	-	-	-	-	
2037-38	-	-	-	-	-	-	-	-	
2038-39	-	-	-	-	-	-	-	-	

Source: Los Angeles County Chief Administrative Office

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

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations								
General Obligation Bonds								
1987 GO Bonds: Justice Facility	9,086,144		9,086,144					
Special Fund Obligations								
1993 COPs, Ser A: Marina del Rey	52,394,213					52,394,213		
1993 COPs, Ser B: Marina del Rey	1,556,423					1,556,423		
1993 COPs, Ser C: Marina del Rey	4,207,659					4,207,659		
Total Special Fund Obligations	58,158,295	0	0	0	0	58,158,295	0	0
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	236,476,602	76,864,355		61,293,316		22,190,964	12,155,607	63,972,360
1994 Pension Ob Certs, Ser C: LACERA Funding	0							
1994 Pension Ob Certs, Ser D: LACERA Funding	44,504,653	14,465,792		11,535,339		4,176,317	2,287,673	12,039,532
1996 Pension Ob Refg Bonds: LACERA Funding	70,330,689	22,860,287		18,229,293		6,599,832	3,615,208	19,026,069
Total Pension Obligation Certificates	356,883,004	116,001,252	0	92,501,933	0	33,489,901	18,344,857	96,545,061
Long-Term Capital Projects								
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:								
Civic Center Heating & Refrigeration Plant	5,869,874	5,869,874						
Downey Courthouse	984,884				984,884			
LeSage Complex	485,534	485,534						
Olive View Medical Center	10,319,178			10,319,178				
Sheriffs Training Academy	822,686	822,686						
San Fernando Court	1,377,941				1,377,941			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	19,860,098	7,178,094	0	10,319,178	2,362,825	0	0	0
1993 COPs: Disney Parking Project	4,790,000	4,790,000						
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:								
Lynwood Regional Justice Center	12,181,633	12,181,633						
Mobile Digital Communication System								
Los Hills Sheriffs Station	1,112,291	1,112,291						
Mira Loma Boy's Camp	3,379,058	3,379,058						
Mid Valley Health Center	952,483			952,483				
LAC/USC Intensive Care Unit	248,128			248,128				
Martin Luther King, Jr. Medical Center Parking Structure	544,821			544,821				
Compton Courthouse								
El Monte Courthouse								
Inglewood Municipal Courthouse & Parking Structure								
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,503,800			1,503,800				
East Los Angeles Courthouse	1,443,144				1,443,144			
Fire Command and Control System	683,450					683,450		
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	22,048,808	16,672,981	0	3,249,232	1,443,144	683,450	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail	11,461,910	11,461,910						
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:								
Hollywood Courthouse								
Long Beach Comprehensive Health Center								
Van Nuys Courthouse	4,125,188				4,125,188			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	892,417	892,417						
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	272,063	272,063						
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	1,091,010	1,091,010						
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	252,003	252,003						
Pitchess Honor Rancho: Vehicle Maintenance Facility	642,213	642,213						
Men's Central Jail Parking Structure	2,870,116	2,870,116						
Mira Loma Men's Medium Security Facility	514,924	514,924						
Pitchess Honor Rancho Laundry Expansion	288,463	288,463						
Pitchess Honor Rancho Visitors Center	713,040	713,040						
Pomona Municipal Courthouse	596,353				596,353			
Hutton Building - Registrar / Recorder Headquarters	3,718,504	3,718,504						
Temple City Sheriff Station	1,224,855	1,224,855						
Public Library Headquarters	515,908					515,908		
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	17,717,055	12,479,607	0	0	4,721,540	515,908	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Services	17,232,240			17,232,240				
1998 Refg COPs: Disney Parking Project	3,076,120	3,076,120						
2000 COPs, Ser A: Antelope Valley Courthouse	7,685,488				7,685,488			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,627,425				3,627,425			
2002 Lease Rev Bonds Ser B:								
Downey Courthouse	320,365				320,365			
Sheriffs Training Academy	264,469	264,469						
San Fernando Court	442,967				442,967			
Total 2002 Lease Rev Bonds Ser B	1,027,800	264,469	0	0	763,331	0	0	0

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

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
2005 Lease Rev Refg Bonds Ser A:								
Music Center Improvements	780,108	780,108						
Alhambra Courthouse	589,636				589,636			
Burbank Courthouse	770,290				770,290			
Ameron Building (Sheriff Headquarters)	2,537,873	2,537,873						
Biscailuz Center	224,933	224,933						
Emergency Operations Center	1,987,783	1,987,783						
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,506,752			1,506,752				
Martin Luther King Medical Center - Trauma Center	6,302,517			6,302,517				
Martin Luther King Medical Center - Central Plant	1,293,880			1,293,880				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	105,690			105,690				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,452,849			4,452,849				
Rancho Los Amigos Medical Center - Parking Structure	1,664,376			1,664,376				
Rancho Los Amigos Medical Center - Central Plant	4,894,861			4,894,861				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	694,641			694,641				
San Fernando Valley Juvenile Hall	989,208	989,208						
LAC/USC Medical Center Marengo Street Parking Garage	2,632,649			2,632,649				
LAX Area Courthouse	7,045,536				7,045,536			
San Fernando Valley Courthouse (Chatsworth)	5,566,410				5,566,410			
Harbor Med Center E.P.S.	1,272,015			1,272,015				
Total 2005 Lease Rev Refg Bonds Ser A	45,312,008	6,519,905	0	24,820,230	13,971,872	0	0	0
Total Long-Term Capital Projects	153,838,950	62,443,086	0	55,620,881	34,575,625	1,199,358	0	0
Total Long-Term Obligations	577,966,392	178,444,338	9,086,144	148,122,814	34,575,625	92,847,554	18,344,857	96,545,061
Intermediate-Term Obligations								
Equipment								
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	2,765,875	2,457,817		308,058				
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	3,718,669	2,144,282		1,574,386				
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	4,465,725	2,679,435		1,786,290				
Total Equipment	10,950,269	7,281,535	0	3,668,734	0	0	0	0
Total Intermediate-Term Obligations	10,950,269	7,281,534	0	3,668,734	0	0	0	0
Total Obligations	588,916,661	185,725,872	9,086,144	151,791,549	34,575,625	92,847,554	18,344,857	96,545,061

Source: Los Angeles County Chief Administrative Office

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

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations								
General Obligation Bonds								
1987 GO Bonds: Justice Facility	16,205,000		16,205,000					
Special Fund Obligations								
1993 COPs, Ser A: Marina del Rey	50,745,000					50,745,000		
1993 COPs, Ser B: Marina del Rey	4,355,026					4,355,026		
1993 COPs, Ser C: Marina del Rey	11,728,070					11,728,070		
Total Special Fund Obligations	66,828,095	0	0	0	0	66,828,095	0	0
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	217,710,000	70,764,458		56,429,126		20,429,906	11,190,947	58,895,562
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	371,462,163	120,740,062		96,280,764		34,858,009	19,094,270	100,489,059
1996 Pension Ob Refg Bonds: LACERA Funding	131,800,000	42,840,272		34,161,769		12,368,112	6,774,915	35,654,931
Total Pension Obligation Certificates	1,050,107,396	341,326,908	0	272,181,536	0	98,542,078	53,978,670	284,078,203
Long-Term Capital Projects								
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:								
Civic Center Heating & Refrigeration Plant	25,365,000	25,365,000						
Downey Courthouse	4,935,000				4,935,000			
LeSage Complex	1,555,000	1,555,000						
Olive View Medical Center	28,360,000			28,360,000				
Sheriffs Training Academy	4,130,947	4,130,947						
San Fernando Court	6,919,053				6,919,053			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	71,265,000	31,050,947	0	28,360,000	11,854,053	0	0	0
1993 COPs: Disney Parking Project	50,394,941	50,394,941						
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:								
Lynwood Regional Justice Center	97,255,000	97,255,000						
Mobile Digital Communication System								
Los Hills Sheriffs Station	3,989,106	3,989,106						
Mira Loma Boy's Camp	12,129,840	12,129,840						
Mid Valley Health Center	3,415,128			3,415,128				
LAC/USC Intensive Care Unit	884,876			884,876				
Martin Luther King, Jr. Medical Center Parking Structure	1,961,051			1,961,051				
Compton Courthouse								
El Monte Courthouse								
Inglewood Municipal Courthouse & Parking Structure								
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,460,000			1,460,000				
East Los Angeles Courthouse	12,700,000				12,700,000			
Fire Command and Control System	1,880,000					1,880,000		
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	135,675,001	113,373,946	0	7,721,055	12,700,000	1,880,000	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail	91,975,000	91,975,000						
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:								
Hollywood Courthouse								
Long Beach Comprehensive Health Center								
Van Nuys Courthouse	32,494,000				32,494,000			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	3,856,532	3,856,532						
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	1,175,706	1,175,706						
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	4,714,744	4,714,744						
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	1,089,018	1,089,018						
Pitchess Honor Rancho: Vehicle Maintenance Facility	2,771,000	2,771,000						
Men's Central Jail Parking Structure	12,412,000	12,412,000						
Mira Loma Men's Medium Security Facility	2,962,000	2,962,000						
Pitchess Honor Rancho Laundry Expansion	1,660,000	1,660,000						
Pitchess Honor Rancho Visitors Center	4,098,000	4,098,000						
Pomona Municipal Courthouse	3,428,000				3,428,000			
Hutton Building - Registrar / Recorder Headquarters	21,352,000	21,352,000						
Temple City Sheriff Station	7,038,000	7,038,000						
Public Library Headquarters	1,544,000					1,544,000		
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	100,595,000	63,129,000	0	0	35,922,000	1,544,000	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Services	183,804,000			183,804,000				
1998 Refg COPs: Disney Parking Project	59,900,000	59,900,000						
2000 COPs, Ser A: Antelope Valley Courthouse	113,700,000				113,700,000			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	21,400,000				21,400,000			
2002 Lease Rev Bonds Ser B:								
Downey Courthouse	5,339,414				5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809						
San Fernando Court	7,382,777				7,382,777			
Total 2002 Lease Rev Bonds Ser B	17,130,000	4,407,809	0	0	12,722,191	0	0	0

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

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
2005 Lease Rev Refg Bonds Ser A:								
Music Center Improvements	6,657,497	6,657,497						
Alhambra Courthouse	4,330,316				4,330,316			
Burbank Courthouse	6,550,302				6,550,302			
Ameron Building (Sheriff Headquarters)	18,595,722	18,595,722						
Biscailuz Center	1,655,848	1,655,848						
Emergency Operations Center	15,769,160	15,769,160						
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	11,944,234			11,944,234				
Martin Luther King Medical Center - Trauma Center	56,983,523			56,983,523				
Martin Luther King Medical Center - Central Plant	1,273,190			1,273,190				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	781,376			781,376				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	37,890,471			37,890,471				
Rancho Los Amigos Medical Center - Parking Structure	14,144,261			14,144,261				
Rancho Los Amigos Medical Center - Central Plant	4,816,592			4,816,592				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	5,097,752			5,097,752				
San Fernando Valley Juvenile Hall	8,929,413	8,929,413						
LAC/USC Medical Center Marengo Street Parking Garage	22,400,367			22,400,367				
LAX Area Courthouse	92,661,656				92,661,656			
San Fernando Valley Courthouse (Chatsworth)	75,265,669				75,265,669			
Harbor Med Center E.P.S.	7,567,651			7,567,651				
Total 2005 Lease Rev Refg Bonds Ser A	393,315,000	51,607,640	0	162,899,417	178,807,943	0	0	0
Total Long-Term Capital Projects	1,239,153,941	465,839,283	0	382,784,471	387,106,187	3,424,000	0	0
Total Long-Term Obligations	2,372,294,433	807,166,191	16,205,000	654,966,008	387,106,187	168,794,174	53,978,670	284,078,203
Intermediate-Term Obligations								
Equipment								
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	2,725,000	2,421,495		303,505				
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	5,025,000	2,897,547		2,127,453				
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	7,905,000	4,743,000		3,162,000				
Total Equipment	15,655,000	10,062,042	0	5,592,958	0	0	0	0
Total Intermediate-Term Obligations	15,655,000	10,062,042	0	5,592,958	0	0	0	0
Total Obligations	2,387,949,433	817,228,233	16,205,000	660,558,966	387,106,187	168,794,174	53,978,670	284,078,203

Source: Los Angeles County Chief Administrative Office

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

Title	Outstanding Principal	Total Future Payments	2005-06 FY Payment Remaining
Long-Term Obligations			
General Obligation Bonds			
1987 GO Bonds: Justice Facility	16,205,000	17,504,178	8,448,072
Special Fund Obligations			
1993 COPs, Ser A: Marina del Rey	0	0	0
1993 COPs, Ser B: Marina del Rey	0	0	0
1993 COPs, Ser C: Marina del Rey	0	0	0
Total Special Fund Obligations	0	0	0
Pension Obligation Certificates			
1986 Pension Obligation Certificates, Series A	80,740,000	91,882,120	0
1994 Pension Obligation Bonds, Series A (Current Interest Bonds)	0	0	0
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds)	248,395,233	843,900,000	0
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	337,452,163	802,342,052	0
1996 Pension Obligation Refunding Bonds	70,500,000	75,347,779	0
Total Pension Obligation Certificates	737,087,396	1,813,471,950	0 (1)
Long-Term Capital Projects			
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project	55,185,000	62,859,193	1,653,874
1993 COPs: Disney Parking Project	48,296,969	197,555,000	0
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refunding Project	120,570,000	150,025,064	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refunding Project	85,120,000	107,918,725	0
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refunding Project	87,950,000	105,680,795	0
1997 Tax-Exempt Commercial Paper Program	0	0	0 (2)
1998 Refg COPs: Disney Parking Project	59,655,000	103,121,323	0
2000 COPs, Series A: Antelope Valley Courthouse	111,940,000	215,220,619	0
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	18,715,000	21,761,625	0
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	26,039,100	513,900
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	365,300,000	521,393,859	0 (3)
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	38,475,000	56,146,106	1,785,849
Total Long-Term Capital Projects	1,008,336,969	1,567,721,408	3,953,622
Total Long-Term Obligations	\$1,761,629,365	\$3,398,697,536	\$12,401,694
Intermediate-Term Obligations			
Equipment			
2001 Lease Rev Bonds Series A - LAC-CAL Equipment Program	0	0	0
2002 Lease Rev Bonds Series A - LAC-CAL Equipment Program	3,215,000	3,283,025	1,835,759
2004 Lease Rev Bonds Series A - LAC-CAL Equipment Program	5,690,000	5,893,250	2,105,713
Total Equipment	8,905,000	9,176,275	3,941,472
Total Intermediate-Term Obligations	8,905,000	9,176,275	3,941,472
Total Obligations	1,770,534,365	3,407,873,811	16,343,166

COPs = Certificates of Participation

- (1) Does not reflect \$313,020,000 in principal and \$21,925,658 in interest payment amounts remaining for FY 2005-06 that were deposited with the respective trustees in advance on July 15 or 30, 2005 as required by the individual Trust Agreements.
- (2) Outstanding Tax-Exempt Commercial Paper (TECP) was redeemed in February and March 2006. Any 2005-06 FY payment remaining is dependant upon the issuance and maturity of new commercial paper prior to July 1, 2006.
- (3) Does not reflect \$8,420,882 in unpaid interest remaining for FY 2005-06 that was deposited with the trustee in advance on April 15, 2006 as required by the Indenture of Trust.

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES

ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2006

Full Cash Value (2005-06): \$748,692,783,144 (after deducting \$95,246,092,863 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 5/1/06
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County	100.000 %	\$ 16,205,000
Los Angeles County Flood Control District	100.000	127,840,000
Metropolitan Water District	46.814	182,370,959
Los Angeles Community College District	100.000	694,705,000
Other Community College Districts	Various	763,255,262
Beverly Hills Unified School District	100.000	148,849,380
Burbank Hills Unified School District	100.000	95,339,996
Glendale Unified School District	100.000	152,960,000
Long Beach Unified School District	100.000	252,235,000
Los Angeles Unified School District	100.000	5,776,960,000
Pasadena Unified School District	100.000	210,445,000
Pomona Unified School District	100.000	144,625,000
Other Unified School Districts	100.000	1,907,890,805
High School and School Districts	Various (1)	974,588,695
City of Los Angeles	100.000	1,445,250,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	142,055,000
City of Industry	100.000	206,200,000
Other Cities	100.000	47,985,000
Special Districts	100.000	11,901,632
Community Facilities Districts	100.000	784,229,691
Los Angeles County Regional Park & Open Space Assessment District	100.000	325,710,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	224,442,400
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100.000	82,575,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 14,718,618,820
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	100.000 %	\$ 1,271,856,972 (2)
Los Angeles County Pension Obligations	100.000	1,050,097,395
Los Angeles County Office of Education Certificates of Participation	100.000	21,784,577
Community College District Certificates of Participation	Various (1)	121,207,918
Los Angeles Unified School District Certificates of Participation	100.000	270,333,350
Pomona Unified School District Certificates of Participation	100.000	67,055,000
Other Unified School District Certificates of Participation	100.000	385,022,070
High School and School District General Fund Obligations	Various (1)	170,618,213
City of Beverly Hills General Fund Obligations	100.000	183,670,000
City of Los Angeles General Fund and Judgement Obligations	100.000	1,141,355,000
City of Long Beach General Fund Obligations	100.000	289,760,000
City of Long Beach Pension Obligations	100.000	97,255,000
City of Pasadena General Fund Obligations	100.000	267,295,000
City of Pasadena Pension Obligations	100.000	136,590,000
Other Cities' General Fund Obligations	100.000	1,079,866,106
Los Angeles County Sanitation Districts General Fund Obligations	100.000	405,660,000
Walnut Valley Water District General Fund Obligations	100.000	15,055,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,974,481,601
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina del Rey)		(39,230,000)
School District self-supporting bonds		(33,500,000)
Cities' self-supporting bonds		(189,115,629)
Walnut Valley Water District General Fund Obligations		(15,055,000)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 6,697,580,972
GROSS COMBINED TOTAL DEBT		\$ 21,693,100,421 (3)
NET COMBINED TOTAL DEBT		\$ 21,416,199,792

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

RATIOS TO 2005-06 ASSESSED VALUATION

Direct Debt (\$16,205,000)	0.002%
Total Direct and Overlapping Tax and Assessment Debt	1.74%
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Combined Gross Direct Debt (\$2,338,159,367)	0.31%
Net Combined Direct Debt (\$2,298,929,367)	0.31%
Gross Combined Total Debt	2.90%
Net Combined Total Debt	2.86%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$ 1,225,130

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 2004 Gross Product estimated at \$408 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 5.4% was the lowest in the County since 1988. In 2006, the County's economy is expected to show moderate job growth in non-farm employment of approximately 0.9%, or 37,900 jobs, from the 0.7% or 27,900 job increase in 2005. The continued improvement in the job market is being supported by \$32.3 Billion in major construction projects that are currently underway, including the expansion of port facilities, the LAUSD school construction program and replacement of the County LAC+USC Medical Center.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with continued job growth projected for most major sectors of the economy in 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. After showing strong gains in the total value of two-way trade from 2004 to 2005 of over 11%, Los Angeles continues to be the number one customs district in the nation for international trade. The residential housing market continued its strong performance in 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 10.3 million people residing within its borders. The County's population makes it equivalent to the ninth 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 during 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 6.6% and 5.4% in 2004 and 2005 respectively, and to a projected rate of 5.3% in 2006.

Although non-agricultural employment is projected to grow at a modest rate of 0.9% 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 (+9,500 jobs). Other sectors of the economy expecting strong job growth in 2006 are Construction (+6,500 jobs); Professional, Scientific & Technical Services (+5,800 jobs); and Health Care & Social Assistance and Administrative & Support Services (+5,000 jobs each). On the negative side of the employment picture, the manufacturing sector is expected to see a net loss of 3,500 jobs, which is primarily due to a decrease in the production of non-durable goods. Table F details the County's employment by sector since 2002.

Personal Income

Total personal income in Los Angeles County continued to grow in 2005, with over \$351.1 billion reported, or a 6.1% increase from 2004. The County's total personal income in 2005 represents an estimated 26.0% of the total personal income generated in California. Personal income is expected to grow at an even stronger rate of 11.7% in 2006 to an estimated \$370.8 billion. 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 \$102.6 billion in retail sales, representing an increase of 8.5% from 2005 and 37.8% 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 \$408 billion in 2004 represents approximately 26.8% of the total economic output in California and nearly 3.5% 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 472,000 workers estimated to be employed in these industries as of 2006. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment. Some of the world's most recognized companies are located in Los Angeles County, including Mattel Inc., the world's largest toy manufacturer, and the automobile design operations of Honda, Mazda, Nissan, Toyota, Volkswagen, Volvo and the "Big Three" U.S. automobile manufacturers. The steady decline in industrial market vacancy rates (from 4.33% in 2001 to 2.00% 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 in 2004 and 2005. The value of two-way trade through the Los Angeles Customs District increased by over 11% in 2005 to a record level of \$293.9 billion. 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 Shenzhen. 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 nearly 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 manage the growing volume of imports and exports, which are expected to double in the near future, and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System, a multi-modal and integrated passenger transportation system, is now operational and providing service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation alternatives and will be implemented over a 30-year period. Its coordinated network of rail, bus, freeway (carpool lanes/freeway service patrols), bikeway, and dial-a-ride services was designed to provide a highly efficient and effective public transportation system for Los Angeles County.

The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority (MTA). Formed in 1993 from the merger of the Southern California Rapid Transit District and the Los Angeles County Transportation Commission, the MTA is responsible for the planning, design, construction and operation of the public transportation for Los Angeles County. The 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 24.9 million overnight visitors stayed in Los Angeles, with total visitor expenditures of \$12.7 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 \$395 million in local tax revenue and \$313 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 an impressive 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. From 2001 to 2005, aggregate residential building valuations in Los Angeles County have grown each year, increasing from \$3.999 billion in 2001 to \$6.671 billion in 2005. The strong housing market was the dominant factor behind the

unprecedented growth in the County's gross Assessment Roll, which is the basis for calculating property tax revenue. The record \$855.8 billion gross Assessment Roll for 2005 reflected an increase of \$74.8 billion or 9.6% from the previous fiscal year.

Additional indicators of the strong real estate market in Los Angeles County in 2005 include the continued growth in both construction and residential purchase lending, and the continuing decrease in vacancy rates for the office and industrial markets. Construction lending and real estate purchase lending increased by 12% and 17%, respectively, from 2004 to 2005. However, the annual rate of growth in these areas has slowed considerably since 2001. The continued reduction in vacancy rates for the office and industrial markets is a reflection of the strength of the regional economy as businesses are hiring more employees and require additional space to facilitate growth and improve productivity. 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.

Despite the strong performance of the real estate market in Los Angeles County in 2005, several key indicators suggest the market may have peaked in 2005, and a cooling trend will take hold in 2006. The rising interest rate environment and the lack of affordability of a home purchase for the average household are significant factors that will drive any potential 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. The number of new and existing home sales decreased for the second consecutive year in 2005, representing a 4% decrease since 2003. Although the number of recorded default notices decreased for the ninth consecutive year in 2005, foreclosure activity in the first quarter of 2006 has increased to its highest level in two-years. The inventory of unsold new housing units at year-end increased by 78% in 2005 to 1,115 units from 628 units in 2004. With houses remaining on the market for longer periods of time, the increasing supply of homes for sale is expected to put downward pressure on home values in 2006.

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 thirty-year fixed mortgage rate increased from 5.75% in December 2004 to 6.27% in December 2005 and the average adjustable rate mortgage grew at an even faster pace from 4.2% to 5.2% over the same period. With a tighter credit market and increasing mortgage rates, the housing market in the County is expected to soften in 2006, with a declining number of unit sales and a leveling off in the appreciation of home prices.

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 \$54 billion to the 2005 Assessment Roll in 2005, representing over 72% of the \$74.8 billion increase from 2004.

The great unknown for the real estate market is whether home price appreciation will level off and remain relatively flat, or if home values will actually drop. Although the supply of unsold homes on the market increased significantly in 2005, there is still a fundamental imbalance between supply and demand that will continue to put upward pressure on home prices. The magnitude of the pending slow-down in the market will ultimately depend on macro-economic factors such as long-term interest rates, employment growth and the overall health of the regional economy.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

POPULATION LEVELS

GROSS PRODUCT

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

LARGEST PRIVATE SECTOR EMPLOYERS

SUMMARY OF AIRPORT AND PORT ACTIVITY

VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS

COMPARATIVE TONNAGE OF MAJOR WEST COAST PORTS

COMPARISON OF INTERNATIONAL CONTAINER TRAFFIC AT MAJOR PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

TABLE A: POPULATION LEVELS

	2002	2003	2004	2005	*2006
Los Angeles County	9,828,800	9,979,400	10,107,500	10,226,500	10,341,500
State of California	35,089,000	35,691,000	36,271,000	36,810,000	37,310,000
Los Angeles County as a % of California	28.01%	27.96%	27.87%	27.78%	27.72%

* Forecasted

Source: Los Angeles Economic Development Corporation

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

	2000	2001	2002	2003	2004
Los Angeles County	325.0	341.9	356.8	373.9	408.0
State of California	1,285.5	1,318.0	1,357.2	1,423.2	1,524.9
United States	9,817.0	10,100.8	10,487.0	11,004.0	11,733.5
Los Angeles County as a % of California	25.28%	25.94%	26.29%	26.27%	26.76%

Source: Los Angeles Economic Development Corporation

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

	2002	2003	2004	2005	*2006
Los Angeles County	300.123	311.285	329.753	349.868	370.860
Orange County	111.205	116.381	123.713	131.260	139.136
Riverside and San Bernardino Counties	84.500	89.399	97.209	104.380	111.883
Ventura County	26.677	27.860	29.541	31.182	33.082
State of California	1,147.868	1,184.058	1,262.454	1,338.201	1,419.831
Los Angeles County as a % of California	26.15%	26.29%	26.12%	26.14%	26.12%

* Forecasted

Source: Los Angeles Economic Development Corporation

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

	2002	2003	2004	2005	*2006
Los Angeles County	74.548	79.427	86.497	94.628	102.671
State of California	301.612	320.217	350.173	383.796	419.866
Los Angeles County as a % of California	24.72%	24.80%	24.70%	24.66%	24.45%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2002	2003	2004	2005	*2006
Los Angeles County	6.8%	7.0%	6.6%	5.4%	5.3%
State of California	6.7%	6.8%	6.2%	5.4%	5.3%
United States	5.8%	6.0%	5.5%	5.1%	4.8%

* Forecasted

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	619.0	620.4	624.4
Government	606.1	599.3	586.6	580.4	577.9
Manufacturing	534.8	500.0	484.2	475.9	472.4
Leisure & Hospitality	354.2	362.6	373.1	381.2	390.7
Health Care & Social Assistance	357.4	365.6	371.9	376.6	381.6
Administrative & Support Services	261.0	249.1	253.6	257.6	262.6
Professional, Scientific & Technical Services	231.6	233.5	236.1	240.0	245.8
Information	207.3	202.3	208.1	213.2	211.2
Finance & Insurance	159.8	165.0	166.5	168.0	170.5
Transportation & Utilities	167.2	161.5	161.1	164.1	166.6
Construction	134.5	134.6	139.4	145.9	152.4
Other	397.6	396.3	392.5	396.8	401.9
Total	4,026.8	3,982.9	3,992.2	4,020.1	4,058.0

*Forecasted

Source: California Employment Development Department

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

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

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

TABLE H: 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	14,844.7	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	56,223.8	54,970.0	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	60,844.5	59,700.0	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 I: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in billions of \$)

Customs District	2001	2002	2003	2004	2005
Los Angeles	212.5	214.3	235.0	264.2	293.9
New York	214.1	209.8	219.6	245.1	267.5
Detroit	168.5	179.3	186.5	205.6	228.5
Laredo	115.0	114.3	115.4	130.8	139.1
Houston	71.1	69.4	80.8	104.6	136.1
New Orleans	85.5	87.7	95.1	115.6	129.7
Chicago	70.5	72.5	79.6	95.2	108.7
Seattle	79.7	76.1	75.9	87.2	100.4

Source: Los Angeles Economic Development Corporation

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

Port	2001	2002	2003	2004	2005
Los Angeles-Long Beach	142.4	152.2	163.9	177.6	186.7
Tacoma	23.1	24.3	27.6	30.7	34.2
San Francisco-Oakland	23.1	23.6	26.1	29.9	32.8
Seattle	18.5	18.2	19.8	24.0	29.5
Portland	18.1	17.5	19.0	20.4	18.8
San Diego	4.5	4.1	4.5	4.7	5.3
Port Hueneme	3.3	3.6	3.4	4.0	4.6

Source: Los Angeles Economic Development Corporation

TABLE K: COMPARISON OF INTERNATIONAL CONTAINER TRAFFIC AT MAJOR 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 L: 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	\$6,991
2. Residential Purchase Lending (in millions)	\$27,798	\$35,714	\$42,987	\$53,813	\$62,457
3. New & Existing 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	13.90%	16.40%	16.35%	15.40%	12.58%
8. Industrial Market Vacancy Rates	4.33%	4.25%	3.20%	2.78%	2.03%

Source: Real Estate Research Council of Southern California

TABLE M: BUILDING PERMITS AND VALUATIONS

Type of Building	2001	2002	2003	2004	2005
1. Residential Permits (Units)					
a. New Single Family	8,184	8,217	10,217	11,752	11,932
b. New Multi-Family	10,069	11,147	11,096	15,183	13,606
Total	18,253	19,364	21,313	26,935	25,538
2. Residential Valuations (in millions of \$)					
a. New Single Family	1,948	2,032	2,585	2,924	2,917
b. New Multi-Family	1,079	1,095	1,179	1,916	1,792
c. Alterations and Additions	972	1,172	1,390	1,728	1,962
Subtotal (Residential Valuations)	3,999	4,299	5,154	6,568	6,671
3. Non-Residential Valuations (in millions of \$)					
a. Office Buildings	547	209	182	307	233
b. Retail Buildings	434	459	356	484	551
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	1,659
f. Other	782	667	725	738	996
Subtotal (Non-Residential Valuations)	3,539	2,920	2,932	3,174	3,809
Total Building Valuations (in millions)	7,538	7,219	8,086	9,741	10,480

Source: Real Estate Research Council of Southern California



APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS



COUNTY OF LOS ANGELES
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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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
Discretely 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

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 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.

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

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.

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

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.

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

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

	Governmental		Business-type		Total	
	Activities		Activities			
	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	<u>3,354,024</u>	<u>3,306,500</u>	<u>1,153,680</u>	<u>972,593</u>	<u>4,507,704</u>	<u>4,279,093</u>
Total assets	<u><u>9,281,676</u></u>	<u><u>8,649,004</u></u>	<u><u>2,320,723</u></u>	<u><u>2,266,825</u></u>	<u><u>11,602,399</u></u>	<u><u>10,915,829</u></u>
Current and other liabilities	1,073,978	1,172,476	180,493	174,608	1,254,471	1,347,084
Long-term liabilities	<u>6,070,908</u>	<u>6,367,421</u>	<u>1,897,117</u>	<u>1,955,260</u>	<u>7,968,025</u>	<u>8,322,681</u>
Total liabilities	<u>7,144,886</u>	<u>7,539,897</u>	<u>2,077,610</u>	<u>2,129,868</u>	<u>9,222,496</u>	<u>9,669,765</u>
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)	<u>(1,572,611)</u>	<u>(2,203,518)</u>	<u>(624,577)</u>	<u>(590,882)</u>	<u>(2,197,188)</u>	<u>(2,794,400)</u>
Total net assets	<u>2,136,790</u>	<u>1,109,107</u>	<u>243,113</u>	<u>136,957</u>	<u>2,379,903</u>	<u>1,246,064</u>
Total liabilities and net assets	<u><u>\$ 9,281,676</u></u>	<u><u>\$ 8,649,004</u></u>	<u><u>\$ 2,320,723</u></u>	<u><u>\$ 2,266,825</u></u>	<u><u>\$ 11,602,399</u></u>	<u><u>\$ 10,915,829</u></u>

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.

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

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.

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

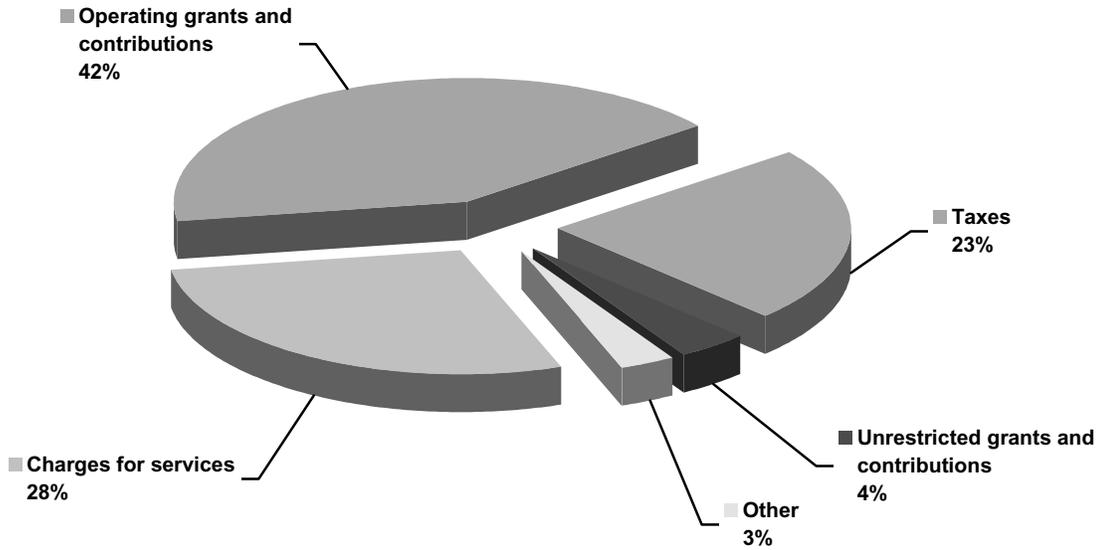
The following table indicates the changes in net assets for governmental and business-type activities:

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

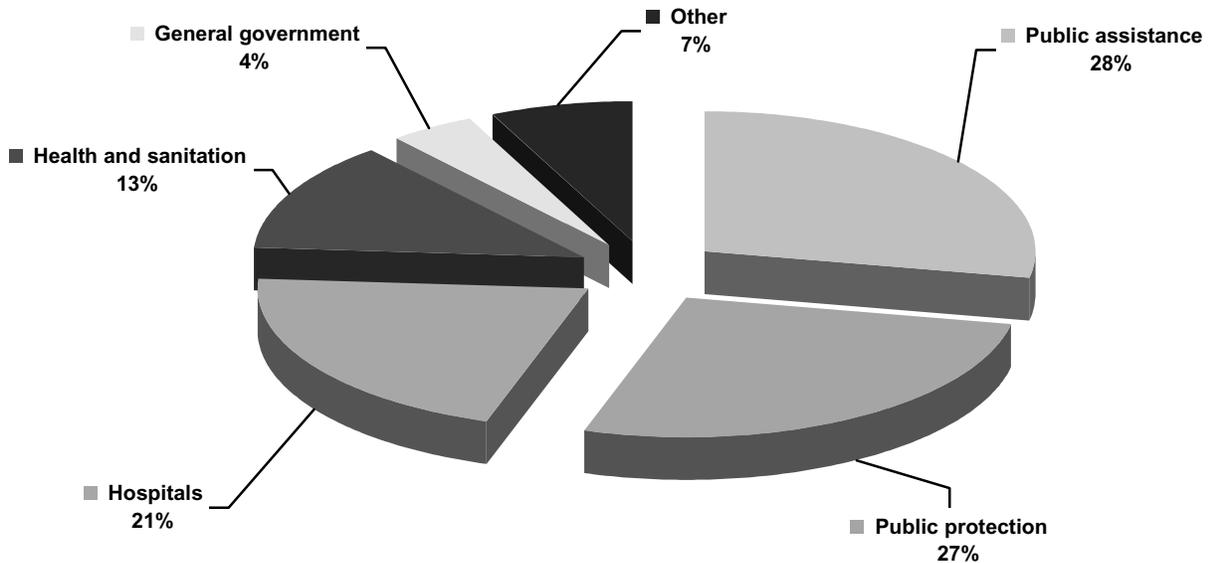
	Governmental		Business-type		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,087,578	\$ 1,998,085	\$ 2,458,921	\$ 2,454,197	\$ 4,546,499	\$ 4,452,282
Operating grants and contributions	6,551,225	6,362,285	262,636	277,427	6,813,861	6,639,712
Capital 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	<u>130,904</u>	<u>186,406</u>	<u>54,103</u>	<u>53,401</u>	<u>185,007</u>	<u>239,807</u>
Total revenues	<u>13,487,787</u>	<u>12,862,698</u>	<u>2,921,534</u>	<u>2,872,891</u>	<u>16,409,321</u>	<u>15,735,589</u>
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			<u>217,560</u>	<u>222,207</u>	<u>217,560</u>	<u>222,207</u>
Total expenses	<u>11,962,048</u>	<u>11,767,035</u>	<u>3,501,927</u>	<u>3,336,567</u>	<u>15,463,975</u>	<u>15,103,602</u>
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	<u>188,493</u>				<u>188,493</u>	
Changes in net assets	1,027,683	382,829	106,156	249,158	1,133,839	631,987
Net assets (deficit) – beginning	<u>1,109,107</u>	<u>726,278</u>	<u>136,957</u>	<u>(112,201)</u>	<u>1,246,064</u>	<u>614,077</u>
Net assets – ending	<u>\$ 2,136,790</u>	<u>\$ 1,109,107</u>	<u>\$ 243,113</u>	<u>\$ 136,957</u>	<u>\$ 2,379,903</u>	<u>\$ 1,246,064</u>

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



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

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.

Governmental Activities

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.

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

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.

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

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.

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

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):

<u>Category</u>	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	<u>\$ 344,705</u>	<u>\$ 12,494,533</u>	<u>\$ 11,839,884</u>	<u>\$ (654,649)</u>

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

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.

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

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):

<u>Category</u>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive</u>
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	<u>290,763</u>	<u>382,997</u>	<u>330,500</u>	<u>52,497</u>
Total	<u>\$ 344,705</u>	<u>\$ 13,366,817</u>	<u>\$11,803,558</u>	<u>\$ 1,563,259</u>

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.

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

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.

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

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)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Increase (Decrease)</u>
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	<u>689,092</u>	<u>502,674</u>	<u>186,418</u>
Total	<u>\$ 4,507,704</u>	<u>\$ 4,279,093</u>	<u>\$ 228,611</u>

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)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Decrease</u>
Bonds and Notes Payable	\$ 1,983,844	\$ 2,136,123	\$ 152,279
Pension Bonds Payable	<u>1,628,575</u>	<u>1,813,812</u>	<u>185,237</u>
Total	<u>\$ 3,612,419</u>	<u>\$ 3,949,935</u>	<u>\$ 337,516</u>

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

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:

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
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

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

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.

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

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	<u>3,856,397</u>	<u>211,682</u>	<u>4,068,079</u>	<u>726,920</u>
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	<u>2,920,120</u>	<u>494,570</u>	<u>3,414,690</u>	<u>11,328</u>
Total capital assets	<u>3,354,024</u>	<u>1,153,680</u>	<u>4,507,704</u>	<u>13,367</u>
TOTAL ASSETS	<u>9,281,676</u>	<u>2,320,723</u>	<u>11,602,399</u>	<u>776,801</u>
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	<u>5,113,741</u>	<u>1,484,010</u>	<u>6,597,751</u>	<u>158</u>
TOTAL LIABILITIES	<u>7,144,886</u>	<u>2,077,610</u>	<u>9,222,496</u>	<u>15,007</u>
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)	<u>(1,572,611)</u>	<u>(624,577)</u>	<u>(2,197,188)</u>	
TOTAL NET ASSETS	<u>\$ 2,136,790</u>	<u>\$ 243,113</u>	<u>\$ 2,379,903</u>	<u>\$ 761,794</u>

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)

FUNCTIONS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
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	<u>11,962,048</u>	<u>2,087,578</u>	<u>6,551,225</u>	<u>44,072</u>
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	<u>3,501,927</u>	<u>2,458,921</u>	<u>262,636</u>	<u>138,723</u>
Total primary government	<u>\$ 15,463,975</u>	<u>\$ 4,546,499</u>	<u>\$ 6,813,861</u>	<u>\$ 182,795</u>
COMPONENT UNIT -				
Children and Families First Commission	<u>\$ 99,771</u>	<u>\$</u>	<u>\$ 163,786</u>	<u>\$</u>

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
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION
\$ (236,207)	\$	\$ (236,207)	
(1,961,168)		(1,961,168)	
(64,200)		(64,200)	
(264,135)		(264,135)	
(396,414)		(396,414)	
(81,733)		(81,733)	
(51,620)		(51,620)	
(223,696)		(223,696)	
(3,279,173)		(3,279,173)	
	(656,793)	(656,793)	
	(2,059)	(2,059)	
	11,818	11,818	
	5,387	5,387	
	(641,647)	(641,647)	
(3,279,173)	(641,647)	(3,920,820)	
			\$ 64,015
3,287,380	701	3,288,081	
70,748		70,748	
56,271		56,271	
248,895		248,895	
90,309		90,309	
51,256		51,256	
731,767	34	731,801	
137,382	6,416	143,798	13,159
130,904	54,103	185,007	
188,493		188,493	
(686,549)	686,549		
4,306,856	747,803	5,054,659	13,159
1,027,683	106,156	1,133,839	77,174
1,109,107	136,957	1,246,064	684,620
\$ 2,136,790	\$ 243,113	\$ 2,379,903	\$ 761,794

FUNCTIONS

PRIMARY GOVERNMENT:

Governmental activities:

- General government
- Public protection
- Public ways and facilities
- Health and sanitation
- Public assistance
- Education
- Recreation and cultural services
- Interest on long-term debt
- Total governmental activities

Business-type activities:

- Hospitals
- Aviation
- Waterworks
- Community Development Commission
- Total business-type activities

Total primary government

COMPONENT UNIT -

Total - Children & Families First Commission

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

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	<u>2,134,177</u>	<u>105,264</u>	<u>122,864</u>	<u>14,693</u>
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	<u><u>\$ 4,472,184</u></u>	<u><u>178,592</u></u>	<u><u>154,886</u></u>	<u><u>24,312</u></u>
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	<u>2,145,455</u>	<u>75,403</u>	<u>33,590</u>	<u>13,887</u>
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	<u>2,326,729</u>	<u>103,189</u>	<u>121,296</u>	<u>10,425</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,472,184</u></u>	<u><u>178,592</u></u>	<u><u>154,886</u></u>	<u><u>24,312</u></u>

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
\$ 236,574	1,157,372		\$ 2,840,529
2,327	30,934		963,676
<u>238,901</u>	<u>1,188,306</u>		<u>3,804,205</u>
	629,365	(349,690)	286,389
2,778	10,972		263,962
640	2,447		13,048
4,850	62,889		1,183,172
2,257	24,190		598,490
	10,530		462,411
	39,721		86,453
<u>\$ 249,426</u>	<u>1,968,420</u>	<u>(349,690)</u>	<u>\$ 6,698,130</u>
\$ 506	42,010		\$ 293,977
	452		366,591
	1,464		65,109
4,508	167,856		1,197,551
	2,100		2,100
5,610	32,938		347,317
	7,413		242,442
	2,512		20,617
<u>10,624</u>	<u>256,745</u>		<u>2,535,704</u>
91,734	147,549		705,771
	39,721		86,453
	2,079		2,079
	609,183	(349,690)	259,493
	3,339		3,339
	30,969		61,432
			546,672
19,346			210,996
			329,806
			18,099
	153,992		153,992
			909,076
127,722	459,961		610,336
	264,882		264,882
<u>238,802</u>	<u>1,711,675</u>	<u>(349,690)</u>	<u>4,162,426</u>
<u>\$ 249,426</u>	<u>1,968,420</u>	<u>(349,690)</u>	<u>\$ 6,698,130</u>

ASSETS:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 4)

Taxes receivable

Interest receivable

Other receivables

Due from other funds (Note 12)

Advances to other funds (Note 12)

Inventories

TOTAL ASSETS

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable

Accrued payroll

Other payables

Due to other funds (Note 12)

Advances from other funds (Note 12)

Deferred revenue (Note 6)

Advances payable

Third party payor liability (Notes 8 and 11)

TOTAL LIABILITIES

FUND BALANCES:

Reserved for:

Encumbrances

Inventories

Housing programs

Debt service

Endowments and annuities

Assets unavailable for appropriation

Unreserved, designated for:

Budget uncertainties

Program expansion

Health services

Capital projects

Special revenue funds - program expansion

Unreserved, undesignated, reported in:

General fund

Special revenue funds

Capital projects funds

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 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
\$	260,239		\$ 3,704,985
	5,917		73,450
1,126	68,541		294,714
	54,733	(15,385)	136,833
5,755	48,535		69,253
	10		408
	94,364		2,763,670
	184,148		4,275,176
	16,733		122,674
78,781	102,014		1,699,477
	67,831		277,000
<u>85,662</u>	<u>903,065</u>	<u>(15,385)</u>	<u>13,417,640</u>
	30,557		664,670
	81,097		4,111,311
	247,314		247,314
	90,661		1,935,207
	130,119		4,387,157
			85,066
48,381	6,049		226,768
	185,318	(26,520)	345,956
	125,880	(15,385)	181,948
			11,449
	24,055		31,384
<u>48,381</u>	<u>921,050</u>	<u>(41,905)</u>	<u>12,228,230</u>
<u>37,281</u>	<u>(17,985)</u>	<u>26,520</u>	<u>1,189,410</u>
1,056	313,793		416,981
(38,109)	(285,143)		(1,104,398)
	7,700		7,700
	434,471		434,471
	(434,471)		(434,471)
	37,629		37,629
			7,329
	2,669		6,828
<u>(37,053)</u>	<u>76,648</u>		<u>(627,931)</u>
	188,493		188,493
228	247,156	26,520	749,972
<u>238,574</u>	<u>1,464,519</u>	<u>(376,210)</u>	<u>3,412,454</u>
<u>\$ 238,802</u>	<u>1,711,675</u>	<u>(349,690)</u>	<u>\$ 4,162,426</u>

REVENUES:

Taxes
Licenses, permits and franchises
Fines, forfeitures and penalties
Revenue from use of money and property:
Investment income (Note 4)
Rents and concessions (Note 7)
Royalties
Intergovernmental revenues:
Federal
State
Other
Charges for services
Miscellaneous
TOTAL REVENUES

EXPENDITURES:

Current:
General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and cultural services
Debt service:
Principal
Interest and other charges
Capital leases
Capital outlay
TOTAL EXPENDITURES

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES

OTHER FINANCING SOURCES (USES):

Transfers in (Note 12)
Transfers out (Note 12)
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)
Sales of capital assets
TOTAL OTHER FINANCING SOURCES (USES)

SPECIAL ITEM - Proceeds from sale of receivables (Note 17)

NET CHANGE IN FUND BALANCES

FUND BALANCE, JULY 1, 2004

FUND BALANCE, JUNE 30, 2005

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
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 197,261	
Less - current year depreciation expense	<u>(122,312)</u>	74,949
<p>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.</p>		
		(12,150)
<p>Revenue timing differences result in less revenue in government-wide statements.</p>		
		(1,411)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets:</p>		
Pension bonds	\$ 187,158	
General obligation bonds	11,155	
Certificates of participation	132,808	
Assessment bonds	26,520	
Other long term notes and loans	<u>15,101</u>	372,742
<p>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:</p>		
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	<u>(59,112)</u>	(30,925)
<p>The change in the net pension obligation (an asset) is not recognized in governmental funds.</p>		
		(121,277)
<p>The portion of internal service funds that is reported with governmental activities.</p>		
		<u>(4,217)</u>
Change in net assets of governmental activities (page B-25)	\$	<u><u>1,027,683</u></u>

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	<u>9,180</u>	<u>8,680</u>	<u>146,541</u>	<u>7,018</u>	
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	<u>303,350</u>	<u>257,048</u>	<u>1,111,514</u>	<u>254,932</u>	
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	<u>50,852</u>	<u>96,280</u>	<u>582,938</u>	<u>107,658</u>	
Total noncurrent assets	<u>69,315</u>	<u>118,389</u>	<u>637,821</u>	<u>126,617</u>	
TOTAL ASSETS	<u>372,665</u>	<u>375,437</u>	<u>1,749,335</u>	<u>381,549</u>	
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	<u>205,646</u>	<u>242,849</u>	<u>865,784</u>	<u>266,429</u>	
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	<u>245,182</u>	<u>228,696</u>	<u>561,016</u>	<u>277,613</u>	
TOTAL LIABILITIES	<u>450,828</u>	<u>471,545</u>	<u>1,426,800</u>	<u>544,042</u>	
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)	<u>\$ (78,163)</u>	<u>(96,108)</u>	<u>322,535</u>	<u>(162,493)</u>	

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

ENTERPRISE FUNDS			GOVERNMENTAL
Rancho	Nonmajor		ACTIVITIES
Los Amigos	Enterprise		Internal
Medical Center	Funds	Total	Service
			Funds
\$ 194	34,853	\$ 145,252	\$ 45,114
2,403	2,399	66,016	7,492
<u>2,597</u>	<u>37,252</u>	<u>211,268</u>	<u>52,606</u>
	19,914	19,914	7,166
	1,153	1,153	
48,979		608,514	
2	66	415	120
2,158	9,115	31,894	1,733
54,346	855	1,205,784	49,930
	1,159	1,159	
1,013		25,352	6,760
<u>109,095</u>	<u>69,514</u>	<u>2,105,453</u>	<u>118,315</u>
812		20,314	12,368
12,124		107,036	20,561
217	80,524	117,373	
187,179	331,901	1,109,160	1,734
10,535	2,508	187,939	206,358
6,550	2,428	541,737	
<u>(92,689)</u>	<u>(229,299)</u>	<u>(818,627)</u>	<u>(114,788)</u>
<u>111,792</u>	<u>188,062</u>	<u>1,137,582</u>	<u>93,304</u>
<u>124,728</u>	<u>188,062</u>	<u>1,264,932</u>	<u>126,233</u>
<u>233,823</u>	<u>257,576</u>	<u>3,370,385</u>	<u>244,548</u>
2,420	5,688	72,402	6,843
6,368		87,773	18,204
559	2,149	7,497	881
382		1,243	398
13,800	4,618	632,639	24,014
13,349		439,470	22,000
903	507	9,976	1,775
25,585	1,275	407,311	44,478
<u>63,366</u>	<u>14,237</u>	<u>1,658,311</u>	<u>118,593</u>
8,215	218	100,777	30,642
48,558	6,037	161,066	25,110
38,592		340,713	65,450
512		676	319
25,911		319,689	64,186
12,420		192,532	17,644
21,794		359,311	
<u>156,002</u>	<u>6,255</u>	<u>1,474,764</u>	<u>203,351</u>
<u>219,368</u>	<u>20,492</u>	<u>3,133,075</u>	<u>321,944</u>
58,496	181,410	789,213	61,111
430	53,603	72,674	4,940
<u>(44,471)</u>	<u>2,071</u>	<u>(624,577)</u>	<u>(143,447)</u>
<u>\$ 14,455</u>	<u>237,084</u>	<u>237,310</u>	<u>\$ (77,396)</u>
		5,803	
		<u>\$ 243,113</u>	

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 4)

Taxes receivable

Accounts receivable - net

Interest receivable

Other receivables

Due from other funds (Note 12)

Advances to other funds (Note 12)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 4)

Net pension obligation (Note 6)

Capital assets: (Notes 5 and 7)

Land

Buildings and improvements

Equipment

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 12)

Advances from other funds (Note 12)

Deferred revenue (Note 6)

Current portion of long-term liabilities (Note 8)

Total current liabilities

Noncurrent liabilities:

Accrued vacation and sick leave (Note 8)

Bonds and notes payable (Note 8)

Pension bonds payable (Notes 6 and 8)

Capital lease obligations (Notes 7 and 8)

Workers' compensation (Notes 8 and 15)

Litigation and self-insurance (Notes 8 and 15)

Third party payors (Notes 8 and 11)

Total noncurrent liabilities

TOTAL LIABILITIES

NET ASSETS

Invested in capital assets, net of related debt
(Notes 5 and 8)

Restricted

Unrestricted (Deficit)

TOTAL NET ASSETS (DEFICIT) (Note 2)

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds

NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-23)

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

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	<u>94,357</u>	<u>77,630</u>	<u>78,456</u>	<u>114,623</u>	<u>(67,347)</u>
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	<u>(86,309)</u>	<u>(65,085)</u>	<u>(55,419)</u>	<u>(107,681)</u>	<u>66,303</u>
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	<u>(11,721)</u>	<u>(11,802)</u>	<u>(21,355)</u>	<u>(22,358)</u>	<u>(1,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	<u>305</u>	<u>56</u>	<u>2,506</u>	<u>867</u>	<u>5</u>
Net increase (decrease) in cash and cash equivalents	(3,368)	799	4,188	(14,549)	(2,753)
Cash and cash equivalents, July 1, 2004	<u>14,169</u>	<u>14,911</u>	<u>153,013</u>	<u>21,758</u>	<u>2,753</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 10,801</u>	<u>15,710</u>	<u>157,201</u>	<u>7,209</u>	

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	
\$ 175,206		\$ 2,072,400	\$	CASH FLOWS FROM OPERATING ACTIVITIES:
	21,642	21,642	19,546	Cash received from patient services
	55,182	55,182	347,696	Rentals received
9,172	799	73,002		Cash received from charges for services
494		47,978		Other operating revenues
(96,054)		(1,276,998)	(271,435)	Cash received for services provided to other funds
(24,165)	(256,138)	(99,020)	(52,082)	Cash paid for salaries and employee benefits
(25,830)	(2,348)	(579,031)	(9,721)	Cash paid for services and supplies
(12,813)		(172,289)		Other operating expenses
				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
				CASH FLOWS FROM INVESTING ACTIVITIES -
13	1,001	4,753	349	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	
\$ 41,230	(197,250)	\$ 46,880	\$ 3,857	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
				Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
2,387	6,840	19,294	28,325	Depreciation and amortization
(167)	3,572	6,860	(362)	Other charges - net
				(Increase) decrease in:
11,505		120,419		Accounts receivable - net
			23	Interest receivable
43	8,370	7,125	(1,651)	Other receivables
(8,806)	(37)	(439,758)	2,599	Due from other funds
(8)		(1,358)	80	Inventories
5,146		45,438	8,729	Net pension obligation
				Increase (decrease) in:
(41)	(3,406)	(509)	(1,389)	Accounts payable
195		5,116	347	Accrued payroll
113	279	1,532	220	Other payables
265		2,640	159	Accrued vacation and sick leave
(16,371)	429	369,140	(1,476)	Due to other funds
	340	289	(158)	Deferred revenue
(5,433)		(47,975)	(9,216)	Pension bonds payable
(2,864)		(15,297)	4,079	Workers' compensation liability
257		1,982	(162)	Litigation and self-insurance liability
(1,441)		21,048		Third party payor liability
(15,220)	16,387	95,986	30,147	TOTAL ADJUSTMENTS
<u>\$ 26,010</u>	<u>(180,863)</u>	<u>\$ 142,866</u>	<u>\$ 34,004</u>	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
\$ 2,597	37,252	\$ 211,268	\$ 52,606	Pooled cash and investments
	19,914	19,914	7,166	Other investments
812		20,314	12,368	Restricted assets
<u>\$ 3,409</u>	<u>57,166</u>	<u>\$ 251,496</u>	<u>\$ 72,140</u>	TOTAL

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)

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

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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 XIII A 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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).

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

	<u>Accumulated Deficit</u>
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:

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
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	<u>\$ 15,363,862</u>	<u>\$ 36,505,941</u>	<u>\$ 17,645</u>	<u>\$ 15,037</u>	<u>\$ 51,902,485</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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:

	<u>Fair Value</u>
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	<u>\$ 16,779,660</u>

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

	<u>Fair Value</u>
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	<u>268,449</u>
Total	<u>\$ 34,975,480</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
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	<u>65,306</u>	<u>65,306</u>			
	<u>\$ 15,381,506</u>	<u>\$15,418,148</u>			

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

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
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	<u>14,413</u>	<u>14,413</u>			
	<u>\$ 1,477,874</u>	<u>\$ 1,478,409</u>			

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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 basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain 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, 2005, 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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:

	<u>S & P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
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%
			<u>100.00%</u>
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%
			<u>100.00%</u>

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

5. CAPITAL ASSETS

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

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>21,150</u>
Total depreciation expense, governmental activities	<u>\$ 143,462</u>
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	<u>7,175</u>
Total depreciation expense, business-type activities	<u>\$ 26,469</u>

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):

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
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	<u>14,073</u>	<u>2,892</u>		<u>16,965</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,368)	(49)		(5,417)
Equipment	(124)	(96)		(220)
Subtotal	<u>(5,492)</u>	<u>(145)</u>		<u>(5,637)</u>
Total capital assets being depreciated, net	<u>8,581</u>	<u>2,747</u>		<u>11,328</u>
Component unit capital assets, net	<u>\$ 8,581</u>	<u>\$ 4,786</u>	<u>\$</u>	<u>\$ 13,367</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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

Trend Information (in thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>\$ 749,608</u>	<u>\$ 858,663</u>	<u>\$ 261,992</u>	<u>\$ 300,091</u>
Accretions	<u>457,186</u>		<u>159,789</u>	
Total Pension Bonds Payable	<u>\$1,206,794</u>		<u>\$ 421,781</u>	

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006	\$ 61,300	\$ 2,913	\$ 5,628	\$ 69,841
2007	70,500	1,558	3,010	75,068
Total	<u>\$ 131,800</u>	<u>\$ 4,471</u>	<u>\$ 8,638</u>	<u>\$ 144,909</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

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

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):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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	<u>7,095</u>	
Total	260,322	1,233
Less: Amount representing interest	<u>129,394</u>	<u>136</u>
Present value of future minimum lease payments	<u>\$ 130,928</u>	<u>\$ 1,097</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

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

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):

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2005</u>
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%	<u>1,322,301</u>	<u>938,701</u>
Total	<u>\$ 2,362,375</u>	<u>\$ 1,592,593</u>

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

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2005</u>
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%	<u>11,384</u>	<u>6,471</u>
Total	<u>\$ 495,350</u>	<u>\$ 391,251</u>

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 June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>\$ 18,470</u>	<u>\$ 2,092</u>	<u>\$ 181</u>	<u>\$ 64</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	<u>88,945</u>	<u>9,607</u>
Total	<u>\$ 349,690</u>	<u>\$ 125,379</u>

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	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>32,545</u>	<u>3,227</u>		
Total	<u>\$ 1,079,504</u>	<u>\$ 551,229</u>	<u>\$177,944</u>	<u>\$ 69,364</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>\$ 69,888</u>	<u>\$ 29,476</u>	<u>\$ 203,121</u>	<u>\$ 754</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

<u>Debt Type</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>69,888</u>	<u>29,476</u>	<u>203,121</u>	<u>754</u>
Subtotal		<u>708,176</u>		<u>70,182</u>
Add: Accreted Interest	62,545			
Unamortized Bond Premiums	37,629		10,005	
Less: Unamortized Loss on Advance Refunding of Debt	<u>(25,133)</u>		<u> </u>	
Total Bonds and Notes Payable	<u>\$ 1,592,593</u>		<u>\$ 391,251</u>	

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):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

Advance Refunding of Debt-Continued

	February 2005 <u>Refunding</u>	March 2005 <u>Refunding</u>
Proceeds of refunding bonds issued	\$ 181,220	\$ 393,315
Prior years' bond reserves and/or premiums	<u>20,691</u>	<u>28,095</u>
Deposit to escrow	<u>\$ 201,911</u>	<u>\$ 421,410</u>
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 <u>July 1, 2004</u>	Additions/ <u>Accretions</u>	Transfers/ <u>Maturities</u>	Balance <u>June 30, 2005</u>	Due Within <u>One Year</u>
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	<u>26,512</u>	<u>19,016</u>	<u>24,911</u>	<u>20,617</u>	<u>20,617</u>
Total governmental activities	<u>\$6,367,421</u>	<u>\$ 932,947</u>	<u>\$1,229,460</u>	<u>\$ 6,070,908</u>	<u>\$ 957,167</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>\$ 1,955,260</u>	<u>\$ 339,802</u>	<u>\$ 397,945</u>	<u>\$ 1,897,117</u>	<u>\$ 413,107</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

<u>Fiscal Year</u>	<u>Percent Limit on Demonstration FFP</u>	<u>Dollar Limit on Demonstration FFP</u>
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		<u>\$ 900,000</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>11,809</u>
Net charges forgone	<u>\$1,383,806</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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	<u>67,060</u>
		<u>556,210</u>
Fire Protection District	General Fund	5,284
	Flood Control District	4
	Internal Service Funds	4
	LAC+USC Medical Center	14
	Nonmajor Governmental Funds	<u>7</u>
		<u>5,313</u>
Flood Control District	General Fund	264
	Internal Service Funds	8,123
	Nonmajor Governmental Funds	<u>37</u>
		<u>8,424</u>
Public Library	General Fund	1,845
	Internal Service Funds	3
	Nonmajor Governmental Funds	<u>248</u>
		<u>2,096</u>
Regional Park and Open Space District	General Fund	<u>2,257</u>
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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Funds-Continued	Rancho Los Amigos Medical Center	28
	Nonmajor Enterprise Funds	4,206
	Nonmajor Governmental Funds	<u>22,640</u>
		<u>49,930</u>
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	<u>18,120</u>
	<u>170,658</u>	
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	<u>20,898</u>
	<u>136,367</u>	
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	<u>20,101</u>
	<u>717,077</u>	
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	<u>12,255</u>
	<u>126,481</u>	
Rancho Los Amigos Medical Center	General Fund	54,309
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	<u>10</u>
	M.L. King/Drew Medical Center	<u>25</u>
	<u>54,346</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Enterprise Funds	General Fund	2
	Internal Service Funds	853
		<u>855</u>
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
		<u>24,190</u>
Total Interfund Receivables/Payables		<u>\$1,854,204</u>

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):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
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	<u>158,567</u>
		<u>733,126</u>
Fire Protection District	Nonmajor Governmental Funds	<u>28,011</u>
Flood Control District	Internal Service Funds	609
	Nonmajor Governmental Funds	17,578
		<u>18,187</u>
Public Library	General Fund	21
	Nonmajor Governmental Funds	1,801
		<u>1,822</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>38,109</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Internal Service Funds	General Fund	<u>1,468</u>
Olive View UCLA Medical Center	High Desert Hospital	12,941
	Nonmajor Governmental Funds	<u>303</u>
		<u>13,244</u>
M. L. King/Drew Medical Center	Nonmajor Governmental Funds	<u>1</u>
Nonmajor Enterprise Funds	Internal Service Funds	218
	Nonmajor Governmental Funds	<u>5,711</u>
		<u>5,929</u>
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	<u>63,712</u>
		285,143
Total Interfund Transfers		<u>\$1,125,040</u>

Short-term Advances

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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	<u>13,349</u>
		445,337
Flood Control District	Internal Service Funds	<u>6,544</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>1,159</u>
Nonmajor Governmental Funds	Internal Service Funds	8,430
	Nonmajor Government Funds	<u>2,100</u>
		10,530
Total Short-term Advances		<u>\$ 463,570</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>
Fund balance - budgetary basis	\$ 908,610	\$ 29,949	\$ 13,482	\$ 4,409	\$ 129,047
Reserves and designations	<u>1,417,652</u>	<u>91,338</u>	<u>112,613</u>	<u>8,306</u>	<u>111,080</u>
Subtotal	<u>2,326,262</u>	<u>121,287</u>	<u>126,095</u>	<u>12,715</u>	<u>240,127</u>
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	<u>(121,033)</u>	<u>(16,648)</u>	<u>(4,799)</u>	<u>(2,151)</u>	<u>(1,325)</u>
Subtotal	<u>467</u>	<u>(18,098)</u>	<u>(4,799)</u>	<u>(2,290)</u>	<u>(1,325)</u>
Fund balance - GAAP basis	<u>\$2,326,729</u>	<u>\$ 103,189</u>	<u>\$ 121,296</u>	<u>\$10,425</u>	<u>\$ 238,802</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</u>
<u>2003-2004</u>				
Workers' Compensation	\$ 2,284,625	\$ 646,922	\$ 374,946	\$ 2,556,601
Other	<u>733,128</u>	<u>60,458</u>	<u>186,793</u>	<u>606,793</u>
Total 2003-2004	<u>\$ 3,017,753</u>	<u>\$ 707,380</u>	<u>\$ 561,739</u>	<u>\$ 3,163,394</u>
<u>2004-2005</u>				
Workers' Compensation	\$ 2,556,601	\$ 244,726	\$ 313,609	\$ 2,487,718
Other	<u>606,793</u>	<u>77,285</u>	<u>56,716</u>	<u>627,362</u>
Total 2004-2005	<u>\$ 3,163,394</u>	<u>\$ 322,011</u>	<u>\$ 370,325</u>	<u>\$ 3,115,080</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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	<u>188,493</u>
Total	<u>\$ 211,273</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

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

PROPOSED FORM OF BOND COUNSEL OPINION



PROPOSED FORM OF BOND COUNSEL OPINION

July __, 2006

Board of Supervisors
County of Los Angeles
Los Angeles, California

**Re: \$500,000,000 County of Los Angeles 2006-07
Tax and Revenue Anticipation Notes, Series A**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the County of Los Angeles, California (the "Issuer") of \$500,000,000 aggregate principal amount of notes designated "2006-07 Tax and Revenue Anticipation Notes, Series A" (the "Notes"). The Notes are issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the Issuer on May 16, 2006 (the "Resolution") and a Financing Certificate of the Treasurer and Tax Collector of the Issuer entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2006-07 Tax and Revenue Anticipation Notes, Series A" (the "Financing Certificate") dated as of the date hereof. Pursuant to the terms of the Resolution and the Financing Certificate, the Issuer has pledged certain amounts to the repayment of the principal amount of the Notes and the interest thereon. Except as otherwise indicated, capitalized terms used in this opinion and defined in the Financing Certificate will have the meanings given in the Financing Certificate.

As bond counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the Issuer for the authorization and issuance of the Notes. In this connection we have also examined such certificates of public officials and officers of the Issuer as we have considered necessary for the purposes of this opinion.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Financing Certificate has been duly authorized, executed and delivered by the Issuer and constitutes the legally valid and binding obligation of the Issuer, enforceable in accordance with its terms.
2. The Notes have been duly authorized and issued and constitute legally valid and binding obligations of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and the Financing Certificate.
3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the Issuer for the fiscal year ending June 30, 2007 and lawfully available for the payment of the Notes and the interest thereon and are secured by a pledge of certain moneys specified in the Resolution and the Financing Certificate.

4. The Resolution has been duly authorized by the Issuer and constitutes the legally valid and binding obligation of the Issuer, enforceable in accordance with its terms. The Notes are entitled to the benefits of the Resolution and the Financing Certificate.

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

6. The interest on the Notes is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2, 3 and 4 above are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion as to any provision in the Resolution, the Financing Certificate or the Notes with respect to the priority of any pledge or security interest, or as to any provision therein purporting to provide for indemnification by the Issuer of others.

In rendering the opinion in paragraph 5 above, we are relying upon representations and covenants of the Issuer in the Resolution, the Financing Certificate and in the Issuer's Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Issuer will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made). We express no opinion with respect to the exclusion of the interest on the Notes from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the Issuer should fail to comply with any of such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made), unless such failure to comply is based on our advice or opinion. Except as stated above, we express no opinion as to any federal tax consequences of the ownership of, receipt of interest on, or disposition of the Notes.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes.

We call attention to the fact that the opinions expressed herein may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM



BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s Book-Entry system has been obtained from DTC and the County and the Paying Agent take no responsibility for the completeness or accuracy thereof. The County and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Notes, 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 2.2 million issues of U.S. and non- U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non- U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (respectively, “NSCC,” “FICC,” 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. 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 Notes called for redemption or of any other action premised on such notice. Redemption of portions of the Notes by the County will reduce the outstanding principal amount of the Notes held by DTC. In such event, DTC will implement, through its book-entry system, redemption by lot of interests in the Notes 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 redemption of the Notes for the Beneficial Owners.

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

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized

representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR PREPAYMENT.

Neither the County nor the Paying Agent can or do give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Notes 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. Neither the County nor the Paying Agent is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

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

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Resolution will apply.



