**NEW ISSUE – BOOK-ENTRY ONLY**

**RATINGS:**
**Moody's: "MIG1"**
**Standard & Poor's: "SP-1+"**
**Fitch: "F1+"**
**(See "RATINGS" herein.)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County of Los Angeles, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.*

# $900,000,000
# COUNTY OF LOS ANGELES
## 2015-16 Tax and Revenue Anticipation Notes
## 5.00% Priced to Yield 0.29%
## CUSIP† No. 544657HS1

**Dated: July 1, 2015** **Due: June 30, 2016**

The County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes (the "Notes") will be issued 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 from their dated date at the fixed rate per annum specified above 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 2015-16 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 12, 2015 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2015-16 that will be available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge by the County of certain taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2015-16. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" herein.

**The Notes are not subject to redemption prior to maturity.**

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

---

*The Notes will be offered when, as and if issued and received by the Underwriters (herein defined), subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County by County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 1, 2015.*

**BofA Merrill Lynch** **Citi**
**Wedbush Securities Inc.** **Great Pacific Securities** **Siebert Brandford Shank & Co., L.L.C.**

Dated: June 2, 2015.

COUNTY OF LOS ANGELES

CALIFORNIA

# COUNTY OF LOS ANGELES

2015-16 TAX AND REVENUE
ANTICIPATION NOTES

**BOARD OF SUPERVISORS**

Michael D. Antonovich
*Fifth District, Mayor*

Hilda L. Solis
*First District*

Mark Ridley-Thomas
*Second District*

Sheila Kuehl
*Third District*

Don Knabe
*Fourth District*

Patrick Ogawa
*Acting Executive Officer-Clerk*
*Board of Supervisors*

---

**COUNTY OFFICIALS**

Sachi A. Hamai
*Interim Chief Executive Officer*

Mark J. Saladino
*County Counsel*

Joseph Kelly
*Treasurer and Tax Collector*

John Naimo
*Auditor-Controller*

---

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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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

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

CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the County and are included solely for the convenience of the registered owners of the applicable Notes. Neither the County nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Notes or as included herein. The CUSIP number for the Notes is subject to being changed after the issuance of the Notes as a result of various subsequent actions.

## TABLE OF CONTENTS

PAGE

COUNTY OF LOS ANGELES

CALIFORNIA

# OFFICIAL STATEMENT

## $900,000,000
## COUNTY OF LOS ANGELES
## 2015-16 Tax and Revenue Anticipation Notes

## 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 by the County of Los Angeles, California (the "County") of $900,000,000 in aggregate principal amount of County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes (the "Notes"). The Notes will be issued as fixed rate notes bearing interest at the rate and maturing on the date set forth on the cover page of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2015-16 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May 12, 2015 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $900,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2015-16 that will be available for the payment of the Notes as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

### The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,084 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For certain financial, 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 $900,000,000 aggregate principal amount of its 2015-16 Tax and Revenue Anticipation Notes.

In addition to the 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 undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Security for the Notes," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

## THE NOTES

### General

The Notes will be issued in the aggregate principal amount of $900,000,000. 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 interests in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 1, 2015, and will mature on the date set forth on the cover page of this Official Statement. The Notes are not subject to redemption prior to their 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 their stated maturity date 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, who is 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 2015-16 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The County expects to invest proceeds of the Notes in the Pooled Surplus Investments Fund of the County Treasury Pool (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *County Pooled Surplus Investments*."

**Security for the Notes**

The Notes will be issued under and pursuant to the Resolution and the Financing Certificate and will be ratably secured by a pledge of "Pledged Revenues," which means, as of any date, the Unrestricted Revenues required by the Resolution and the Financing Certificate to be deposited in the 2015-16 TRANs Repayment Fund on or prior to that date. "Unrestricted Revenues" means the taxes, income, revenue, cash receipts and other moneys provided for Fiscal Year 2015-2016 which will be received by or will accrue to the County during such fiscal year for the General Fund of the County and which are lawfully available for the payment of current expenses and other obligations of the County.

Pursuant to the Resolution and the Financing Certificate, the County pledges to the payment of the 2015-16 TRANs and the interest thereon, the first Unrestricted Revenues to be received by the County, in each period specified below, in an amount equal to the amount specified below:

(a) the first $315,000,000 Unrestricted Revenues to be received by the County on and after December 20, 2015;

(b) the first $315,000,000 Unrestricted Revenues to be received by the County on and after January 1, 2016; and

(c) (1) the first $270,000,000 Unrestricted Revenues to be received by the County on and after April 1, 2016, plus (2) an amount equal to the interest that will accrue on the 2015-16 TRANs.

As provided in Section 53856 of the Act, the Notes and the interest thereon, shall be a first lien and charge against, and shall be payable from the first moneys received by the County from, the Pledged Revenues. See "THE NOTES – Available Sources of Payment." As security for the payment of the Notes, the County covenants pursuant to the Resolution and the Financing Certificate to deposit or cause to be deposited in the Notes Repayment Fund (the "Repayment Fund"), in trust for the registered owners of the Notes, the Pledged Revenues to be so deposited, and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit in the Notes Repayment Fund the Pledged Revenues. To the extent that any amounts received pursuant to clauses (a) through (c) above are less than the total amount designated for such deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other moneys of the County lawfully available therefor and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit into the Repayment Fund additional amounts from any such other moneys of the County. The amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for; provided, however, that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund of the County.

The Pledged Revenues may be invested in Permitted Investments (herein defined); provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. Any amounts remaining in the Repayment Fund after repayment of all Notes and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any of his respective designees may direct. 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 undertake 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 for the Notes**

The Notes, in accordance with State law, are general obligations of the County, and to the extent not paid from the Pledged Revenues 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 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 of the County which will be available for the payment of such principal and interest. See "THE NOTES – Security for the Notes."

The County estimates that the total Unrestricted Revenues to be available for payment of the principal of and interest on the Notes, including the Pledged Revenues, will be in excess of $7.7 billion, as indicated in the table below. Except for Pledged Revenues, the Unrestricted Revenues will be expended during the course of Fiscal Year 2015-16, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Notes and the interest thereon.

To the extent that the Unrestricted Revenues are insufficient to pay the Notes, the County may access certain borrowable resources in order to satisfy its payment obligations. See the table entitled "County of Los Angeles Projected Borrowable Resources – Fiscal Year 2015-16" on pages 12-13 for a detailed summary of the borrowable resources which the County currently projects to be available for Fiscal Year 2015-16. Such amounts are not pledged for payment of the Notes and the interest thereon. The amount of borrowable resources actually available will depend on a variety of factors, including the final form of the County's 2015-16 Budget, when adopted, the County's actual revenues and expenditures, and actions by the State of California which could materially impact the County's expenses and revenues.

**COUNTY OF LOS ANGELES**
**ESTIMATED GENERAL FUND UNRESTRICTED REVENUES**
**FISCAL YEAR 2015-16 [1]**
**(In Thousands)**

| SOURCES: | AMOUNT |
|---|---|
| Property Taxes | $4,719,410 |
| Other Taxes | 189,323 |
| Homeowner's Exemptions | 19,244 |
| Motor Vehicle (VLF) Realignment | 370,066 |
| Fines, Forfeitures and Penalties | 199,034 |
| Licenses, Permits and Franchises | 52,950 |
| Charges for Services | 1,492,736 |
| Investment and Rental Income | 119,457 |
| Other Revenue and Tobacco Settlement | 610,357 |
| Total: | $7,772,577 |
| Less amount pledged for payment of the Notes:[2] | 944,875 |
| Net total in excess of Pledged Revenues: | $6,827,702 |

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2015-16. Information subject to change to reflect the impact of any revisions to the 2015-16 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $900,000,000 aggregate principal amount of Notes, plus an amount equal to interest thereon.

**State of California Finances**

***General.*** The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2015-16 State Budget (the "2015-16 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2015-16 State Budget on the County's financial outlook. In the event the 2015-16 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."

***Governor's Proposed 2015-16 State Budget***. On January 9, 2015, the Governor released the 2015-16 Proposed State Budget (the "Fiscal Year 2015-16 Proposed State Budget"), which projects Fiscal Year 2015-16 State General Fund revenues and transfers of $114.8 billion, total expenditures of $113.3 billion and a year-end surplus of $1.5 billion (inclusive of the projected $1.4 billion State General Fund balance as of June 30, 2015 which would be available for Fiscal Year 2015-16), of which $971 million would be reserved for the liquidation of encumbrances and $534 million would be deposited in a reserve for economic uncertainties. In addition, the Fiscal Year 2015-16 Proposed State Budget projects a deposit to the Budget Stabilization Account in the amount of $2.8 billion during Fiscal Year 2015-16. The Fiscal Year 2015-16 Proposed State Budget projects that the State's multi-year budget will be balanced for the foreseeable future, but cautions that the State continues to project significant existing liability, including deferred maintenance on roads and other infrastructure and the unfunded liability for future retiree health care benefits for state employees and various pension benefits which need to be addressed.

***May Revision to the 2015-16 Proposed State Budget***. On May 14, 2015, the Governor released the 2015-16 May Revision to the Fiscal Year 2015-16 Proposed State Budget (the "May Revision"), which projects Fiscal Year 2015-16 State General Fund total available resources of $117.4 billion (being revenues and transfers of $115.0 billion and prior year's balance of $2.4 billion), total expenditures of $115.3 billion and a year-end surplus of $2.1 billion ($971 million of which would be reserved for the liquidation of encumbrances and $1.1 billion of which would be deposited in a reserve for economic uncertainties), and a deposit to the Budget Stabilization Account in the amount of $3.5 billion. While the May Revision assumes the continued growth of the State's economy, it also states that keeping the State budget balanced over time requires fiscal restraint and prudence. The May Revision continues to focus on implementing the local control funding formula for public schools, federal health care reform, public safety realignment, the State's water action plan and the State's cap and trade expenditure plan. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT - 2015-16 Proposed State Budget" for additional information on the Proposed 2015-16 State Budget and the May Revision.

***LAO Overview of the May Revision***. On May 15, 2015, the Legislative Analyst's Office released a series of analyses of the May Revision entitled "The 2015-16 May Revision: LAO Analyses" (as originally released, the "LAO Analyses of the May Review"). The LAO Analyses of the May Review states that the State has a very volatile revenue system that can quickly reverse course with a stock market or economic downturn, although there is little indication that such a downturn will occur soon. The LAO Analyses of the May Review also states that, in light of the changes effected by Proposition 2 and Proposition 98, which depend heavily on variables that cannot be reliably modeled into the future, estimates of future state budget surpluses or deficits should be viewed with caution and the LAO suggests that the Legislature carefully consider authorizing new spending commitments or tax reductions.

***Impact of Fiscal Year 2015-16 State Budget on the County***. The Proposed 2015-16 State Budget and May Revision contain no reductions to County-administered programs, includes the repayment of pre-2004 deferred State mandate payments owed to local governments and contains adjustments to the base allocation for the AB 109/2011 Public Safety Realignment (see description in Appendix A hereto). The proposed repayments of pre-2004 deferred State mandate amounts are estimated to result in a $117 million payment to the County while the adjustments to the base allocation is expected to result in a $101 million redirection of 1991 Health Realignment funding from the County to the State for Fiscal Year 2015-16. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information - 2015-16 Recommended Budget – Fiscal Year 2015-16 NCC Budget Changes" attached hereto.

***Additional Information***. The Governor may release additional details of the proposals or updates to the Governor's Proposed 2015-16 State Budget and May Revision. Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2015-16 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

**Interfund Borrowing, Intrafund Borrowing and Cash Flow**

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. However, revenues are received during the fiscal year by the County in uneven amounts, primarily as a result of the receipt of secured property tax installment payments in December and April and delays in payments from other governmental agencies, the two largest sources of County revenues. Prior to 1977, the County managed its General Fund cash flow deficits by (i) borrowing from specific funds of other governmental entities whose funds are held in the County Treasury (so called "interfund borrowing") pursuant to Section 6 of Article XVI of the California Constitution and (ii) borrowing from funds held in trust by the County (so-called "intrafund borrowing"). Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, since 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. Except for tax and revenue anticipation notes that have not yet matured (being the $900,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2014-15 and due June 30, 2015), all notes issued in connection with the County's cash management program have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund therefor, separate from the General Fund, to repay the outstanding 2014-15 tax and revenue anticipation notes due on June 30, 2015. 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.

The use of intrafund borrowing to cover negative balances in the General Fund is a regular practice. The legality of this practice was decided and affirmed in May 1999 by the California Court of Appeals in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County et al.* The funds available as borrowable resources and reviewed by the court in 1999 consist primarily of property tax collections and monies in transit. Such funds are held in trust by the County prior to being distributed to the various taxing agencies and governmental units within the County. The General Fund itself is a major recipient of these "monies in transit" and ultimately receives more than 30% of all borrowable resources. The County has chosen not to classify such amounts as General Fund receipts until they are actually moved from trust and into the General Fund. If such monies were classified as General Fund deposits when first received by the County, the cash balance in the General Fund would be materially greater throughout the fiscal year. See the tables entitled Borrowable Resources Average Daily Balances - Fiscal Years 2010-11 through 2014-15" and "County of Los Angeles Borrowable Resources – Fiscal Year 2014-15" for the County's historical and projected borrowable resources for purposes of Intrafund Borrowing.

The following tables set forth for fiscal years 2010-11 through 2014-15 the month-end cash balances in the General Fund and the average daily balances in the various funds that account for the County's borrowable resources.

**GENERAL FUND**
**MONTH-END CASH BALANCES**
**FISCAL YEARS 2010-11 THROUGH 2014-15**
**(In Thousands)[1]**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|
| **July** | $1,438,648 | $1,522,684 | $1,346,913 | $1,194,935 | $1,301,521 |
| **August** | 1,097,190 | 1,319,842 | 830,197 | 844,344 | 994,697 |
| **September** | 529,972 | 909,737 | 332,888 | 177,920 | 563,608 |
| **October** | 64,668 | 419,044 | 39,289 | 43,694 | 215,745 |
| **November** | (90,485) | 229,984 | (267,888) | (16,816) | (20,557) |
| **December** | 321,576 | 440,436 | 378,664 | 358,844 | 231,055 |
| **January** | 484,230 | 511,073 | 291,248 | 797,772 | 600,670 |
| **February** | 150,599 | 182,090 | 270,061 | 689,240 | 552,198 |
| **March** | (228,785) | (272,434) | (302,319) | (6,076) | 335,074 |
| **April** | (128,164) | 297,983 | 208,117 | 396,747 | 426,895 |
| **May** | 628,637 | 564,069 | 806,070 | 1,074,220 | 963,139[2] |
| **June** | 568,002 | 821,252 | 892,775 | 1,025,985 | 777,186[2] |

(1) Month-end balances include the effects of short-term note issuance net of deposits to the repayment funds relating to the short-term notes. Certain monthly periods reflect negative cash balances, which are covered by borrowable resources available to the County. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(2) Estimated.

**BORROWABLE RESOURCES**
**AVERAGE DAILY BALANCES**
**FISCAL YEARS 2010-11 THROUGH 2014-15**
**(In Thousands)**

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|
| **July** | $1,283,246 | $1,321,951 | $1,525,334 | $1,090,942 | $1,308,097 |
| **August** | 1,120,676 | 1,069,843 | 1,123,337 | 1,085,015 | 1,274,023 |
| **September** | 1,181,379 | 1,142,594 | 1,186,943 | 1,163,158 | 1,284,744 |
| **October** | 1,518,338 | 1,449,921 | 1,635,585 | 1,637,393 | 1,849,733 |
| **November** | 2,708,336 | 2,695,445 | 2,933,305 | 3,185,516 | 3,428,812 |
| **December** | 4,786,688 | 4,953,904 | 5,174,854 | 5,582,245 | 5,869,491 |
| **January** | 3,075,273 | 3,109,882 | 3,150,261 | 3,225,772 | 3,794,349 |
| **February** | 1,814,620 | 1,854,014 | 1,997,817 | 2,164,412 | 2,526,797 |
| **March** | 1,942,634 | 2,084,584 | 2,090,997 | 2,359,184 | 2,587,441 |
| **April** | 4,225,923 | 4,438,428 | 4,504,208 | 4,903,834 | 5,392,739 |
| **May** | 2,599,025 | 2,715,846 | 2,781,891 | 2,863,076 | 3,208,606[1] |
| **June** | 1,318,666 | 1,740,788 | 1,127,721 | 1,262,316 | 1,414,583[1] |

(1) Estimated.

The Auditor-Controller submits to the Board of Supervisors monthly reports that set forth summary cash flow and borrowable resources information, including actual cash flow amounts for the County's General Fund through the preceding month, projected cash flows for the County's General Fund through the end of the applicable fiscal year and monthly borrowable resources average daily balances. The monthly cash flow reports are available through the County's Investor Information website at http://ttc.lacounty.gov/Proptax/Investor.htm. Such information is not incorporated herein by this reference.

In connection with the issuance of the Notes, the County has prepared the following detailed cash flow projection for Fiscal Year 2015-16 based on the 2015-16 Recommended Budget adopted by the Board of Supervisors on April 14, 2015 (the "2015-16 Recommended Budget"), and a detailed projection of average daily balances for Fiscal Year 2015-16 for all funds expected to be available as borrowable resources. The projected information relating to cash flow and borrowable resources has been prepared by the County based on historical information, as well as the County's analysis of expected revenues and expenses for Fiscal Year 2013-14. Although the County believes its Fiscal Year 2015-16 projections are reasonable, the cash flow and borrowable resources will depend on a variety of factors, including the final County Budget, actual revenues and expenses, the impact on the County of State budgetary actions, and other factors, and such projections should not be construed as statements of fact. In preparing cash flow forecasts for prior issuances of tax and revenue anticipation notes, the County has historically been conservative in its projections. Since Fiscal Year 1990-91, the County has exceeded its year-end cash projections in 24 of 25 years, and has done so by an average of more than $500 million. For June 30, 2015, the County projects that its cash balance will be $363 million greater than the original May 2014 forecast of $414 million, ending the current fiscal year at a positive $777 million. There can be no assurances that actual results for Fiscal Year 2015-16 will not materially differ from the projections.

**COUNTY OF LOS ANGELES**
**GENERAL FUND CASH FLOW ANALYSIS**
**FISCAL YEAR 2015-16**
**(in thousands)**
**12-MONTH PROJECTION**

| | July 2015 | August 2015 | September 2015 | October 2015 | November 2015 |
|---|---|---|---|---|---|
| **Beginning Balance** | $777,187 | $958,681 | $913,731 | $385,954 | $112,596 |
| **Receipts** | | | | | |
| Property Taxes | $29,563 | $107,855 | $0 | $0 | $48,653 |
| Other Taxes | $10,069 | $18,381 | $12,868 | $10,718 | $13,517 |
| Licenses, Permits & Franchises | $2,610 | $3,285 | $4,185 | $3,182 | $2,532 |
| Fines, Forfeitures & Penalties | $20,663 | $21,395 | $10,623 | $12,645 | $18,196 |
| Investment and Rental Income | $15,652 | $10,340 | $9,349 | $12,942 | $8,047 |
| Motor Vehicle (VLF) Realignment | $0 | $38,498 | $42,761 | $34,744 | $31,087 |
| Sales Taxes - Proposition 172 | $70,040 | $58,715 | $54,517 | $64,638 | $70,258 |
| 1991 Program Realignment | $70,758 | $29,693 | $41,195 | $55,241 | $55,510 |
| Other Intergovernmental Revenue | $141,274 | $282,625 | $159,272 | $155,314 | $207,988 |
| Charges for Current Services | $119,400 | $129,112 | $84,070 | $105,868 | $120,606 |
| Other Revenue & Tobacco Settlement | $66,681 | $52,802 | $43,283 | $37,093 | $37,624 |
| Transfers & Reimbursements | $14,349 | $517 | $736 | $36,993 | $12,247 |
| Hospital Loan Repayment | $74,835 | $384,489 | $67,407 | $366,313 | $112,913 |
| Welfare Advances | $326,688 | $248,336 | $341,201 | $495,401 | $419,518 |
| Other Financing Sources/MHSA | $30,967 | $28,165 | $24,635 | $24,590 | $25,068 |
| Intrafund Transfer | $0 | $0 | $0 | $0 | $0 |
| TRANs Sold | $900,000 | $0 | $0 | $0 | $0 |
| **Total Receipts*** | $1,893,549 | $1,414,208 | $896,100 | $1,415,683 | $1,183,763 |
| **Disbursements** | | | | | |
| Welfare Warrants | $199,566 | $202,535 | $254,742 | $198,827 | $250,913 |
| Salaries | $428,808 | $424,953 | $421,130 | $422,920 | $429,529 |
| Employee Benefits | $275,123 | $266,115 | $236,391 | $272,527 | $275,173 |
| Vendor Payments | $587,305 | $421,757 | $336,725 | $385,223 | $351,705 |
| Loans to Hospitals** | $0 | $0 | $151,127 | $328,284 | $162,858 |
| Hospital Subsidy Payments | $200,336 | $93,697 | $20,297 | $0 | $0 |
| Transfer Payments | $20,916 | $50,101 | $3,466 | $81,259 | $10,945 |
| TRANs Pledge Transfer | $0 | $0 | $0 | $0 | $0 |
| Intrafund Repayments | $0 | $0 | $0 | $0 | $0 |
| **Total Disbursements*** | $1,712,054 | $1,459,158 | $1,423,878 | $1,689,040 | $1,481,124 |
| **Ending Balance*** | **$958,681** | **$913,731** | **$385,954** | **$112,596** | **($184,765)** |
| **Borrowable Resources (Average Balance)** | $ 1,373,213 | $ 1,289,365 | $ 1,321,547 | $ 1,921,430 | $ 3,565,956 |
| **Total Cash Available** | **$2,331,894** | **$2,203,096** | **$1,707,501** | **$2,034,026** | **$3,381,191** |

*Detail may not add due to rounding
** The net change in the outstanding Hospital Loan Balance is a decrease of $67 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursements shown above.

| December 2015 | January 2016 | February 2016 | March 2016 | April 2016 | May 2016 | June 2016 | 2015-16 |
|---|---|---|---|---|---|---|---|
| ($184,765) | $207,335 | $596,987 | $470,874 | $69,722 | $71,774 | $508,170 | |
| | | | | | | | |
| $1,183,938 | $1,119,566 | $216,760 | $15,019 | $844,773 | $973,991 | $179,291 | $4,719,410 |
| $11,837 | $12,687 | $10,797 | $35,097 | $19,604 | $9,723 | $24,025 | $189,323 |
| $3,204 | $4,090 | $2,552 | $5,638 | $10,469 | $5,582 | $5,621 | $52,950 |
| $10,228 | $10,587 | $21,116 | $16,671 | $15,371 | $29,025 | $12,514 | $199,034 |
| $14,023 | $9,790 | $9,449 | $10,140 | $6,607 | $6,228 | $6,891 | $119,457 |
| $30,433 | $33,578 | $32,032 | $32,956 | $34,916 | $33,876 | $25,186 | $370,066 |
| $55,656 | $55,938 | $81,016 | $45,658 | $51,044 | $72,106 | $57,251 | $736,837 |
| $45,161 | $45,628 | $66,075 | $42,360 | $43,466 | $60,615 | $45,793 | $601,495 |
| $175,169 | $183,193 | $204,059 | $166,007 | $163,258 | $225,242 | $171,653 | $2,235,053 |
| $160,853 | $164,088 | $109,640 | $119,164 | $108,179 | $119,089 | $152,666 | $1,492,736 |
| $47,220 | $37,120 | $36,039 | $46,750 | $109,862 | $45,947 | $49,936 | $610,357 |
| $43,308 | $7,449 | $6,824 | $11,400 | $3,240 | $6,461 | $16,011 | $159,536 |
| $164,903 | $92,080 | $115,231 | $61,682 | $78,211 | $46,668 | $56,836 | $1,621,568 |
| $282,367 | $494,676 | $328,066 | $443,486 | $386,231 | $362,481 | $403,711 | $4,532,162 |
| $26,413 | $27,239 | $29,472 | $23,191 | $25,111 | $26,889 | $22,119 | $313,858 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $900,000 |
| $2,254,713 | $2,297,710 | $1,269,127 | $1,075,219 | $1,900,341 | $2,023,924 | $1,229,505 | $18,853,842 |
| | | | | | | | |
| $224,790 | $221,623 | $222,327 | $224,708 | $236,722 | $237,449 | $260,760 | $2,734,961 |
| $439,199 | $454,469 | $446,431 | $434,310 | $447,180 | $430,199 | $432,888 | $5,212,018 |
| $250,438 | $295,011 | $288,978 | $252,710 | $281,928 | $335,866 | $258,911 | $3,289,172 |
| $431,195 | $366,844 | $324,077 | $389,364 | $397,392 | $419,936 | $406,299 | $4,817,821 |
| $191,959 | $174,174 | $105,083 | $155,696 | $186,871 | $96,365 | $2,116 | $1,554,533 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $314,330 |
| $10,032 | $80,937 | $8,344 | $19,583 | $78,196 | $67,713 | $15,100 | $446,592 |
| $315,000 | $315,000 | $0 | $0 | $270,000 | $0 | $0 | $900,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $1,862,614 | $1,908,057 | $1,395,241 | $1,476,371 | $1,898,289 | $1,587,529 | $1,376,073 | $19,269,427 |
| | | | | | | | |
| **$207,335** | **$596,987** | **$470,874** | **$69,722** | **$71,774** | **$508,170** | **$361,602** | |
| | | | | | | | |
| 6,134,025 | $ 3,954,764 | $ 2,621,329 | $ 2,691,834 | $ 5,773,396 | $ 3,340,169 | $ 1,456,889 | |
| **$6,341,360** | **$4,551,751** | **$3,092,203** | **$2,761,556** | **$5,845,171** | **$3,848,339** | **$1,818,491** | |

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES**
**AVERAGE DAILY BALANCES: FISCAL YEAR 2015-16 FORECAST**
**FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)**

| | July 2015 | August 2015 | September 2015 | October 2015 | November 2015 |
|---|---|---|---|---|---|
| **PROPERTY TAX GROUP** | | | | | |
| **Tax Collector Trust Fund** | $ 86,924 | $ 64,758 | $ 57,366 | 548,650 | $ 1,375,179 |
| **Auditor Unapportioned Property Tax** | 184,304 | 85,251 | 104,348 | 158,671 | 991,616 |
| **Unsecured Property Tax** | 131,622 | 133,329 | 138,401 | 162,937 | 130,508 |
| **Miscellaneous Fees & Taxes** | 8,065 | 7,790 | 7,455 | 6,455 | 6,420 |
| **State Redemption Fund** | 39,314 | 73,823 | 51,782 | 58,758 | 45,558 |
| **Education Revenue Augmentation** | 170,792 | 176,633 | 149,336 | 149,336 | 167,474 |
| **State Reimbursement Fund** | 0 | 0 | 0 | 0 | 2,378 |
| **Sales Tax Replacement Fund** | 98 | 5,038 | 18,543 | 18,543 | 18,543 |
| **Vehicle License Fee Replacement Fund** | 526 | 27,026 | 99,478 | 99,478 | 99,478 |
| **Property Tax Rebate Fund** | 545 | 915 | 1,060 | 1,016 | 5,085 |
| **Utility User Tax Trust Fund** | 1,484 | 3,757 | 6,735 | 12,439 | 17,194 |
| **Subtotal** | $ 623,674 | $ 578,320 | $ 634,503 | $ 1,216,283 | $ 2,859,433 |
| **VARIOUS TRUST GROUP** | | | | | |
| **Departmental Trust Fund** | $ 559,668 | $ 519,599 | $ 495,411 | 515,381 | $ 517,997 |
| **Payroll Revolving Fund** | 50,403 | 51,710 | 51,428 | 49,833 | 48,605 |
| **Asset Development Fund** | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 |
| **Productivity Investment Fund** | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| **Motor Vehicle Capital Outlays** | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| **Civic Center Parking** | 56 | 249 | 216 | 155 | 47 |
| **Reporters Salary Fund** | 437 | 257 | 604 | 305 | 125 |
| **Cable TV Franchise Fund** | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 |
| **Megaflex Long-Term Disability** | 16,053 | 15,914 | 15,714 | 15,438 | 15,222 |
| **Megaflex Long-Term Disability & Health** | 8,798 | 8,851 | 8,927 | 8,991 | 9,047 |
| **Megaflex Short-Term Disability** | 40,123 | 40,465 | 40,743 | 41,045 | 41,479 |
| **Subtotal** | $ 744,539 | $ 706,045 | $ 682,044 | $ 700,147 | $ 701,523 |
| **HOSPITAL GROUP** | | | | | |
| **Harbor-UCLA Medical Center** | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 |
| **Olive View-UCLA Medical Center** | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| **LAC+USC Medical Center** | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| **MLK Ambulatory Care Center** | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| **Rancho Los Amigos Rehab Center** | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| **LAC+USC Medical Center Equipment** | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 |
| **GRAND TOTAL** | **$ 1,373,213** | **$ 1,289,365** | **$ 1,321,547** | **$ 1,921,430** | **$ 3,565,956** |

**Detail may not add due to rounding.**

Source: Los Angeles County Auditor-Controller

| December 2015 | January 2016 | February 2016 | March 2016 | April 2016 | May 2016 | June 2016 |
|---|---|---|---|---|---|---|
| $ 2,745,386 | $ 837,642 | $ 509,531 | $ 737,481 | $ 2,559,888 | $ 979,843 | $ 179,993 |
| 1,810,803 | 1,281,572 | 856,335 | 632,290 | 1,484,540 | 689,780 | 187,045 |
| 77,241 | 65,717 | 66,323 | 58,223 | 50,041 | 94,621 | 128,200 |
| 6,287 | 6,295 | 6,249 | 6,278 | 8,646 | 9,198 | 8,868 |
| 25,044 | 28,626 | 27,831 | 23,801 | 25,474 | 34,647 | 25,268 |
| 583,718 | 395,258 | 256,244 | 223,719 | 496,398 | 79,607 | 168,583 |
| 9,505 | 21,068 | 1,164 | 1,164 | 2,274 | 29,269 | 11,261 |
| 20,946 | 85,189 | 20,756 | 38,885 | 41,427 | 81,348 | 0 |
| 112,370 | 478,795 | 111,043 | 214,515 | 229,023 | 574,415 | 0 |
| 3,971 | 9,784 | 9,716 | 6,450 | 0 | 0 | 0 |
| 21,796 | 26,938 | 33,672 | 14,099 | 9,832 | 7,261 | 11,403 |
| $ 5,417,066 | $ 3,236,884 | $ 1,898,866 | $ 1,956,906 | $ 4,907,543 | $ 2,579,988 | $ 720,620 |
| $ 524,013 | $ 528,718 | $ 517,378 | $ 527,499 | $ 675,311 | $ 555,784 | $ 542,645 |
| 51,947 | 48,203 | 63,690 | 65,238 | 48,296 | 62,091 | 51,560 |
| 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 255 | 136 | 103 | 115 | 319 | 239 | 143 |
| 535 | 342 | 345 | 568 | 419 | 559 | 413 |
| 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 | 13,000 |
| 15,163 | 15,074 | 15,045 | 14,893 | 14,893 | 14,893 | 14,893 |
| 9,120 | 9,205 | 9,250 | 9,306 | 9,306 | 9,306 | 9,306 |
| 41,926 | 42,202 | 42,654 | 43,310 | 43,310 | 43,310 | 43,310 |
| $ 711,959 | $ 712,880 | $ 717,463 | $ 729,928 | $ 860,853 | $ 755,181 | $ 731,269 |
| $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 |
| **$ 6,134,025** | **$ 3,954,764** | **$ 2,621,329** | **$ 2,691,834** | **$ 5,773,396** | **$ 3,340,169** | **$ 1,456,889** |

## 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 to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the Notes. The pledge made in the Resolution and the Financing Certificate and the covenants and agreements set forth therein to be performed by and on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the Notes all of which shall 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 2015-16 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 Code (herein defined) necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes. In furtherance of the foregoing tax covenant, the County agrees to comply with the provisions of the Tax Certificate. The County shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the Notes proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of 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, and any adversely affected former Holders, shall be entitled to the rights and remedies provided to Holders under the Financing Certificate.

### Negotiability, Transfer and Exchange of the Notes

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

The County and the 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 the 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 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, as defined in the Financing Certificate ("Permitted Investments"), as more fully described below:

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

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

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

(4) The Los Angeles County Treasury Pool (the "County Treasury Pool").

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

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

(7) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a

parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with the Financing Certificate.

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

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

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

**Repayment Fund Held by the Treasurer**

Under the Resolution and the Financing Certificate, the County shall transfer to the Treasurer for deposit in the Repayment Fund the Pledged Revenues as set forth in the Financing Certificate. The Pledged Revenues may be invested in Permitted Investments; provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. The Pledged Revenues shall be used to pay the Notes and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund of the County. Any amounts remaining in the Repayment Fund after repayment of all the Notes and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any designee may direct.

**Supplemental Financing Certificate and Supplemental Resolution**

The Financing Certificate and certain of the rights and obligations of the County and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental financing certificate executed by the Treasurer in accordance with the provisions of the Financing Certificate (a "Supplemental Financing Certificate"), with the written consent of the Holders of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any particular Notes remain Outstanding, the consent of the Holders of such Notes will not be required. No such supplement or amendment shall (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 all of the Holders of the affected Notes, or (ii) change the dates or amounts of the pledges set forth in the Financing Certificate with respect to the Notes, as set forth under "THE NOTES - Security for the Notes," without the consent of all of the Holders of the affected Notes, or (iii) reduce the percentage of the Holders required to approve such Supplemental Financing Certificate without the consent of all of the Holders of the affected Notes, or (iv) change or modify any of the rights or obligations of the Paying Agent without its written consent thereto.

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted, or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add to the covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add to the limitations and restrictions to be observed by the County that 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 or (vi) 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) the County fails to make any payment of the principal of or interest on any Notes when and as the same become due and payable;

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

(3) the County shall file petition for relief under the federal bankruptcy laws.

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

**Payment of Unclaimed Moneys to County**

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes that 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 *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

## ENFORCEABILITY OF REMEDIES

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County expects to be in possession of certain Unrestricted Revenues that are pledged and will be set aside to repay Notes and these funds will be held a segregated account to be established and maintained by the County for the benefit of the owners of the Notes. The amounts in such segregated account will be invested for a period of time in the County Treasury Pool. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the owners of the Notes do not have a valid and prior lien on the such pledged amounts where such amounts are deposited in the County Treasury Pool and may not provide the Note owners with a priority interest in such amounts. Such pledged amounts may not be available for payment of principal of and interest on the Notes unless the owners could "trace" the funds from the Repayment Fund that have been deposited in the County Treasury Pool. There can be no assurance that the Owners could successfully so "trace" the pledged amounts.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix C – "Proposed Form of Opinion of Bond Counsel" hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the

difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if original issue discount treatment is elected.

Notes purchased, whether at original issuance or otherwise, for an amount higher than the principal amount payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

One of the covenants of the County referred to above requires the County to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient monies to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the County spends 100% of the proceeds of the Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available monies (less a reasonable working capital reserve) are spent. The County expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from monies received or accrued during the 2015-16 Fiscal Year. To the extent that any rebate cannot be paid from such monies, California law is unclear as to whether such covenant would require the County to pay any such rebate. This would be an issue only if it were determined that the County's calculation of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, was incorrect.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Notes may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these

other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

## APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

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

## LEGALITY FOR INVESTMENT IN CALIFORNIA

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

## RATINGS

Moody's, S&P and Fitch have given the Notes the ratings of "MIG 1," "SP-1+" and "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 at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004. 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 18 of "Notes to the Basic Financial Statements" included in APPENDIX B sets forth this liability as of June 30, 2013. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

## UNDERWRITING

The Notes are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of itself, Citigroup Global Markets Inc., Wedbush Securities Inc., Great Pacific Securities, and Siebert Brandford Shank & Co., L.L.C. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $941,841,805.06 (representing the principal amount of the Notes of $900,000,000, plus original issue premium of $42,147,000.00, less Underwriters' discount of $305,194.94). The Contract of Purchase (the "Contract of Purchase") provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

Citigroup Global Markets Inc., one of the Underwriters of the Notes, has provided the following sentences for inclusion: Citigroup Global Markets Inc., an underwriter of the Notes, has entered into a

retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under the distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the Notes.

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the Notes, has provided the following sentences for inclusion: Siebert Brandford Shank & Co., L.L.C. ("SBS") has entered into an agreement with Credit Suisse Securities (USA) for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Notes, Credit Suisse Securities (USA) will purchase Notes at the original issue price less the selling concession with respect to any Notes that Credit Suisse Securities (USA) sells. SBS will share a portion of its underwriting compensation with Credit Suisse Securities (USA).

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various banking services for the County.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the County. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## 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, no later than ten business days after their occurrence, 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"), to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. Certain of the events set forth under Rule 15c2-12 do not apply to the Notes. The notice events applicable to the Notes include: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (4) modifications to rights of Noteholders, if material and (5) rating changes.

The County's underlying rating was upgraded by S&P from "A+" to "AA-" in October 2012 in connection with the issuance of its Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 (the "Series 2012 Bonds ") and disclosed in the Official Statement for the Series 2012 Bonds. The County did not file an event notice for the rating changes assigned to the County's other General Fund obligations. In addition, the County did not file notices of certain rating changes on bonds insured by a financial guaranty insurance company. The County has since filed notices setting forth the current ratings on each of its obligations.

In addition, the County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Holder of a Note may obtain a copy of any such report, as available, from the County. Such reports are not incorporated by this reference.

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

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

COUNTY OF LOS ANGELES

CALIFORNIA

**APPENDIX A**

# COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

# THE COUNTY OF LOS ANGELES
## Information Statement

**GENERAL INFORMATION**

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of nearly 10.1 million in 2014, the County is the most populous of the 58 counties in California and has a larger population than 43 states.

As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes. The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides certain municipal services to unincorporated areas of the County and operates recreational and cultural facilities throughout the County.

**COUNTY GOVERNMENT**

The County is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts to serve four-year terms. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving a maximum of three consecutive terms commencing as of December 2002.

On September 27, 2011, the Board of Supervisors adopted a Supervisorial District Boundary Plan based on the results of the 2010 census. The redistricting plan, which took effect on October 27, 2011, reduced the total variance in population among the five districts from 9.97% to 1.59% and moved approximately 277,600 residents to new supervisorial districts.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance, which was designed to improve the operational efficiency of County governance. This new governance structure delegates to the Chief Executive Office (the "CEO") additional responsibilities for the administration of the County, including the oversight, evaluation and recommendation for appointment and removal of specific Department Heads and County Officers. The five departments that continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. The Board of Supervisors has retained the exclusive responsibility for establishing County policy, regulations, and organizational direction. In May 2011, the Board of Supervisors further revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

The County recently experienced significant changes to its elected leadership and senior management personnel. In December 2014, the Supervisors for the First District and the Third District reached their term limits. Their successors were elected by voters in the November 2014 election, and commenced their first terms on December 1, 2014. In November 2014, voters also elected a new County Assessor and a new Sheriff. Other key management changes to County departments include a new Auditor-Controller and County Counsel appointed by the Board of Supervisors in October 2014, and a new Treasurer and Tax Collector appointed in January 2015. A new Chief Executive Officer is expected to be appointed sometime in 2015.

**COUNTY SERVICES**

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

Over one million people live in the unincorporated areas of the County. For the residents of these areas, the County Board of Supervisors functions as 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 provides a wide range of services to all citizens who live within its boundaries.

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

**Health and Welfare**

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol abuse prevention, and various other treatment programs. These services are provided at County facilities and through a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two

medical schools and by operating its own school of nursing, the County Department of Health Services ("DHS") is a major provider of health care professionals throughout California.

**Disaster Services**

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

**Public Safety**

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 19,000 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, agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 4.1 million registered voters and maintains 5,000 voting precincts for countywide elections.

**Culture and Recreation**

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

The County 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. The County also maintains botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, providing County residents with a valuable educational resource.

**EMPLOYEE RELATIONS/COLLECTIVE BARGAINING**

Approximately 88.2% of the County workforce is represented by sixty (60) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which has twenty-four (24) collective bargaining units that represent 56.8% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-three (23) collective bargaining units representing 23.5% of County employees; and the Independent Unions (the "Independent Unions"), which encompass thirteen (13) collective bargaining units representing 7.9% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

On June 25, 2013, the Board of Supervisors approved successor agreements to four Memoranda of Understanding ("MOUs") covering wages and work rules for the collective bargaining units representing Fire Fighters, Supervising Fire Fighters, Supervising Peace Officers and Supervising Beach Lifeguards. The four MOUs had two-year terms, with the MOUs for the Firefighters, Supervising Firefighters and the Supervising Beach Lifeguards expiring on December 31, 2014, and the MOU for Supervising Peace Officers expiring on January 31, 2015. All four unions received a 6% cost of living adjustment over the term of the agreements.

On July 23, 2013, the Board of Supervisors approved successor agreements to two MOUs covering wages and work rules for the collective bargaining units representing Deputy Probation Officers and Peace Officers. The MOUs for both unions had two-year terms, which expired on December 31, 2014 and January 31, 2015, respectively. Both unions received a 6% cost of living adjustment over the term of the agreements.

On November 12, 2013, the Board of Supervisors approved successor agreements to five MOUs covering wages and work rules for the collective bargaining units representing Interns & Residents, Health Investigative & Support Services, Criminalists, Coroner Investigators and Supervising Coroner Investigators. All five MOUs have a two-year term expiring on September 30, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On December 17, 2013, the Board of Supervisors approved successor agreements to eight MOUs covering wages and work rules for the collective bargaining units representing Appraisers, Supervising Appraisers, Operating Engineers, Automotive & Equipment Maintenance & Repairmen, Professional Engineers, Supervising Professional Engineers, Engineering Technicians and Supervising Engineering Technicians. The eight MOUs have two-year terms expiring on September 30, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On February 25, 2014, the Board of Supervisors approved successor agreements to twenty-four MOUs covering wages and work rules for all of SEIU Local 721 bargaining units. The MOUs all have two-year terms expiring on September 30, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

The County has approved successor MOUs with all of its collective bargaining units, with the exception of the Guild for Professional Pharmacists (Unit #301). Negotiations are currently suspended, but neither party has yet to declare an impasse. Non-represented employees also received the 6% cost of living

adjustment that was negotiated with SEIU, CCU and the Independent Unions.

On February 25, 2014, the Board of Supervisors also approved two additional MOUs covering fringe benefits for the collective bargaining units represented by SEIU Local 721, and the Coalition of County Unions. The fringe benefit agreements, which will expire on September 30, 2015, include a 7.2% increase in the County's contribution toward employee cafeteria-style benefit plans in 2014 and 2015 to offset the higher cost of health insurance premiums. The same benefit was extended to non-represented personnel by reducing the cost of health insurance premiums for those employees participating in their respective cafeteria-style fringe benefit plans.

The new fringe benefit agreements included provisions to increase the aggregate matching contribution cap for represented employees participating in the County's deferred compensation savings plans. The County increased the Fiscal Year 2012-13 matching contribution cap of $112 million, which was in place since Fiscal Year 2008-09, to $121 million in Fiscal Year 2013-14; and $130 million in Fiscal Year 2014-15. In Fiscal Year 2015-16, there will be no maximum contribution cap, and represented employees will be eligible to receive a full County match for their deferred compensation plan savings over the entire fiscal year.

On February 25, 2014, the Board of Supervisors also approved a $500 cash bonus for all full-time permanent employees, which was paid in two equal installments on March 28, 2014 and July 30, 2014. Temporary and part-time employees received a similar cash bonus of $250, also payable in two equal installments.

The County is currently in the process of negotiating successor agreements with all of its collective bargaining units that have expired MOUs, or MOUs that are scheduled to expire in 2015. Employees with expired MOUs will continue to work under the terms of the expired agreements until new MOUs become effective.

## RETIREMENT PROGRAM

### General Information

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

LACERA is governed by the Board of Retirement (the "Board of Retirement"), which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification (*i.e.*, law enforcement officers, firefighters, foresters and lifeguard classifications are included as "safety" employees and all other occupational classifications are included as "general" employees). County employees have the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution based plans (Plans A, B, C & D), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment after January 4, 1982 also have the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through D) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2014 was 164,366, consisting of 74,465 active vested members, 18,001 active non-vested members, 59,229 retired members and 12,671 terminated vested (deferred) members. Of the 92,466 active members (vested and non-vested), 79,943 are general members in General Plans A through G, and 12,523 are safety members in Safety Plans A through C.

Of the 59,229 retired members, 47,867 are general members in General Plans A through E, and 11,362 are safety members in Safety Plans A and B. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of the Plan A benefits. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of June 30, 2014, approximately 63% of active general members were enrolled in General Plan D, and over 97% of all active safety members were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

In an internal survey completed by the CEO in Fiscal Year 2010-11, it was determined that the benefit structures of other public retirement plans in California differ considerably from the County's two primary contribution-based plans (General Plan D and Safety Plan B). For example, the CEO found that six of the ten largest counties in the State, and nine of the ten largest cities in the State, provide their general employees with at least 2.0% annual increases, and no reduction in benefits for those employees who retire at age 55 or younger. By comparison, the County's General Plan D requires six additional years (at age 61) before a participant can retire without a reduction in annual benefits. In addition, seven of the ten largest counties, and seven of the ten largest cities, provide their public safety personnel with annual benefit increases of 3.0%, and no reduction in benefits for employees who retire at age 50 or younger. This compares to the County's Safety Plan B, which only allows for 2.0% annual increases up through the age of 50.

**2012 State Pension Reform**

On August 28, 2012, the Governor and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law by the Governor on September 12, 2012, established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the County Employees Retirement Law of 1937, independent public retirement systems, and to individual retirement plans offered by public employers. PEPRA only exempts the University of California system and certain charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA.

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. The total employer contribution rate for new employees hired January 1, 2013 and after is 15.61% for General Plan G and 20.98% for Public Safety Plan C. The new employer contribution rates are lower than the comparative rates of 19.82% for General Plan D participants and 24.95% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. Overall, General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

**Contributions**

Employers and members contribute to LACERA based on unisex rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments of LACERA (the "Board of Investments") and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates. The annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience, which are described below.

**Investment Policy**

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

**Actuarial Valuation**

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

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability minus the actuarial value of the assets of LACERA at a particular valuation date.

When measuring assets to determine the UAAL, the County has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, then the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

In December 2009, the Board of Investments adopted a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman (the "2009 Actuarial Valuation"). The two most significant changes in the 2009 Funding Policy are described as follows:

- Asset Smoothing Period: The smoothing period to account for asset gains and losses increased from three years to five years. This initially resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL) and a lower contribution rate than would have been calculated under the previous three-year smoothing period.

- Amortization Period: The UAAL is amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total

benefit liabilities and asset growth. Based on the Investigation of Experience for the three-year period ended June 30, 2010, (the "2010 Investigation of Experience"), Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment returns, and some changes to the demographic assumptions.

In October 2011, based on the 2010 Investigation of Experience, the Board of Investments decided to lower the assumed investment rate of return from 7.75% to 7.5%, and to phase in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return were adjusted to 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively.

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"), The 2013 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.75% and 3.25% to 3.5% and 3.0%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2013, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2013 Actuarial Valuation, with the exception of the assumed rate of return, which remains unchanged at 7.5%.

**UAAL and Deferred Investment Returns**

For the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.1%, which compared favorably to the 7.50% assumed rate of return. The market value of Retirement Fund assets increased by $3.467 billion or 9.1% to $41.774 billion as of June 30, 2013. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $893 million or 2.3% from $39.039 billion to $39.932 billion as of June 30, 2013. The 2013 Actuarial Valuation reported that the AAL increased by $1.927 billion to $53.248 billion, and the UAAL increased by $1.034 billion to $13.315 billion from June 30, 2012 to June 30, 2013.

Despite the strong performance of the Retirement Fund relative to the assumed rate of return, the Funded Ratio decreased from 76.1% to 75.0% as of June 30, 2013. After reaching a cyclical high of 94.5%, prior to the economic downturn, the Funded Ratio declined steadily from June 30, 2008 to June 30, 2013. The steady decline in the Funded Ratio over the five-year period was primarily driven by continuous growth in the AAL and the partial recognition of significant actuarial investment losses in Fiscal Years 2008-09 and 2011-12 (especially the losses in Fiscal Year 2008-09). The $10.428 billion of actuarial investment losses incurred in Fiscal Year 2008-09 have been fully accounted for in the valuation of the Retirement Fund as of June 30, 2013.

The 2013 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2014. The County's required contribution rate has increased from 19.82% to 21.34% of covered payroll in Fiscal Year 2014-15. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 10.09% to 11.90%, and a decrease in the normal cost contribution rate from 9.73% to 9.44%.

The 2013 Actuarial Valuation did not include $1.401 billion of net deferred investment gains that were to be partially recognized in future year valuations. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 77.6% as of June 30, 2013, and the required County contribution rate would be 20.09% for Fiscal Year 2014-15.

For the June 30, 2014 Actuarial Valuation (the "2014 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 16.8%, which was significantly higher than the 7.50% assumed rate of return. As a result of the strong investment performance, the market value of Retirement Fund Assets increased by $5.949 billion or 14.2% to $47.722 billion as of June 30, 2014. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $3.722 billion or 9.3% from $39.932 billion to $43.654 billion as of June 30, 2014. The 2014 Actuarial Valuation reported that the AAL increased by $1.695 billion to $54.942 billion, but the UAAL decreased by $2.027 billion to $11.288 billion from June 30, 2013 to June 30, 2014. With the strong performance of Retirement Fund assets in Fiscal Year 2013-14 and the recognition of deferred actuarial investment gains, the Funded Ratio increased from 75.0% to 79.5% as of June 30, 2014.

The 2014 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2015. The County's required contribution rate will decrease from 21.34% to 19.33% of covered payroll in Fiscal Year 2015-16. The decrease in the contribution rate is comprised of a decrease in the funding requirement to finance the UAAL over 30 years from 11.90% to 10.04%, and a decrease in the normal cost contribution rate from 9.44% to 9.29%.

The 2014 Actuarial Valuation does not include $3.569 billion of net deferred investment gains that will be partially recognized and available to offset any future actuarial investment losses over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 86.0% as of June 30, 2014, and the required County contribution rate would be 16.23% for Fiscal Year 2015-16.

In Fiscal Year 2014-15, LACERA is reporting a 3.8% return on Retirement Fund assets for the nine-month period ended March 31, 2015, which is below the actuarial assumed investment rate of return of 7.5%. The asset allocation percentages for the Retirement Fund as of March 31, 2015 were 26.7% domestic equity, 24.9% international equity, 22.7% fixed income, 10.9% real estate, 8.8% private equity, 2.0% commodities, 1.1% hedge funds and 2.9% cash.

A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-11.

**Pension Funding**

Since Fiscal Year 1997-98, the County has funded 100% of its annual required contribution to LACERA. In Fiscal Years 2012-13 and 2013-14, the County's total contributions to the Retirement Fund were $1.119 billion and $1.263 billion, respectively. In Fiscal Year 2014-15, the County's required contribution payments increased by $168 million to $1.431 billion. For Fiscal Year 2015-16, the County is estimating retirement contribution payments to LACERA of $1.342 billion, which would represent a 6.2% or $89.0 million decrease from Fiscal Year 2014-15.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2015 is presented in Table 3 ("County Pension Related Payments") on page A-11.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") was $470.71 million as of June 30, 2012. The County Contribution Credit Reserve was never included in the actuarial valuation of Retirement Fund assets. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve to fund the establishment of an OPEB trust. As of June 30, 2014, the remaining balance in the County Contribution Credit Reserve was $21.891 million, all of which is attributable to the Los Angeles County Superior Court.

**STAR Program**

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2014, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2014 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would have increased from 19.33% to 19.86% for Fiscal Year 2015-16, and the Funded Ratio would have decreased from 79.5% to 78.3% as of June 30, 2014. The exclusion of the STAR Program Reserve from the valuation assets would have required the County to increase its required contribution to LACERA by approximately $33.6 million in Fiscal Year 2015-16.

**Pension Obligation Securities**

In California, the obligation of the County to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County previously issued pension obligation bonds and certificates in 1994 and transferred the proceeds to LACERA to finance its then-existing UAAL. All of the outstanding pension obligation bonds and certificates related to the 1994 financing were repaid in full as of June 30, 2011.

**New Pension Accounting Standards**

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements to replace the existing pension accounting and reporting requirements for defined pension benefit plans such as LACERA, and employers such as the County.

GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25 and is focused on pension plan administrators such as LACERA. GASB 67 was implemented with the issuance of LACERA's Fiscal Year 2013-14 financial statements and has expanded the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will replace the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 will be implemented with the issuance of the County's Fiscal Year 2014-15 financial statements. Although GASB 68 is not expected to materially affect the existing process for calculating the UAAL, it will require the County to recognize a net pension liability directly on the Statement of Net Position (government-wide balance sheet). The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay pension benefits. The new requirement to recognize a liability in the financial statements represents a significant and material change to the existing standards, which only require disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional requirements which will expand the existing pension-related note disclosures and supplementary information requirements.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund the pension benefits.

**Postemployment Health Care Benefits**

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

In Fiscal Years 2012-13 and 2013-14, total payments from the County to LACERA for postemployment health care benefits were $441.1 million, and $447.0 million, respectively. In Fiscal Year 2014-15, payments to LACERA for retiree health care increased to $450.2 million. For Fiscal Year 2015-16, the County is projecting $498.3 million in retiree health care payments to LACERA, which would represent a 10.7% or $48.1 million increase from Fiscal Year 2014-15.

**Financial Reporting for Other Postemployment Benefits**

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits ("OPEB"), which are defined to include many post-retirement benefits other than pension-related benefits. Health

care and disability benefits are the most significant of these benefits provided by the County.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43"), established financial reporting standards for OPEBs in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of accrued benefits. LACERA has complied with GASB 43 requirements for all annual reporting periods beginning with the Fiscal Year ended June 30, 2008.

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

The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. GASB 45 does not require the funding of any OPEB liability related to the implementation of this reporting standard.

**OPEB Actuarial Valuation**

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefits plan. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for this percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

In accordance with the requirements of GASB 43, Milliman completed an OPEB actuarial valuation report as of July 1, 2010 (the "2010 OPEB Valuation"), which was issued in March 2011. In the 2010 OPEB Valuation, Milliman reported an AAL of $24.03 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability was $22.94 billion, which represented a 9.8% increase from the 2008 OPEB Valuation. The OPEB ARC as of July 1, 2010 was estimated to be $1.86 billion, which represented approximately 29% of the County's payroll costs, and a 12% increase from the prior OPEB Valuation.

The 2010 OPEB Valuation continued to utilize the Projected Unit Credit actuarial cost method and a 5% discount rate. The economic and demographic assumptions used in the 2010 OPEB Valuation were derived from the retirement benefit assumptions used in the 2010 Actuarial Valuation and the results of the 2010 OPEB Investigation of Experience. The increase in the OPEB AAL from 2008 to 2010 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, lower than expected payroll growth, and claim cost experience gains, including lower than expected increases in health insurance premiums as of July 1, 2010 and July 1, 2011.

In May 2013, Milliman released the next OPEB actuarial valuation report ("the 2012 OPEB Valuation") as of July 1, 2012. In the 2012 OPEB Valuation, Milliman reported an AAL of $26.95 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability was $25.73 billion, which represented a 12.2% increase from the 2010 OPEB Valuation. The OPEB ARC as of July 1, 2012 was estimated to be $2.13 billion, which represented approximately 32% of the County's payroll costs and a 9.7% increase from the 2010 OPEB Valuation. The increase in the County's OPEB liability from 2010 to 2012 was the result of several offsetting factors, with the most significant factor being a reduction in the discount rate from 5% to 4.35%.

For the Fiscal Year ended June 30, 2013, the County reported an OPEB ARC of $2.162 billion, which represented a $174 million or 8.8% increase from June 30, 2012. The OPEB ARC was partially offset by $927.5 million in County payment contributions (including the $448.8 million transfer from the County Contribution Credit Reserve), which resulted in an increase in the net OPEB obligation of $1.235 billion in Fiscal Year 2012-13. The net OPEB obligation of $8.154 billion as of June 30, 2013 represented a 17.8% increase from the $6.919 billion obligation reported as of June 30, 2012. Excluding the transfer from the County Contribution Credit Reserve, the remaining "pay as you go" contribution of $478.7 million represented approximately 22% of the County's OPEB ARC, which is consistent with the funding level in Fiscal Year 2011-12.

In March 2014, Milliman released the 2013 Investigation of Experience for Other Postemployment Benefits Assumptions for the three-year period ended June 30, 2013 (the "2013 OPEB Investigation of Experience"). The actuarial assumptions derived from the 2013 OPEB Investigation of Experience will provide the basis for the next OPEB actuarial valuation report (the" 2014 OPEB Valuation") as of July 1, 2014.

For the Fiscal Year ended June 30, 2014, the County reported an OPEB ARC of $2.178 billion, which represents a $16 million or 0.74% increase from June 30, 2013. The OPEB ARC was partially offset by $484.3 million in County "pay as you go" contributions, which resulted in an increase in the net OPEB obligation of $1.694 billion in Fiscal Year 2013-14. The net OPEB obligation of $9.848 billion as of June 30, 2014 represents a 20.8% increase from the $8.154 billion obligation reported as of June 30, 2013. The "pay as you go" County contribution represents 22.2% of the County's OPEB ARC, which is consistent with the funding level in Fiscal Year 2012-13.

**Funding for Other Postemployment Benefits**

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have

exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust.

In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve for the initial funding of the OPEB Trust. The balance of the OPEB Trust as of March 31, 2015 was $485.9 million, which includes the initial deposit plus investment earnings. Although the County has not made any additional contributions to the OPEB Trust, the Board of Supervisors is currently evaluating various funding options to reduce its OPEB liability, and may consider supplementing amounts in the OPEB Trust with General Fund resources in the future.

The County reached an agreement with CCU and SEIU to add a new tier of retiree healthcare benefits for employees who begin County service on or after July 1, 2014. Under the new agreement, the County will provide paid medical coverage at the retiree only premium level and not at the current level of full family coverage. The retiree will have the option to purchase coverage for dependents, but the County will only provide a financial subsidy to the retiree. In addition, Medicare-eligible retirees will be required to enroll in Medicare, with the County subsidy based on a Medicare supplement plan. The same vesting rights and years of service crediting formula of 40% after 10 years and 100% after 25 years will still apply to the new tier. The agreement will not affect current retirees or current employees. The new retiree healthcare benefit tier is projected to save an estimated $840 million over the next 30 years and reduce the unfunded liability for retiree healthcare by 20.8%. The agreement was approved by the Board of Retirement and by the Board of Supervisors in June 2014.

On April 30, 2014, the California Supreme Court declined to consider an appeal by a retired City of San Diego employee regarding changes to retirement healthcare benefits. The Supreme Court's denial of the appeal effectively upholds an appellate court ruling affirming the city's ability to modify non-vested retiree healthcare benefits, and further establishes a difference between the treatment of retiree healthcare benefits and pension benefits under State law. Public pension benefits in California have much stronger legal protection, and reform options are generally limited to lowering benefit formulas for future employees only. In contrast, California municipalities can reduce OPEB benefits provided that State collective bargaining laws are followed and that benefits were not established as vested contractual rights. The Supreme Court action is expected to provide California public entities with future budgetary flexibility to manage or change their OPEB liabilities.

**Long-Term Disability Benefits**

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

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP as of July 1, 2009, July 1, 2011 (the "2011 LTD Valuation") and July 1, 2013 (the "2013 LTD Valuation"). In the 2013 LTD Valuation, the AAL for the County's long-term DBP was $946 million, which represents a 7.2% decrease from the $1.019 billion AAL reported in the 2011 LTD Valuation. Based on the 2013 LTD Valuation, the June 30, 2014 net OPEB obligation of $9.848 billion includes $231.5 million for long-term disability benefits.

In Fiscal Years 2012-13 and 2013-14, the County made total DBP payments of $37.6 million and $37.3 million, respectively. For Fiscal Years 2014-15 and 2015-16, the County is estimating DBP payments of $40.0 million and $43.8 million, respectively. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation.

**LITIGATION**

The County is a party to numerous cases. The following are summaries of the most significant pending legal proceedings, as reported by the Office of the County Counsel. A further discussion of legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

**Wage and Hour Cases**

In 2007 and 2008, several collective action lawsuits were filed against the County by Deputy Sheriffs, the Association for Los Angeles Deputy Sheriffs ("ALADS") and the Los Angeles County Professional Peace Officers Association ( the "PPOA"). In 2010, the County was able to successfully defeat the "class certification" in the PPOA lawsuit based on a recent decision from the Ninth Circuit in *Bamonte v. City of Mesa,* which held that the time police officers spend before and after their paid shifts donning and doffing their police uniforms and related protective gear is not compensable under the Federal Fair Labor Standards Act ("FLSA") as long as the officers have the option and ability to don and doff their uniform and gear off of the employer's premises. Following the *Bamonte* decision, both ALADS and PPOA filed "class action grievances" under their respective Memorandums of Understanding against the County. These collective action lawsuits and grievances seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such as preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, the number of claimants in the collective actions exceeded 3,000, and there is the potential that the number of claimants to the class grievances may include as many as 9,000 public safety personnel. The initial PPOA class action lawsuit settled for a total of $60,000. In August 2012, a Federal court granted the County's motion with regard to most of the plaintiffs' claims in the two remaining collective actions and granted the County's motion to decertify the collective classes, which resulted in the dismissal of all of the "opt-in" plaintiffs. Following the Federal court's ruling, the plaintiffs in the ALADS case dismissed that case in its entirety, leaving the remaining PPOA case with only three remaining plaintiffs and significantly reducing the County's liability exposure. The County filed a State court action challenging the proposed proceedings involving the class grievances. The State court granted the County's petition for writ of mandate, essentially precluding the cases from proceeding as class grievances. The balance of the State litigation is still in the early stages of the legal process.

**Public Safety Cases**

In 2011, the United States Department of Justice ("DOJ") commenced investigations into alleged discriminatory practices by the Los Angeles County Sheriff's Department, the Housing Authority of the County of Los Angeles, and the cities of Lancaster and Palmdale regarding Section 8 participants in the Antelope Valley area of the County. The DOJ found all four public agencies engaged in conduct that was intentionally discriminatory. The DOJ has proposed a consent decree which would impose an injunction prohibiting all agencies from future discrimination, and includes a requirement that approximately $4.82 million (which has been reduced from the initial proposed settlement of $12.28 million) be deposited into a settlement fund to provide compensation for an unknown number of affected persons. No litigation has yet been filed.

Two lawsuits were filed against the County in 2011 and another in 2013, related to allegations that each of the plaintiffs had been falsely convicted of murder and served over twenty years in prison. The Courts subsequently ordered new trials based on new evidence. In regard to the 2011 lawsuits, one case was re-tried and the plaintiff was acquitted, and in the other case, the District Attorney decided not to retry the plaintiff. In regard to the 2013 lawsuit, the District Attorney has not yet decided if the original case will be retried. The potential liability exposure to the County is estimated to be $15 million for all three lawsuits.

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al* was a federal court class action lawsuit filed by the American Civil Liberties Union alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff Department will implement various reforms recommended by the court-appointed *Rosas* Monitors. The final Implementation Plan, which was submitted to the Courts, delineates 21 areas of proposed reforms with a total of 106 recommendations. The settlement agreement requires that the Sheriff Department comply with various recommendations by specific target dates of June 30, 2015, December 31, 2015 and December 31, 2016. Many of the recommendations mirror those of the Citizens' Commission on Jail Violence and have already been implemented or are in the process of being implemented. The County estimates the on-going costs to be approximately $51.7 million dollars per fiscal year.

**Health and Social Services Cases**

In February, 2014, Sutherland Health Care Solutions, a County contract provider that provides claim and billing services to the Department of Health Services was the victim of a commercial burglary in which a number of desktop computers were stolen. Both the County District Attorney's Office and the Torrance Police Department are continuing their collective efforts in investigating the crime. This crime has resulted in the breach of approximately 338,000 individual patient accounts. Four separate class action lawsuits were originally filed against the County and Sutherland Health Care Solutions: *A. Doe v. Sutherland Healthcare Solutions, et al., Harasim et al., v. County of Los Angeles, et al., Rogers, et al., v. Sutherland Healthcare Solutions, Inc. et al, and Kamon, et al, v. Sutherland Healthcare Solutions, Inc. et.al*. The Harasim plaintiff voluntarily dismissed its case, reducing the number of pending cases to three, which have been consolidated Under the State's California Medical Information Act, the plaintiff can assert both nominal and actual damages, as well as seek attorney fees. While the plaintiffs may also assert punitive damages, the County would not be subject to payment on such claims. Nominal damages and attorney fees could exceed $700 million. Should the State exercise regulatory damages and civil penalties, those amounts could be $2,500 for each violation. The litigation is in its initial phase, with many procedural and other issues still to be determined. The County expects to be indemnified by Sutherland Health Care Solutions to the fullest extent possible.

On April 8, 2014, a class action lawsuit entitled *Guillory, et al. v. County of Los Angeles* was filed in the Los Angeles Superior Court alleging that the County's administration of its General Relief program has been contrary to both State and federal law. During a period of 18-months prior to the case filing, the County corrected the alleged deficiencies and negotiated a settlement to resolve liability arising from its past practices. The lawsuit was filed so the court may certify the class, approve the settlement and oversee its administration during the four-year term of the settlement. The settlement includes programmatic commitments, a settlement fund to be distributed to sub-class members in the amount of $7.9 million (which has already been deposited into a settlement fund), and a fee award to class counsel in an amount not to exceed $400,000.

**Property Tax Cases**

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et al.,* the school district alleged that the Auditor-Controller improperly calculated statutory pass through payments related to the Educational Revenue Augmentation Fund ("ERAF") that were payable to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's petition for review was denied by the California Supreme Court. On remand in January 2012, the trial court issued a decision in favor of the County regarding calculation of the statutory payments that temporarily reduced the County's exposure. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, holding that the statutory payments to LAUSD should have included a higher share of the ERAF revenue diverted by the "Triple Flip" and Vehicle License Fee swap legislation. The California Supreme Court denied the County's petition for review in October 2013. The Court of Appeal's decisions have resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. Three other districts, Los Angeles Community College District, Montebello Unified School District, and Long Beach Unified School District, subsequently filed lawsuits with the same allegations litigated by LAUSD. The three cases were stayed until August 14, 2014 to allow for a settlement of all litigation concerning this issue. The estimated County General Fund exposure from the lawsuits by the three districts is $18 million. The estimated County General Fund exposure from the LAUSD lawsuit is $50.8 million. The total County exposure (including separate agencies governed by the same County officials) is $72.3 million. The County has reserved $68.2 million for the expected resolution of these lawsuits. A resolution with an approved calculation methodology is close to completion.

In September 2011, a lawsuit entitled *City of Cerritos et al, v. State of California, et al* was filed against the State and other defendants, including the County. The lawsuit challenges the constitutionality of the redevelopment dissolution legislation (ABx1 26). On January 27, 2012, the trial court denied the petitioners motion for a preliminary injunction. The petitioners have filed an appeal of the trial court's decision, and as of March 2013, this case had been fully briefed in the Court of Appeal. A request for oral argument was filed in January 2015, but a hearing date has not yet been set. If the petitioners prevail, the

court could retroactively reinstate redevelopment agencies and require the County to return any residual property tax revenue that it received from the Redevelopment Property Tax Trust Fund (RPTTF). The County estimates the potential liability of this case to be $789 million, which is based on the distribution of the entire property tax residual, due diligence review amounts and asset sale proceeds to the County since the redevelopment agency dissolution in 2011. The Auditor-Controller's administrative costs are not included as a potential County liability because the dissolution legislation requires the Auditor-Controller to perform certain duties but allows the recovery of the administrative costs of those duties before allocating funds in the RPTTF. The probability of the petitioners succeeding on the appeal is low, as all of the cases at the State level challenging the redevelopment agency dissolution have so far been unsuccessful. A detailed discussion of ABx1 26 and of the redevelopment agency dissolution is provided in the Budgetary Information section of Appendix A.

**Other Litigation**

In March, 2008, a lawsuit entitled Natural Resources Defense Council, Inc., et al., v. County of Los Angeles, et al., was filed against the County and the Los Angeles County Flood Control District (the "LACFCD") under the citizen suit provision of the Federal Clean Water Act. The plaintiffs sought injunctive relief, civil penalties and attorneys' fees for alleged violations of water quality standards contained in a municipal stormwater permit. The case was bifurcated to first determine liability and then remedies. The District Court found that the County and the LACFCD had violated water quality standards in the ocean near Malibu, California. A partial summary judgment was granted to the County and LACFCD on all other claims, which plaintiffs appealed to the Ninth Circuit. After multiple appellate proceedings, the Ninth Circuit partially overturned the District Court's ruling, finding the County and LACFCD liable for water quality violations on two out of four watershed claims, and remanded the case to the District Court for further proceedings on the three total claims for which the County and LACFCD have been found to be liable. The District Court has dismissed plaintiffs' prayer for injunctive relief as moot and has determined that the County is liable for 224 violations and the LACFCD for 274 violations. A November 10, 2015 trial date has been set to determine an appropriate award of civil penalties and attorneys' fees. The maximum civil penalty that can be awarded for each violation ranges from $27,500 to $37,500 depending on the date of the violation. The County estimates that the maximum award of statutory penalties to be approximately $7.5 million for the County and approximately $9 million for the LACFCD, but that penalties would likely be significantly lower due to mitigating factors. Plaintiffs will also be entitled to substantial attorneys' fees. Plaintiffs have filed a notice of appeal of the dismissal of the request for injunctive relief and intend to ask the District Court to stay further trial proceedings pending resolution of the appeal. Any award against the County will be paid from the County General Fund, and any award against the LACFCD will be paid from a separate fund attributable to the LACFCD.

Accent Builders, Inc. ("ABI"), the general contractor for the construction of the La Plaza de Cultura y Artes cultural museum project, sued the County for breach of the contract. The County cross-complained against ABI and its alter-ego and subcontractor Superior Gunite, Inc. ("SGI"), for breach of contract and violation of the False Claims Act ("FCA"). SGI was dismissed from the action on January 7, 2014, after the trial court granted ABI's and SGI's demurrer as to the FCA claim. Following a bench trial, ABI obtained a damages award of $3.738 million, plus $2.028 million in attorneys' fees, costs, and prejudgment interest, resulting in a total judgment against the County of $5.766 million. The County's earlier-filed appeal of SGI's judgment of dismissal is now pending before the Court of Appeal. As of April 2015, that appeal has been fully briefed and oral argument was heard on May 13, 2015. The Court of Appeal did not issue a tentative decision, nor did they rule on the dismissal of the FCA cause of action. The County expects the written decision in the SGI matter to be issued sometime in June 2015. The County filed its appeal of the trial court judgment in favor of ABI on December 10, 2014. Briefing deadlines have yet to be established. The County intends to appeal the measure of damages utilized by the trial court as well as the court's dismissal of the County's FCA claims against ABI. ABI has also appealed the judgment in regards to the court's reduction, by half, of the amount of attorneys' fees, costs, and prejudgment interest sought by ABI.

In January, 2014, the Board of Supervisors voted to add a Christian cross to the image of the San Gabriel Mission that is depicted on the County seal. The intent of the Board of Supervisors, as reflected in a motion to add the cross, was for the depiction of the San Gabriel mission on the County seal to be artistically and historically accurate. In February 2014, the American Civil Liberties Union, on behalf of a number of plaintiffs, filed an equitable relief action entitled *Davies v. County of Los Angeles* in federal court, challenging the Board's action. The lawsuit primarily asserts that the Board's action to add a Christian cross to the County seal violates the Establishment Clause of the United States and California Constitutions by violating the principle separating the church and state. No trial date has been set for this lawsuit.

**Pending Litigation**

There are a number of other lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims that 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 |
|---|---|---|---|---|---|
| 06/30/2009 | $30,498,981 | $39,541,865 | $44,468,636 | $4,926,771 | 88.92% |
| 06/30/2010 | 33,433,888 | 38,839,392 | 46,646,838 | 7,807,446 | 83.26% |
| 06/30/2011 | 39,452,011 | 39,193,627 | 48,598,166 | 9,404,539 | 80.65% |
| 06/30/2012 | 38,306,756 | 39,039,364 | 51,320,699 | 12,281,335 | 76.07% |
| 06/30/2013 | 41,773,519 | 39,932,416 | 53,247,776 | 13,315,360 | 74.99% |
| 06/30/2014 | 47,722,277 | 43,654,462 | 54,942,453 | 11,287,991 | 79.45% |

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2014.

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

| Fiscal Year | Market Value of Plan Assets | Market Rate of Return | Funded Ratio Based on Market Value |
|---|---|---|---|
| 2008-09 | $30,498,981 | -18.3% | 66.8% |
| 2009-10 | 33,433,888 | 11.8% | 69.9% |
| 2010-11 | 39,452,011 | 20.4% | 79.4% |
| 2011-12 | 38,306,756 | 0.3% | 73.7% |
| 2012-13 | 41,773,519 | 12.1% | 77.6% |
| 2013-14 | 47,722,277 | 16.8% | 86.0% |

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2014.

**TABLE 3: COUNTY PENSION AND OPEB PAYMENTS**
**(in thousands)**

| Fiscal Year | Pension Payment to LACERA | OPEB Payment to LACERA | Pension Bonds Debt Service | Total Pension & OPEB Payments | Percent Change Year to Year |
|---|---|---|---|---|---|
| 2008-09 | $805,300 | $365,424 | $320,339 | $1,491,063 | -4.5% |
| 2009-10 | 802,500 | 384,034 | 358,165 | 1,544,699 | 3.6% |
| 2010-11 | 898,803 | 406,937 | 372,130 | 1,677,870 | 8.6% |
| 2011-12 | 1,026,867 | 424,030 | - | 1,450,897 | -13.5% |
| 2012-13 | 1,118,514 | 441,062 | - | 1,559,576 | 7.5% |
| 2013-14 | 1,262,754 | 446,979 | - | 1,709,733 | 9.6% |
| 2014-15 | 1,430,462 | 450,202 | - | 1,880,664 | 10.0% |
| 2015-16 | 1,341,632 * | 498,292 * | | 1,839,924 | -2.2% |

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.
* Estimated

COUNTY OF LOS ANGELES

CALIFORNIA

# BUDGETARY INFORMATION

**COUNTY BUDGET PROCESS**

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required to adopt a Recommended Budget no later than June 30th. If a Final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors is required to adopt the Final County Budget by October 2nd of each year.

Throughout the remainder of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes are often subject to change which may affect the level of County revenues and budgetary appropriations.

**COUNTY BUDGET OVERVIEW**

The County Budget is comprised of eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District Funds, Other Enterprise Funds, Internal Services Fund, and Agency Fund.

The General County Budget accounts for approximately 78.4% of the 2015-16 Recommended Budget and appropriates funding for 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 Revenue Funds represent approximately 9.9% of the 2015-16 Recommended Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, and specific automation projects.

Capital Project Special Funds account for approximately 1.3% of the 2015-16 Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 7.9% of the 2015-16 Recommended Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.4% of the 2015-16 Recommended Budget.

**CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS**

**Proposition 13**

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "Full Cash Value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. Full Cash Value is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.

The Full Cash Value is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XIIIB of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2014-15 is $19,836,899,568. The 2014-15 Final Adopted Budget included proceeds from taxes of $7,339,379,000, which is substantially below the statutory limit.

**Proposition 62**

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

**Proposition 218**

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

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

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

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 states that the initiative power provided for in Proposition 218 shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

In the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIIC or SB 919, and the scope of the initiative power under Article XIIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

**Proposition 1A 2004**

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease Vehicle License Fee ("VLF") revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years. The State is further prohibited from reallocating local property tax revenues on more than two occasions within a ten-year period.

**Proposition 26**

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer, and repeals recent State laws that are in conflict with the measure, unless they are approved again by two-thirds of each house of the State Legislature. The State Legislative Analyst's Office asserts that Proposition 26 will make it more difficult for State and local governments to pass new laws that raise revenues and could reduce government revenues and spending statewide by billions of dollars annually.

In terms of its direct fiscal impact on the County, Proposition 26 is likely to result in the loss of approximately $61 million in annual State tax revenue to County road districts, which are separate legal entities responsible for the operation and maintenance of streets and roads in the unincorporated areas of the County. Since the County is unlikely to backfill any reduction in State revenue to the road districts, there is no projected fiscal impact to the County General Fund. Additional effects of Proposition 26 on the future financial condition of the County are unknown at this time.

**Future Initiatives**

Propositions 13, 62, 218, 1A 2004 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting County revenues or the County's ability to expend revenues.

**FEDERAL AND STATE FUNDING**

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-22 of this Appendix A, $4.226 billion of the $21.119 billion 2015-16 Recommended General County Budget is received from the Federal government and $5.609 billion is funded by the State. The remaining $11.285 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 47% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

**Federal Budget Update**

The overall Federal budget outlook for the County in 2015-16 is positive, primarily because the County's Medicaid revenue, which is by far the County's largest source of Federal revenue, will continue to grow due to the expansion of Medicaid under the Patient Protection and Affordable Care Act (the "Affordable Care

Act"). The County will also receive increased revenue for Title IV-E Foster Care, which is the third largest Federal revenue source under the terms and conditions of California's Title IV-E Waiver. The County's Federal revenue is expected to be stable through Fiscal Year 2015-16 in regard to funding received for other Federal entitlement programs, including the Temporary Assistance for Needy Families Program (CalWORKs in California), Child Support Enforcement, the Supplemental Nutrition Assistance Program (CalFresh in California); and federal discretionary programs through which the County receives its remaining Federal revenue.

The County expects the Republican-controlled Congress to pursue an overall reduction in Federal spending, including reductions to Medicaid, which is the third largest Federal program after Social Security and Medicare. However, Republicans lack the two-thirds majority in both houses of Congress that would be needed to override any presidential veto of legislation that significantly reduces Medicaid spending, including legislation to repeal the Affordable Care Act. In the event that legislation was enacted resulting in reductions in Federal revenue for County-administered programs, the fiscal impact of such spending cuts is unlikely to be felt until Fiscal Year 2016-17, at the earliest.

Any future legislative action in regard to Federal spending or the Affordable Care Act, and its fiscal impact to future County budgets, cannot be predicted at this time.

## STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election, the State has experienced significant improvement to its budget stability and overall financial condition. The State's budgetary decisions in response to the changing economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

### Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991-92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility to administer such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed in further detail in the Health Services Budget section

### Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Funding for AB 109 is financed by redirecting 1.0625% of State sales tax revenue and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which created a constitutional amendment prohibiting the Legislature from reducing or removing AB 109 funding.

The Fiscal Year 2014-15 State Budget Act (the "State Budget Act") estimated AB 109 funding at $1.1 billion. The California State Association of Counties (CSAC) has submitted a recommendation to the State for a long-term funding distribution formula among the counties. Based on this formula, the County would maintain its funding allocation and receive approximately $317.6 million, which would provide full funding for all County AB 109 programs. In addition, the County Board of Supervisors has authorized the use of AB 109 reserves, accumulated from prior-year unused AB 109 funding, to fund pilot programs designed to reduce recidivism and long-term incarceration costs among inmates with mental health illness and substance use disorders.

### Redevelopment Agencies

Effective February 1, 2012, and pursuant to Assembly Bill x1 26 ("ABx1 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453 million in Fiscal Year 2009-10. In Fiscal Years 2012-13 and 2013-14, the County General Fund received $100.8 and $118.0 million of residual taxes, respectively. In Fiscal Year 2014-15, the County expects to receive $134.0 million residual taxes.

The 2015-16 Recommended Budget includes $115.0 million of residual taxes for the General Fund.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission. The dissolution of County related projects is not expected to have a material impact, if any, to the financial condition of the County.

**2015-16 PROPOSED STATE BUDGET**

On January 9, 2015, Governor Brown released his Fiscal Year 2015-16 Proposed State Budget (the "Proposed State Budget"), The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2014-15 of $1.423 billion, total revenues and transfers of $113.380 billion, total expenditures of $113.298 billion, and a year-end surplus of $1.505 billion for Fiscal Year 2015-16. Of the projected year-end surplus, $971 million will be allocated to the Reserve for Liquidation of Encumbrances and $534 million will be deposited to the Special Fund for Economic Uncertainties. In accordance with the State Budget Act, the Proposed State Budget continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $2.826 billion.

The Proposed State Budget contained no reductions to County-administered programs, and included the repayment of $533 million statewide in pre-2004 deferred State mandate payments owed to local governments. The County's estimated share of this repayment was $88 million. The Proposed State Budget also included an increase in the base allocation for the AB 109/2011 Public Safety Realignment from $934.1 million to $1.1 billion statewide, and proposed to redirect an estimated $698.2 million statewide from the counties to the State as an offset to the potential budgetary savings realized as a result of the Medi-Cal expansion under the Affordable Care Act. The County estimated that the Proposed State Budget would redirect $100.0 million of health funding from the 1991-92 Realignment Program to the State in Fiscal Year 2015-16.

On May 14, 2015, Governor Brown released his Fiscal Year 2015-16 May Budget Revision (the "May Budget Revision"), The May Budget Revision projects a beginning fund balance surplus from Fiscal Year 2014-15 of $2.359 billion, total revenues and transfers of $115.033 billion, total expenditures of $115.308 billion, and a year-end surplus of $2.084 billion for Fiscal Year 2015-16. Of the projected year-end surplus, $971 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.113 billion will be deposited to the Special Fund for Economic Uncertainties. The total revenues and transfers of $115.033 million in the May Budget Revision represents a $9.545 billion, or 9.0% increase from the State Budget Act, and reflects the continued improvement in the financial condition of the State. In accordance with the State Budget Act, the May Budget Revision continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $3.460 billion, which represents an increase of $634 million from the Proposed State Budget.

The May Budget Revision is not expected to result in any loss of funding for County-administered programs, and includes a number of proposals that are favorable to the County. The May Budget Revision includes the repayment of $765 million statewide in pre-2004 deferred State mandate payments owed to local governments, which is an increase of $232 million from the Proposed State Budget, and would effectively payoff the State's remaining pre-2004 deferred mandate payments owed to local governments. The County's estimated share of this repayment in Fiscal Year 2015-16 is $116.8 million. The May Budget Revision also includes a base allocation for the AB 109/2011 Public Safety Realignment of $1.06 billion, which represents a $40 million decrease from the Proposed State Budget, but will provide sufficient funding for all County AB 109 programs. The County estimates that the May Budget Revision will result in a $101.3 million redirection of 1991 Health Realignment funding from the County to the State, which represents a slight increase from the Proposed State Budget, but is a significant reduction from the $238.3 million redirected from the County for Fiscal Year 2014-15.

**RECENT COUNTY BUDGETS**

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. As a result of the previous economic downturn, which started to impact the budget in Fiscal Year 2008-09, the County experienced a "cyclical" budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn had a significant impact on the Net County Cost (NCC) budget gap, which reached a peak of $491.6 million in Fiscal Year 2010-11. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues). In order to manage the budget gaps, the County used a balanced approach of curtailing departmental budgets, and using reserves and capital funding appropriations to achieve a balanced budget. To control costs, the County achieved significant savings through its efficiency initiative program, and the implementation of a hiring freeze and a freeze on non-essential services, supplies and equipment, which ended as of July 1, 2013. The County eliminated 2,735 budgeted positions from Fiscal Year 2009-10 and Fiscal Year 2011-12, and the County's employee labor groups agreed to zero cost-of-living adjustments (COLAs) and no salary increases for a five-year period beginning in Fiscal Year 2008-09. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The measured approach to managing budgetary challenges, including the use of one-time funding sources, has enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

The reliability of property tax revenue is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that has not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the recent economic downturn. To illustrate this point, average median home prices in the County declined by 48% from their peak value in August 2007 ($562,346) to a low in January 2012 ($290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9%

in Fiscal Year 2009-10 and 2010-11, respectively. Assessed valuation returned to growth in Fiscal Years 2011-12, 2012-13 and 2013-14, with increases of 1.4%, 2.2% and 4.7% in the Net Local Roll, respectively. For the Fiscal Year 2014-15 tax roll, the County Assessor estimates that approximately 12.5% of all single-family residential parcels, 12.9% of all residential income parcels and 18.8% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

For Fiscal Year 2014-15, the Assessor reported a 2014 Net Local Roll of $1.192 trillion, which represents an increase of 5.47% or $61.812 billion from Fiscal Year 2013-14. The 2014 Net Local Assessment Roll represents the largest revenue-producing valuation in the history of the County. The largest factors contributing to the projected increase in assessed valuation in Fiscal Year 2014-15 are transfers in ownership ($30.699 billion), the restoration of previous decline in value adjustments ($21.836 billion), new construction ($4.492 billion), and an increase in the consumer price index ($4.537 billion).

Starting in 2007, with the downturn in the real estate market, the County Assessor initiated Proposition 8 reviews of 791,000 parcels. As a result of the Assessor's proactive approach to Proposition 8 reviews, the valuations of 552,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations would insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. In response to the improvement in the real estate market, and beginning with the Fiscal Year 2013-14 Assessment Roll, the Assessor began to review the 552,000 parcels to evaluate whether a reduced assessed value was still warranted under Proposition 13. Based on this review, the Assessor has fully restored 161,000 parcels to their Proposition 13 value. The Assessor is currently in the process of reviewing the valuations of 241,000 parcels in preparation for the Fiscal Year 2015-16 Assessment Roll. The total assessed value that could be restored for these parcels is estimated at $22.0 billion.

On May 15, 2015, the Assessor released the 2015 Assessment Roll Forecast, which projects a $70.540 billion or 5.92% increase in the Net Local Roll for Fiscal Year 2015-16. The projected increase in the Net Local Roll is primarily driven by changes of ownership, which accounts for $37.982 billion or 3.05% of the projected increase and reflects the ongoing improvement of the County real estate market.

## FISCAL YEAR 2014-15 FINAL ADOPTED BUDGET

The Fiscal Year 2014-15 Final Adopted Budget (the 2014-15 Final Adopted Budget), which was approved on September 30, 2014, appropriates $27.141 billion, which reflects a $1.042 billion or 4.0% increase in total funding requirements from Fiscal Year 2013-14. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $20.948 billion, which represents a $938.6 million or 4.7% increase from Fiscal Year 2013-14. The 2014-15 Final Adopted Budget appropriates $6.193 billion for Special Funds/District, reflecting a $103.6 million or 1.7% decrease from Fiscal Year 2013-14.

The primary changes to the NCC component of the 2014-15 Final Adopted Budget are outlined in the following table.

**Fiscal Year 2014-15 NCC Budget Changes**

| | |
|---|---|
| **2013-14 One-Time Budget Solutions** | $ (8,798,000) |
| **Unavoidable Cost Increases** | |
| Health Insurance Subsidy | (30,474,000) |
| Pension Costs | (79,172,000) |
| Employee Salary Increases | (82,156,000) |
| Deferred Compensation Cap Increase | (8,100,000) |
| Various Cost Increases | (8,628,000) |
| **Program Changes** | |
| Sheriff Jail Violence Recommendations | (38,142,000) |
| Sheriff Restore Curtailments | (18,000,000) |
| Mental Health Inpatient Beds - COLA | (6,321,000) |
| Psychiatric Emergency Services | (5,438,000) |
| Various Assistance Cost Increases | (4,877,000) |
| Sheriff Unincorporated Patrol | (12,031,000) |
| Mental Health Services in County Jails | (10,000,000) |
| Enhanced Unincorporated Area Services | (9,073,000) |
| All Other Program Changes | (43,473,000) |
| **Revenue Changes** | |
| Property Taxes | 254,032,000 |
| Property Taxes - Supplemental Appointment | (19,000,000) |
| Property Taxes - CRA Dissolution Residual | 75,000,000 |
| Realignment Sales Tax | 35,471,000 |
| Public Safety Sales Tax | 31,681,000 |
| Registrar-Recorder Revenue Shortfall | (13,181,000) |
| Various Revenue Changes | 680,000 |
| **Total Projected Budget Gap** | $ - |

Unavoidable Cost Increases

The primary drivers of unavoidable cost increases are directly related to salaries and employee benefits. For the first time since August 2008 for safety employees, and January 2009 for the remaining employees, the County approved salary increases. Over the previous five-year period, employee labor groups actively partnered with the County by agreeing to zero salary increases, which played a critical role in enabling the County to emerge from the economic downturn in a stable financial condition. The Board of Supervisors approved 6% salary increases with nearly all of its collective bargaining units, which are reflected in the higher expenditures for employee salaries in the Fiscal Year 2013-14 and 2014-15 Final Adopted Budgets. In addition to employee salaries, the County is also experiencing cost increases for employee health insurance premiums.

The increase in the County's retirement contribution rates is primarily due to the actuarial investment losses sustained by LACERA in Fiscal Years 2008-09 and 2011-12, and the reductions in the assumed investment rates of return. The impact of the actuarial investment losses sustained in Fiscal Year 2008-09 will be fully recognized and accounted for by the end of Fiscal Year 2014-15. As a result, the County anticipates that annual expenditures for retirement costs will be more stable in the future.

On June 4, 2014, the Federal Department of Justice (DOJ) issued a report, which concluded that the County was out of compliance with the terms of a 2002 MOA regarding the provision of mental health services in County Jails. The DOJ asserts that the MOA has been ineffective in achieving compliance and that a court-enforceable settlement agreement should now be substituted for the 2002 MOA. To that end, the DOJ's report identified 53 remedial measures to address

deficient mental health services and suicide prevention issues. The DOJ expects the Sheriff's Department and the Department of Mental Health (DMH) to address the remedial measures through the court-enforceable agreement.

The County has not agreed to a court-enforceable agreement and is continuing to negotiate with the DOJ on each of the 53 items. Based on preliminary estimates, the multi-year budget impact to achieve full compliance with some of the remedial measures is $48.0 million. The Fiscal Year 2014-15 Final Adopted Budget included $20.0 million to fund implementation of the remedial measures.

**Revenue Increases**

As a result of improving economic conditions, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2014-15.

The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. As noted above, the Assessor released the Fiscal Year 2014-15 Assessment Roll, which reflected a 5.47% increase in the total revenue-producing valuation from Fiscal Year 2013-14. The increase in assessed valuation provided the basis for the $254.0 million projected increase in property tax revenue in the 2014-15 Final Adopted Budget. The increase in property tax revenue was partially offset by an estimated $19.0 million reduction in supplemental property taxes due to a change in the supplemental apportionment factor. In addition to the projected growth in property tax revenue, the County has included an additional $75 million revenue increase from the property tax residual in Fiscal Year 2014-15 as a result of the redevelopment agency dissolution.

Based on current trends, and a survey of local economic forecasts, the County assumed a 4.0% growth factor in its overall sales tax projection for the 2014-15 Final Adopted Budget. Based on the 4% growth rate, the County is projecting a $67.2 million increase in Proposition 172 Sales Tax and Realignment Sales Tax in Fiscal Year 2014-15.

The increase in property tax and sales tax revenue is partially offset by a $13.2 million reduction in recording fee revenue, as the Registrar-Recorder/County Clerk is experiencing a significant drop in a variety of recording filings and a $10.6 million reduction in the utility user tax.

## FISCAL YEAR 2015-16 RECOMMENDED BUDGET

The Fiscal Year 2015-16 Recommended Budget (the "2015-16 Recommended Budget"), which was approved on April 14, 2015, appropriates $26.923 billion, which reflects a $218.0 million or 0.8% decrease in total funding requirements from Fiscal Year 2014-15. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $21.119 billion, which represents a $171.0 million or 0.8% increase from Fiscal Year 2014-15. The 2015-16 Recommended Budget appropriates $5.804 billion for Special Funds/District, reflecting a $389.0 million or 6.3% decrease from Fiscal Year 2014-15.

The primary changes to the NCC component of the 2015-16 Recommended Budget are outlined in the following table.

**Fiscal Year 2015-16 NCC Budget Changes**

| | |
|---|---|
| **Assistance Caseload Changes** | $ 12,912 |
| **Unavoidable Cost Increases** | |
| Health Insurance Subsidy | (29,667) |
| Pension Costs | 42,399 |
| Employee Salary Increases | (160,796) |
| Various Cost Increases | 183 |
| **Program Changes** | |
| Rosas Settlement | (64,470) |
| Mental Health Services in County Jails | (23,456) |
| County Jails ADA Settlement | (1,208) |
| Diversion - Inmate Treatment Program | (10,000) |
| Curtailment Restoration | (6,934) |
| All Other Program Changes | (16,743) |
| **Fiscal Policies** | |
| Appropriation for Contingency | (11,594) |
| Deferred Maintenance | (5,000) |
| **Revenue Changes** | |
| Property Taxes | 212,302 |
| Public Safety Sales Tax | 39,381 |
| Various Revenue Changes | 22,691 |
| **Total Projected Budget Gap** | $ - |

### Assistance Caseload Changes

With the decline in the unemployment rate in the County and the improving local economy, the number of residents seeking General Relief aid has declined, which has helped reduce the overall cost of providing public assistance.

### Unavoidable Cost Increases

Unavoidable cost increases are primarily the result of previously approved salaries and employee benefits increases as well as yet to be determined salary and benefit increases that are subject to negotiations with the County's collective bargaining units and would take effect in Fiscal Year 2015-16. The Board of Supervisors previously approved 6% salary increases with nearly all of its collective bargaining units, which are reflected in the higher expenditures for employee salaries in the 2014-15 Final Adopted Budget, and the 2015-16 Recommended Budget.

County Jails Excessive Use of Force – Reflects $64.5 million in ongoing funding and $10.5 million in one-time funding, for a total of $75.0 million to be set aside in the Provisional Financing Uses (PFU) budget to address allegations of excessive use of force in the jails. In January 2012, the American Civil Liberties Union (ACLU) filed the Alex Rosas federal court class action lawsuit alleging a pattern and practice of excessive use of force in the County jails. The settlement agreement presented to the Board of Supervisors on December 16, 2014, requires the Sheriff's Department to implement various reforms recommended by the court-appointed Rosas Monitors. On October 14, 2014, the Monitors submitted to the Court their final Implementation Plan containing their recommendations for reforms in the jails. The Implementation Plan delineates 21 areas of proposed reforms with a total of 106 recommendations. The settlement agreement requires that the Sheriff's Department achieve compliance with the recommendations by June 30, 2015, December 31, 2015 and by December 31, 2016. Many of the recommendations expand upon those of the Citizens' Commission on Jail Violence (CCJV) and some have already been implemented, or are in the

process of being implemented. The Chief Executive Office will continue to work with the Sheriff's Department to determine the level of resources that are required in order to achieve full compliance with the Rosas settlement and present final recommendations for implementing the settlement to the Board of Supervisors in June 2015.

County Jails Mental Health Needs – Adds $23.5 million in ongoing funding to the PFU budget. This amount, along with $10.0 million in ongoing funding included in the 2014-15 Final Adopted Budget, brings the total ongoing funding amount to $33.5 million for mental health issues at County jails. The Sheriff and DMH are continuing to identify priorities and develop action plans to address the 53 remedial measures outlined in the June 4, 2014 DOJ report, some of which will require additional funding and staff to address certain recommendations.

Comprehensive Diversion Inmate Treatment Program – Supplements $20.0 million in one-time funding in the PFU budget unit with $10.0 million of ongoing funding for this program. This funding is being set aside in anticipation of the District Attorney's report on a Comprehensive Criminal Justice Mental Health Plan.

**Fiscal Policies**

On September 30, 2014, the County updated its budget policies to require that 5% - 10% of new ongoing discretionary revenue be set aside during the budget process in the Appropriation for Contingency as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2015-16 Recommended Budget, $11.6 million is being set aside in the Appropriation for Contingency, which reflects 5% of discretionary revenues. In addition, the revised budget policies required that $5.0 million be allocated for deferred maintenance needs as part of the Recommended Budget.

**Revenue Changes**

As a result of improving economic conditions, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2015-16.

The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. The County Assessor is forecasting a 5.05 percent increase in the Net Local Roll for Fiscal Year 2015-16, which provides the basis for the $212.3 million of additional property tax revenue included in the 2015-16 Recommended Budget.

Based on current trends and a survey of local economic forecasts, the County has assumed a 5.0% growth factor in its overall sales tax projection for the 2015-16 Recommended Budget. Based on the 5% growth rate, the County is projecting a $39.4 million increase in Proposition 172 Sales Tax in Fiscal Year 2015-16. The 2015-16 Recommended Budget also reflects a $22.7 million increase in a variety of other local revenues, with the largest increase attributable to a projected $12.0 million increase in the documentary deed transfer tax.

**HEALTH SERVICES BUDGET**

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, eleven community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,000 physician residents on an annual basis.

As a safety net provider, the County is the medical provider of last resort for millions of indigent County residents. Historically, the cost of providing health services exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies and hiring freezes, and using one-time reserve funds, DHS has been able to cover its prior years' structural deficits.

The improvement in the DHS fiscal outlook from prior years is primarily due to 1) the five-year Section 1115 Hospital Financing Waiver (the "Waiver"), which became effective in November 2010, and 2) the implementation of the Affordable Care Act, effective January 1, 2014. As a result of the Affordable Care Act implementation, DHS has experienced a significant reduction in the number of uninsured patients, providing an overall fiscal benefit. Because the impact of the ACA has expanded DHS' revenue base, the budgetary pressures on DHS have been appreciably reduced. Further, as explained below, Assembly Bill (AB) 85 establishes a sum certain for the maintenance of effort ("MOE") requirement for the County's contribution to DHS, as well as providing additional revenue sources.

**Section 1115 Hospital Financing Waiver**

The Centers for Medicare and Medicaid Services ("CMS") approved the Waiver for public hospitals in California, effective November 1, 2010, which provides partial funding for uncompensated care and a new funding source for system improvements at public hospitals through the Delivery System Reform Incentive Pool ("DSRIP"). In addition, the Waiver permits the federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive Federal matching funds for Medi-Cal services that would otherwise not be eligible for Federal funding, thus further enhancing DHS revenues.

DHS has successfully implemented the structural and operational reforms necessary to achieve the DSRIP performance incentives and will continue to focus its efforts on maximizing this funding source. In Fiscal Year 2014-15, DHS expects to meet almost all of the DSRIP goals and outcomes with a net benefit of $223.4 million in DSRIP revenue. A mandated semi-annual report was submitted to the State in March 2015 for which DHS expects to receive a DSRIP payment by June 30, 2015. The next semi-annual report is due

to the State in September 2015 with the revenue expected to be received by the end of calendar year 2015.

**Renewal of Expiring 1115 Waiver**

The current Waiver will expire October 31, 2015 and efforts are currently underway to ensure its renewal, effective November 1, 2015. In consultation with the counties and other stakeholders, the State developed a Waiver renewal proposal and submitted it to CMS on March 27, 2015. Discussions have started between the State and CMS and the State expects to complete the process by the end of the current Waiver period. DHS does not anticipate large changes in the overall amount of revenue to be included in the renewal Waiver. As such, DHS has included conservative estimates in the Fiscal Year 2015-16 Recommended Budget for Waiver-related revenues as a placeholder until the Waiver negotiations are complete.

**Affordable Care Act**

The Affordable Care Act provided the framework for the Waiver by allowing an early implementation of some of the law's coverage expansion provisions. The Affordable Care Act's Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizens or legal residents, and uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. The Waiver included the Low Income Health Program ("LIHP") that implemented the MCE program prior to January 2014. The LIHP was known as Healthy Way LA ("HWLA") in Los Angeles County and provided for early enrollment for many uninsured DHS patients. As the Affordable Care Act became effective on January 1, 2014, HWLA enrollees were automatically transitioned to coverage under the MCE program. HWLA and the MCE have significantly improved DHS' payer mix and provided additional revenues as previously uninsured patients have transitioned to Medi-Cal coverage.

**Assembly Bill 85**

Based on the implementation of the Affordable Care Act and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of the State's funding of health care and human services programs that have been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment revenue that will be "redirected" from the County's Realignment Revenue Health Subaccount to the County's Family Support Subaccount, which benefits social services programs. The County was able to negotiate its own agreement with the State and a formula that is different than that of the other counties in the State. The County's unique formula takes into account the entire DHS budget and includes cost caps, revenue requirements, specific sharing ratios, and a County MOE. A mathematical formula will be used to determine whether there are "excess" funds available for "redirection" of realignment revenue back to the State. The amount of realignment revenue redirection will be reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds resulting from the formula calculation, the sharing ratio for the excess amount of health care realignment revenue in Fiscal Year 2013-14 is 70% State and 30% County. For Fiscal Year 2014-15 and forward, the sharing ratio will be 80% State and 20% County.

As a result of AB 85, the State redirected realignment revenue of $87.5 million from the County for Fiscal Year 2013-14 and the State Budget Act redirects $238.3 million from the County for Fiscal Year 2014-15. The Governor has noted these estimated redirections are interim calculations, with a final reconciliation of the Fiscal Year 2013-14 redirection to take place no later than January 2016. DHS believes that the State has overestimated the excess funds the State has identified for redirection. In the Proposed State Budget, the State is proposing to redirect $100 from the County. Although this amount is expected to be adjusted in the Governor's May Budget Revision, any change is not expected to be material. In addition, AB 85 established an MOE funding requirement for the County's General Fund contribution in the amount of $323.0 million, which the County is currently meeting. The MOE funding requirement is based on Fiscal Year 2012-13 funding levels and will increase by one percent each subsequent fiscal year. The MOE is expected to provide a stable and ongoing source of funding for DHS from the County General Fund.

**DHS Reserve Funds**

In Fiscal Year 2013-14, DHS closed the year with a budgetary surplus of $192.0 million, which is net of the $87.5 million realignment revenue redirection noted above. The surplus funds are maintained in a reserve account and are available to fund DHS operations in the future, as needed.

Although the State Budget Act included a redirection amount of $238.3 million based on estimated revenues and expenditures, DHS is estimating the redirection amount at $155.4 million and a budgetary surplus of $102.1 million (net of the $155.5 million redirection). If necessary, DHS expects to account for the $82.9 million difference in the projected realignment revenue redirection ($238.3 million minus $155.4 million) by using a portion of DHS' Fiscal Year 2014-15 budgetary surplus.

**General Fund Contributions**

In Fiscal Year 2015-16, the County General Fund is expected to contribute $634.1 million of NCC to DHS in support of its health care operations. In relation to the overall DHS budget, the $634.1 million projected County contribution represents just 13.2% of total DHS appropriations. The NCC contribution to DHS peaked in Fiscal Year 2007-08 at 18.2% of the total DHS budget, and has declined steadily thereafter. The decrease in the NCC contribution is a direct result of enhanced revenue streams, improved patient demographics, and more efficient hospital operations.

**General Fund Advances and Cash Flow**

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County, commonly referred to as the Hospital Funds. The County's General Fund provides cash advances to each of the Hospital Funds to provide for the net cash flow requirements of the hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in a manner designed to provide the Hospital Funds with a minimal daily cash position of approximately $10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. The Hospital Funds typically

receive cash reimbursement several months after the County has delivered and paid for services. As of March 31, 2015, the balance of General Fund cash advances to the Hospital Funds was approximately $847.4 million. The timing of cash reimbursements has been impacted as both the State and the County adjust to the influx of large numbers of people entering into the ACA's expanded Medi-Cal programs. In addition, the implementation of the ACA's Hospital Presumptive Eligibility ("HPE") program allowed expedited Medi-Cal eligibility and coverage. These changes had significant impacts on processing and claiming operations at both the State and county levels. However, most of the issues that arose from the HPE implementation have now been addressed. By the end of the Fiscal Year 2014-15, or the beginning of Fiscal Year 2015-16, the County expects the remaining processing issues to be resolved, with DHS cash receipts returning to a more timely and predictable pattern.

In addition to the funding sources described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The last audit completed by the State was for Fiscal Year 2010-11. As of June 30, 2014, the overall receivable balance was $195.9 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable, since it is not currently available to fund the County's budgetary requirements. The CBRC receivable balance for Fiscal Year 2014-15 will be determined at the closing of the books at fiscal year-end.

**Martin Luther King Jr. Hospital**

The County-operated Martin Luther King, Jr. Hospital (the "MLK Hospital") was closed in 2007 and converted to a Multi-Service Ambulatory Care Center. Since then, the County and the University of California (the "UC") established an independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. A seven-member MLK Hospital Board of Directors was appointed by the County and the UC in August 2010 to oversee MLK-LA Healthcare, the new 501(c)(3) private, non-profit MLK Hospital. The new 131-bed MLK Hospital will serve as a safety-net community hospital providing services to a high volume of Medi-Cal and uninsured patients from the surrounding community. The MLK-LA team has been completing licensing activities in preparation to open the hospital and anticipates treating its first patients sometime in calendar year 2015, with the full complement of hospital services available by the end of 2015 or early 2016.

To assist with the opening of the MLK Hospital, the County has agreed to provide MLK-LA Healthcare with $50.0 million of coordination start-up funds, $39.1 million of grant funding, and $82.0 million of short-term and long-term loans. In addition, the County has committed to make an annual intergovernmental transfer of up to $50.0 million for the benefit of the new hospital. For use of the County-owned hospital facility, MLK-LA Healthcare will make annual lease payments to the County in the amount of $18.0 million. The County has initially financed the construction of the MLK Hospital with $283.8 million of short-term lease-revenue notes, which are currently outstanding. The County intends to refinance the MLK Hospital and pay-off the short-term notes through the issuance of long-term lease-revenue bonds.

**Tobacco Settlement Revenue**

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities. The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206 billion through 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement was expected to average approximately $100.0 million per year, the actual amount of Tobacco Settlement Revenues ("TSRs") received by the County may fluctuate significantly from year to year. Factors that could impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, recent actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Specifically, a portion of the settlement payments have been withheld or made under protest. Arbitration hearings are currently being held to resolve the issues causing the payment adjustments and protests that began in 2003. The precise amount of payment adjustments to the MSA and the future availability of withheld payments are unknown at this time.

In February 2006, the County issued $319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which represents the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

In accordance with the terms of the MSA, the annual TSRs are subject to numerous adjustments, offsets and recalculation. In Fiscal Year 2013-14, the County received $64.1 million in TSRs from the participating manufacturers. A settlement was reached in March 2013 with certain MSA participants (including California) to resolve the status of the disputed payments from 2003 to 2012, which also includes a new method for calculating future NPM adjustments. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific

purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. As of June 30, 2014, the County has received approximately $1.536 billion in TSRs and accrued interest, with approximately $1.486 billion of the collected proceeds disbursed, and $49.9 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help improve the operational efficiency of the health system.

**BUDGET TABLES**

The 2015-16 Recommended Budget is supported by $4.679 billion in property taxes, $4.226 billion in federal funding, $5.609 billion in State funding, $0.197 billion in cancelled obligated fund balance, $1.319 billion in Fund Balance and $5.089 billion from other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2014-15 Final Adopted Budget with the 2015-16 Recommended Budget.

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

| Fund | Final 2011-12 | Final 2012-13 | Final 2013-14 | Final 2014-15 | Recommended 2015-16 |
|---|---|---|---|---|---|
| General Fund | $ 16,229,826 | $ 16,750,817 | $ 17,206,258 | $ 17,782,636 | $ 17,967,946 |
| Hospital Enterprise Fund | 2,268,712 | 2,592,117 | 2,803,170 | 3,165,359 | 3,151,363 |
| Total General County Budget | $ 18,498,538 | $ 19,342,934 | $ 20,009,428 | $ 20,947,995 | $ 21,119,309 |

**County of Los Angeles: General County Budget**
**Historical Funding Requirements and Revenue Sources**

| | Final 2011-12 | Final 2012-13 | Final 2013-14 | Final 2014-15 | Recommended 2015-16 |
|---|---|---|---|---|---|
| **Requirements** | | | | | |
| Social Services | $ 5,539,798 | $ 5,572,820 | $ 5,846,911 | $ 6,206,407 | $ 6,346,178 |
| Health | 5,600,822 | 5,952,459 | 6,208,232 | 6,373,399 | 6,501,410 |
| Justice | 4,697,762 | 4,985,441 | 5,146,062 | 5,442,540 | 5,502,991 |
| Other | 2,660,156 | 2,832,214 | 2,808,223 | 2,925,649 | 2,768,730 |
| **Total** | **$ 18,498,538** | **$ 19,342,934** | **$ 20,009,428** | **$ 20,947,995** | **$ 21,119,309** |
| **Revenue Sources** | | | | | |
| Property Taxes | $ 3,750,746 | $ 3,814,906 | $ 4,177,683 | $ 4,467,240 | $ 4,679,006 |
| State Assistance | 4,670,351 | 5,168,427 | 5,024,219 | 5,366,757 | 5,608,584 |
| Federal Assistance | 4,712,400 | 5,008,928 | 4,342,123 | 4,184,128 | 4,225,733 |
| Other | 5,365,041 | 5,350,673 | 6,465,403 | 6,929,870 | 6,605,986 |
| **Total** | **$ 18,498,538** | **$ 19,342,934** | **$ 20,009,428** | **$ 20,947,995** | **$ 21,119,309** |

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

| | Final 2011-12 | Final 2012-13 | Final 2013-14 | Final 2014-15 | Recommended 2015-16 |
|---|---|---|---|---|---|
| **Financing Requirements** | | | | | |
| Salaries & Employee Benefits | $ 8,895,017 | $ 9,322,969 | $ 9,671,291 | $ 10,353,404 | $ 10,822,231 |
| Services & Supplies | 6,706,121 | 6,869,576 | 7,138,148 | 7,362,617 | 7,418,228 |
| Other Charges | 3,621,050 | 3,734,605 | 3,901,664 | 4,082,120 | 3,888,469 |
| Capital Assets | 890,217 | 1,025,119 | 982,969 | 946,383 | 816,553 |
| Other Financing Uses | 640,310 | 615,357 | 619,569 | 263,903 | 544,456 |
| Appropriations for Contingencies | - | - | - | 5,000 | 11,594 |
| Interbudget Transfers[1] | (1,419,532) | (1,476,794) | (1,417,786) | (1,054,758) | (1,387,140) |
| Gross Appropriation | $ 19,333,183 | $ 20,090,832 | $ 20,895,855 | $ 21,958,669 | $ 22,114,391 |
| Less: Intrafund Transfers | 975,236 | 942,276 | 944,775 | 990,638 | 995,082 |
| Net Appropriation | $ 18,357,947 | $ 19,148,556 | $ 19,951,080 | $ 20,968,031 | $ 21,119,309 |
| Provision for Obligated Fund Balance | | | | | |
| General Reserve | $ - | $ - | $ - | $ - | $ - |
| Assigned for Rainy Day Funds | - | 10,000 | 35,033 | 24,274 | - |
| Committed Fund Balance | 140,591 | 184,378 | 23,315 | (44,310) | - |
| **Total Financing Requirements** | **$ 18,498,538** | **$ 19,342,934** | **$ 20,009,428** | **$ 20,947,995** | **$ 21,119,309** |
| **Available Financing** | | | | | |
| Fund Balance | $ 1,601,571 | $ 1,565,502 | $ 1,497,581 | $ 1,566,263 | $ 1,319,284 |
| Cancel Provision for Obligated Fund Balance | 271,027 | 208,484 | 239,852 | 143,419 | 197,071 |
| Property Taxes: Regular Roll | 3,709,801 | 3,778,085 | 4,123,069 | 4,414,842 | 4,626,417 |
| Supplemental Roll | 40,945 | 36,821 | 54,614 | 52,398 | 52,589 |
| Revenue | 12,875,194 | 13,754,042 | 14,094,312 | 14,771,073 | 14,923,948 |
| **Total Available Financing** | **$ 18,498,538** | **$ 19,342,934** | **$ 20,009,428** | **$ 20,947,995** | **$ 21,119,309** |

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $1.4 billion in 2015-16, from the above table would give the impression that there are more resources than are actually

*Source: Chief Executive Office*

**COUNTY OF LOS ANGELES**
**GENERAL COUNTY BUDGET**
**COMPARISON OF 2014-15 FINAL ADOPTED TO 2015-16 RECOMMENDED BUDGET**
**Net Appropriation: By Function**
**(In thousands)**

| Function | 2014-15 Final Budget (1) | 2015-16 Recommended Budget (2) | Difference | Percentage Difference |
|---|---|---|---|---|
| **REQUIREMENTS** | | | | |
| General | | | | |
| General Government | $ 957,997.0 | $ 1,033,106.0 | $ 75,109.0 | 7.84% |
| General Services | 831,769.0 | 906,359.0 | 74,590.0 | 8.97% |
| Public Buildings | 985,554.0 | 772,056.0 | (213,498.0) | -21.66% |
| Total General | $ 2,775,320.0 | $ 2,711,521.0 | $ (63,799.0) | -2.30% |
| Public Protection | | | | |
| Justice | $ 5,088,427.0 | $ 5,092,924.0 | $ 4,497.0 | 0.09% |
| Other Public Protection | 224,896.0 | 206,623.0 | (18,273.0) | -8.13% |
| Total Public Protection | $ 5,313,323.0 | $ 5,299,547.0 | $ (13,776.0) | -0.26% |
| Health and Sanitation | 6,369,735.0 | 6,473,193.0 | 103,458.0 | 1.62% |
| Public Assistance | 6,102,852.0 | 6,253,762.0 | 150,910.0 | 2.47% |
| Recreation and Cultural Services | 334,441.0 | 302,332.0 | (32,109.0) | -9.60% |
| Insurance and Loss Reserve | 67,360.0 | 67,360.0 | - | 0.00% |
| Provision for Obligated Fund Balance | (20,036.0) | - | 20,036.0 | -100.00% |
| Appropriations for Contingencies | 5,000.0 | 11,594.0 | 6,594.0 | 131.88% |
| **Total Requirements** | **$ 20,947,995.0** | **$ 21,119,309.0** | **$ 171,314.0** | **0.82%** |
| **AVAILABLE FUNDS** | | | | |
| Property Taxes | $ 4,467,240.0 | $ 4,679,006.0 | $ 211,766.0 | 4.74% |
| Fund Balance | 1,566,263.0 | 1,319,284.0 | (246,979.0) | -15.77% |
| Cancelled Prior-Year Reserves | 143,419.0 | 197,071.0 | 53,652.0 | 37.41% |
| Intergovernmental Revenues | | | | |
| State Revenues | | | | |
| In-Lieu Taxes | $ 262,465.0 | $ 336,372.0 | $ 73,907.0 | 28.16% |
| Homeowners' Exemption | 20,500.0 | 19,000.0 | (1,500.0) | -7.32% |
| Public Assistance Subventions | 989,506.0 | 1,048,367.0 | 58,861.0 | 5.95% |
| Other Public Assistance | 1,779,457.0 | 1,836,970.0 | 57,513.0 | 3.23% |
| Public Protection | 1,186,553.0 | 1,217,569.0 | 31,016.0 | 2.61% |
| Health and Mental Health | 958,162.0 | 1,018,136.0 | 59,974.0 | 6.26% |
| Capital Projects | 137,193.0 | 102,940.0 | (34,253.0) | -24.97% |
| Other State Revenues | 32,921.0 | 29,230.0 | (3,691.0) | -11.21% |
| Total State Revenues | $ 5,366,757.0 | $ 5,608,584.0 | $ 241,827.0 | 4.51% |
| Federal Revenues | | | | |
| Public Assistance Subventions | $ 2,430,816.0 | $ 2,579,752.0 | $ 148,936.0 | 6.13% |
| Other Public Assistance | 227,827.0 | 214,410.0 | (13,417.0) | -5.89% |
| Public Protection | 219,627.0 | 147,459.0 | (72,168.0) | -32.86% |
| Health and Mental Health | 1,259,156.0 | 1,242,624.0 | (16,532.0) | -1.31% |
| Capital Projects | 1,336.0 | 1,149.0 | (187.0) | -14.00% |
| Other Federal Revenues | 45,366.0 | 40,339.0 | (5,027.0) | -11.08% |
| Total Federal Revenues | $ 4,184,128.0 | $ 4,225,733.0 | $ 41,605.0 | 0.99% |
| Other Governmental Agencies | 25,860.0 | 22,150.0 | (3,710.0) | -14.35% |
| Total Intergovenmental Revenues | $ 9,576,745.0 | $ 9,856,467.0 | $ 279,722.0 | |
| Fines, Forfeitures and Penalties | 214,981.0 | 216,285.0 | 1,304.0 | 0.61% |
| Licenses, Permits and Franchises | 48,431.0 | 53,753.0 | 5,322.0 | 10.99% |
| Charges for Services | 3,981,588.0 | 3,534,619.0 | (446,969.0) | -11.23% |
| Other Taxes | 194,726.0 | 209,479.0 | 14,753.0 | 7.58% |
| Use of Money and Property | 126,401.0 | 133,776.0 | 7,375.0 | 5.83% |
| Miscellaneous Revenues | 439,612.0 | 730,980.0 | 291,368.0 | 66.28% |
| Operating Contribution from General Fund | 188,589.0 | 188,589.0 | - | 0.00% |
| **Total Available Funds** | **$ 20,947,995.0** | **$ 21,119,309.0** | **$ 171,314.0** | **0.82%** |

(1) Reflects the 2014-15 Final Adopted General County Budget approved by the Board of Supervisors on September 30, 2014
(2) Reflects the 2015-16 Recommended Budget General County Budget approved by the Board of Supervisors on April 14, 2015

**COUNTY OF LOS ANGELES**
**FINAL ADOPTED BUDGET 2014-15 GENERAL COUNTY BUDGET (1)**
**Net Appropriation: By Fund and Function**
**(In thousands)**

| Function | General Fund | Hospital Enterprise Fund | Total General County |
|---|---|---|---|
| **REQUIREMENTS** | | | |
| General | | | |
| General Government | $ 957,997.0 | $ - | $ 957,997.0 |
| General Services | 831,769.0 | - | 831,769.0 |
| Public Buildings | 985,554.0 | - | 985,554.0 |
| Total General | $ 2,775,320.0 | $ - | $ 2,775,320.0 |
| Public Protection | | | |
| Justice | $ 5,088,427.0 | $ - | $ 5,088,427.0 |
| Other Public Protection | 224,896.0 | - | 224,896.0 |
| Total Public Protection | $ 5,313,323.0 | $ - | $ 5,313,323.0 |
| Health and Sanitation | $ 3,204,376.0 | $ 3,165,359.0 | $ 6,369,735.0 |
| Public Assistance | 6,102,852.0 | - | 6,102,852.0 |
| Recreation and Cultural Services | 334,441.0 | - | 334,441.0 |
| Insurance and Loss Reserve | 67,360.0 | - | 67,360.0 |
| Provision for Obligated Fund Balance | (20,036.0) | - | (20,036.0) |
| Appropriation for Contingency | 5,000.0 | - | 5,000.0 |
| **Total Requirements** | **$ 17,782,636.0** | **$ 3,165,359.0** | **$ 20,947,995.0** |
| **AVAILABLE FUNDS** | | | |
| Property Taxes | $ 4,467,240.0 | $ - | $ 4,467,240.0 |
| Fund Balance | 1,566,263.0 | - | 1,566,263.0 |
| Cancel Provision for Obligated Fund Balance | 143,419.0 | - | 143,419.0 |
| Intergovernmental Revenues | | | |
| State Revenues | | | |
| In-Lieu Taxes | $ 262,465.0 | $ - | $ 262,465.0 |
| Homeowners' Exemption | 20,500.0 | - | 20,500.0 |
| Public Assistance Subventions | 989,506.0 | - | 989,506.0 |
| Other Public Assistance | 1,779,457.0 | - | 1,779,457.0 |
| Public Protection | 1,186,553.0 | - | 1,186,553.0 |
| Health and Mental Health | 910,224.0 | 47,938.0 | 958,162.0 |
| Capital Projects | 137,193.0 | - | 137,193.0 |
| Other State Revenues | 32,921.0 | - | 32,921.0 |
| Total State Revenues | 5,318,819.0 | 47,938.0 | 5,366,757.0 |
| Federal Revenues | | | |
| Public Assistance Subventions | $ 2,405,381.0 | $ 25,435.0 | $ 2,430,816.0 |
| Other Public Assistance | 227,827.0 | - | 227,827.0 |
| Public Protection | 219,627.0 | - | 219,627.0 |
| Health and Mental Health | 921,403.0 | 337,753.0 | 1,259,156.0 |
| Capital Projects | 1,336.0 | - | 1,336.0 |
| Other Federal Revenues | 45,366.0 | - | 45,366.0 |
| Total Federal Revenues | $ 3,820,940.0 | $ 363,188.0 | $ 4,184,128.0 |
| Other Governmental Agencies | 25,860.0 | - | 25,860.0 |
| Total Intergovenmental Revenues | $ 9,165,619.0 | $ 411,126.0 | $ 9,576,745.0 |
| Fines, Forfeitures and Penalties | 214,948.0 | 33.0 | 214,981.0 |
| Licenses, Permits and Franchises | 48,305.0 | 126.0 | 48,431.0 |
| Charges for Services | 1,646,255.0 | 2,335,333.0 | 3,981,588.0 |
| Other Taxes | 194,726.0 | - | 194,726.0 |
| Use of Money and Property | 126,316.0 | 85.0 | 126,401.0 |
| Miscellaneous Revenues | 209,545.0 | 230,067.0 | 439,612.0 |
| Operating Contribution from General Fund | - | 188,589.0 | 188,589.0 |
| **Total Available Funds** | **$ 17,782,636.0** | **$ 3,165,359.0** | **$ 20,947,995.0** |

(1) Reflects the 2015-16 Recommended Budget General County Budget approved by the Board of Supervisors on April 14, 2015

**COUNTY OF LOS ANGELES**
**RECOMMENDED BUDGET 2015-16 GENERAL COUNTY BUDGET (1)**
**Net Appropriation: By Fund and Function**
**(In thousands)**

| Function | General Fund | Hospital Enterprise Fund | Total General County |
|---|---|---|---|
| **REQUIREMENTS** | | | |
| General | | | |
| General Government | $ 1,033,106.0 | $ - | $ 1,033,106.0 |
| General Services | 906,359.0 | - | 906,359.0 |
| Public Buildings | 772,056.0 | - | 772,056.0 |
| Total General | $ 2,711,521.0 | $ - | $ 2,711,521.0 |
| Public Protection | | | |
| Justice | $ 5,092,924.0 | $ - | $ 5,092,924.0 |
| Other Public Protection | 206,623.0 | - | 206,623.0 |
| Total Public Protection | $ 5,299,547.0 | $ - | $ 5,299,547.0 |
| Health and Sanitation | $ 3,321,830.0 | $ 3,151,363.0 | $ 6,473,193.0 |
| Public Assistance | 6,253,762.0 | - | 6,253,762.0 |
| Recreation and Cultural Services | 302,332.0 | - | 302,332.0 |
| Insurance and Loss Reserve | 67,360.0 | - | 67,360.0 |
| Provision for Obligated Fund Balance | - | - | - |
| Appropriation for Contingency | 11,594.0 | - | 11,594.0 |
| **Total Requirements** | **$ 17,967,946.0** | **$ 3,151,363.0** | **$ 21,119,309.0** |
| **AVAILABLE FUNDS** | | | |
| Property Taxes | $ 4,679,006.0 | $ - | $ 4,679,006.0 |
| Fund Balance | 1,319,284.0 | - | 1,319,284.0 |
| Cancel Provision for Obligated Fund Balance | 12,131.0 | 184,940.0 | 197,071.0 |
| Intergovernmental Revenues | | | |
| State Revenues | | | |
| In-Lieu Taxes | $ 336,372.0 | $ - | $ 336,372.0 |
| Homeowners' Exemption | 19,000.0 | - | 19,000.0 |
| Public Assistance Subventions | 1,048,367.0 | - | 1,048,367.0 |
| Other Public Assistance | 1,836,970.0 | - | 1,836,970.0 |
| Public Protection | 1,217,569.0 | - | 1,217,569.0 |
| Health and Mental Health | 974,299.0 | 43,837.0 | 1,018,136.0 |
| Capital Projects | 102,940.0 | - | 102,940.0 |
| Other State Revenues | 29,230.0 | - | 29,230.0 |
| Total State Revenues | 5,564,747.0 | 43,837.0 | 5,608,584.0 |
| Federal Revenues | | | |
| Public Assistance Subventions | $ 2,555,379.0 | $ 24,373.0 | $ 2,579,752.0 |
| Other Public Assistance | 214,410.0 | - | 214,410.0 |
| Public Protection | 147,459.0 | - | 147,459.0 |
| Health and Mental Health | 929,866.0 | 312,758.0 | 1,242,624.0 |
| Capital Projects | 1,149.0 | - | 1,149.0 |
| Other Federal Revenues | 40,339.0 | - | 40,339.0 |
| Total Federal Revenues | $ 3,888,602.0 | $ 337,131.0 | $ 4,225,733.0 |
| Other Governmental Agencies | 22,150.0 | - | 22,150.0 |
| Total Intergovenmental Revenues | $ 9,475,499.0 | $ 380,968.0 | $ 9,856,467.0 |
| Fines, Forfeitures and Penalties | 216,010.0 | 275.0 | 216,285.0 |
| Licenses, Permits and Franchises | 53,627.0 | 126.0 | 53,753.0 |
| Charges for Services | 1,667,557.0 | 1,867,062.0 | 3,534,619.0 |
| Other Taxes | 209,479.0 | - | 209,479.0 |
| Use of Money and Property | 133,699.0 | 77.0 | 133,776.0 |
| Miscellaneous Revenues | 201,654.0 | 529,326.0 | 730,980.0 |
| Operating Contribution from General Fund | - | 188,589.0 | 188,589.0 |
| **Total Available Funds** | **$ 17,967,946.0** | **$ 3,151,363.0** | **$ 21,119,309.0** |

(1) Reflects the 2015-16 Recommended Budget General County Budget approved by the Board of Supervisors on April 14, 2015

# FINANCIAL SUMMARY

## PROPERTY TAX RATE, VALUATION AND LEVY

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

## PAYMENT DATES AND LIENS

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

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

## LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2014-15 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $37,114,020,795 which constitutes only 3.24% of the total full cash value for the entire County.

| Taxpayer | Total Tax Levy 2014-15 |
|---|---|
| Southern California Edison Co. | $71,292,071 |
| Douglas Emmett Residential | 42,169,431 |
| Tesoro Refining and Marketing Co. | 30,865,127 |
| Participants in Long Beach Unit | 25,169,150 |
| Universal Studios LLC | 25,023,715 |
| ASN Pasadena LLC | 21,838,594 |
| Chevron USA Inc./Texaco/Unocal | 21,821,952 |
| Southern California Gas Co. | 21,729,934 |
| AT&T/Pacific Bell Telephone Co. | 20,880,492 |
| EQR/ERP Limited | 20,254,696 |
| Verizon/MCI Communications Serv. Inc. | 19,509,417 |
| EXXON/Mobil Oil Corp. | 17,602,415 |
| Phillips 66 | 16,628,041 |
| Prologis/AMB | 15,552,713 |
| Maguire Properties | 15,265,810 |
| Freeport-McMoran Oil & Gas LLC | 13,964,406 |
| OXY/Tidelands Oil/Vintage Production | 12,926,878 |
| Beacon Oil Co./Ultramar/Valero Energy Corp. | 11,287,796 |
| CBS Inc./Paramount Pictures Corp. | 10,794,155 |
| Boeing/Hughes Aircraft/McDonnell Douglas Corp. | 10,739,130 |
| | $445,315,923 |

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

## PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections from Fiscal Years 2010-11 through 2014-15.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2010-11 THROUGH 2014-15

| 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 % |
|---|---|---|---|---|
| 2010-11 | $997,502,481,662 | $2,423,866,268 | $2,369,935,057 | 97.77% |
| 2011-12 | 1,013,260,968,402 | 2,471,700,694 | 2,423,125,703 | 98.03% |
| 2012-13 | 1,035,518,346,306 | 2,534,711,363 | 2,495,317,019 | 98.45% |
| 2013-14 | 1,085,743,685,894 | 2,662,214,197 | 2,623,480,895 | 98.55% |
| 2014-15 | 1,146,946,428,176 | 2,814,475,757 | 2,773,527,158 [3] | 98.55% |

(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 based on FY 2014-15 collections.

## REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012. ABX1 26 bars redevelopment agencies from engaging in new business, provides for their eventual wind down and dissolution, and requires that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2010-11 through 2014-15.

PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2010-11 THROUGH 2014-15

| Fiscal Year | Full Cash Value Increments [1] | Total Tax Allocations [2] |
|---|---|---|
| 2010-11 | $136,964,953,487 | $1,208,208,191 |
| 2011-12 | 137,243,985,288 | 1,187,749,842 |
| 2012-13 | 141,074,221,344 | 1,189,455,554 |
| 2013-14 | 149,910,987,097 | 1,282,940,191 |
| 2014-15 | 159,180,996,812 | 1,022,618,631 [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 former community redevelopment agencies and their successor agencies created under ABX1 26.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid-year changes and Supplemental Roll.
(3) Total CRA Tax Allocations from November 2014 through April 2015.

## 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 revenue follow an uneven pattern, primarily as a result of unpredictable delays in payments from other governmental agencies and the significant amount of secured property tax revenue received close to the December and April due dates for the first and second installments, respectively.

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

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

**2014-15 Tax and Revenue Anticipation Notes**

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 13, 2014, the County issued the 2014-15 TRANs with an aggregate principal amount of $900,000,000 due on June 30, 2015. The 2014-15 TRANs are general obligations of the County attributable to Fiscal Year 2014-15 and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the Treasurer and Tax Collector, the County pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2014-15 for the purpose of repaying the 2014-15 TRANs on the June 30, 2015 maturity date. The deposits to the Repayment Fund will be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2014-15 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

| Deposit Date | Deposit Amount |
|---|---|
| December, 2014 | $315,000,000 |
| January, 2015 | 315,000,000 |
| April, 2015 | 283,462,500 |
| Total | $913,462,500 |

* Includes $900,000,000 of 2014-15 TRANs principal and 1.50% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2010-11.

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

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Estimated 2014-15 |
|---|---|---|---|---|---|
| Property Taxes | $3,733,822 | $3,725,324 | $4,276,875 | $4,337,915 | $4,424,903 |
| Other Taxes | 137,907 | 172,703 | 167,054 | 203,396 | 189,323 |
| Licenses, Permits and Franchises | 56,799 | 58,642 | 61,268 | 65,260 | 52,950 |
| Fines, Forfeitures and Penalties | 242,904 | 218,380 | 226,737 | 212,676 | 199,034 |
| Investment and Rental Income | 123,582 | 111,506 | 107,105 | 104,422 | 110,988 |
| State In-Lieu Taxes | 401,679 | 366,352 | 335,310 | 344,971 | 355,066 |
| State Homeowner Exemptions | 21,616 | 21,505 | 21,101 | 19,715 | 19,244 |
| Charges for Current Services | 1,574,709 | 1,678,238 | 1,546,370 | 1,582,791 | 1,502,436 |
| Other Revenue* | 465,163 | 392,137 | 552,414 | 525,570 | 504,357 |
| TOTAL UNRESTRICTED RECEIPTS | $6,758,181 | $6,744,787 | $7,294,234 | $7,396,716 | $7,358,301 |

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office
* Includes Tobacco Settlement Revenue

**Intrafund and Interfund Borrowing**

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. If the County determines that it is necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each fiscal year and must be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

**Funds Available for Intrafund Borrowing**

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

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

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

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate significantly throughout the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of revenue deposits from the State and the receipt of welfare advances on the last business day of the month.

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

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2013-14 and Fiscal Year 2014-15.

**General Fund Cash Flow Statements**

The Fiscal Year 20134-14 and Fiscal Year 2014-15 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 20134-14, the County had an ending General Fund cash balance of $1.025 billion. In Fiscal Year 2014-15, the County is estimating an ending cash balance in the General Fund of $777 million.

**COUNTY POOLED SURPLUS INVESTMENTS**

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of March 31, 2015, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

| Local Agency | Invested Funds (in Billions) |
|---|---|
| County of Los Angeles and Special Districts | $9.747 |
| Schools and Community Colleges | 12.649 |
| Independent Public Agencies | 2.319 |
| Total | $24.715 |

Of these entities, the discretionary participants accounted for 9.96% 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 June 17, 2014, 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 April 30, 2015, the book value of the Treasury Pool as of March 31, 2015 was approximately $24.715 billion and the corresponding market value was approximately $24.715 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Internal Controls Branch (ICB) operates independently from the Investment Office, and reconciles cash and investments to fund balances on a daily basis. ICB staff also reviews each investment trade for accuracy and compliance with the Board of Supervisor's adopted Investment Policy. On a quarterly basis, the County's external independent auditor (the "External Auditor") reviews the cash and

investment reconciliations for completeness and accuracy, and reviews investment transactions to ensure compliance with the Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of March 31, 2015:

| Type of Investment | % of Pool |
|---|---|
| U.S. Government and Agency Obligations | 51.65 |
| Certificates of Deposit | 13.56 |
| Commercial Paper | 33.41 |
| Bankers Acceptances | 0.00 |
| Municipal Obligations | 0.15 |
| Corporate Notes & Deposit Notes | 1.23 |
| Asset Backed Instruments | 0.00 |
| Repurchase Agreements | 0.00 |
| Other | 0.00 |
| | 100.00 |

The Treasury Pool is highly liquid. As of March 31, 2015, approximately 41.38% of the investments mature within 60 days, with an average of 557 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool did not experience a single investment loss as a result of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages.

**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, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2014, and the unmodified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2014-15 Final Adopted Budget included an available General Fund balance of $1,566,263,000 as of June 30, 2014.

The 2014-15 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

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

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances are recorded as other financing uses at the time they are established, and the County recognizes them as a use of budgetary fund balance. Nonspendable, restricted, committed, and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance from other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary 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 and amounts are collected within the County's availability period.

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

- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 11 to the 2013-14 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period as of the fiscal year end. Under the 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 already been recognized as a component of investment income.

- In conjunction with the implementation of GASB Statement No. 45, the County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, such expenditures are adjusted to recognize the OPEB Agency assets at fiscal year end.

The tables below provide a reconciliation of the General Fund's June 30, 2014 fund balance on a budgetary and GAAP basis, and a summary of the audited Balance Sheets and Statements of Revenues and Expenditures and Changes in Fund Balance from Fiscal Year 2009-10 to Fiscal Year 2013-14.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2014 (in thousands of $)

| | |
|---|---|
| Unassigned Fund Balance - Budgetary Basis | $1,566,263 |
| Adjustments: | |
| Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP | 139,124 |
| Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund | 149,159 |
| Accrual of liabilities for accrued compensated absences not required by GAAP | 57,602 |
| Change in revenue accruals related to encumbrances | (47,611) |
| Deferral of property tax receivables | (71,312) |
| Unamortized balance of sale of tobacco settlement revenue | (241,498) |
| Change in fair value of Investments | (14,366) |
| Reserve for "Rainy Day" Fund | 232,045 |
| Unassigned Fund Balance - GAAP Basis | $1,769,406 |

Source: Los Angeles County Auditor-Controller

**COUNTY OF LOS ANGELES**
**BALANCE SHEET AT JUNE 30, 2010, 2011 2012, 2013 and 2014**
**GENERAL FUND-GAAP BASIS (in thousands of $)**

| | June 30, 2010 | June 30, 2011* | June 30, 2012* | June 30, 2013* | June 30, 2014* |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Pooled Cash and Investments | $1,689,490 | $2,151,267 | $2,010,858 | $1,637,765 | $1,933,794 |
| Other Investments | 5,839 | 16,589 | 11,109 | 5,676 | 4,810 |
| Taxes Receivable | 246,288 | 210,914 | 186,830 | 171,919 | 169,141 |
| Other Receivables | 1,808,478 | 1,763,649 | 1,586,097 | 1,777,034 | 1,996,683 |
| Due from Other Funds | 436,441 | 356,860 | 407,604 | 391,605 | 283,255 |
| Advances to Other Funds | 1,018,161 | 1,063,061 | 703,512 | 754,376 | 885,314 |
| Inventories | 44,279 | 54,145 | 51,616 | 47,375 | 56,790 |
| Total Assets | $5,248,976 | $5,616,485 | $4,957,626 | $4,785,750 | $5,329,787 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $266,916 | $286,597 | $354,119 | $321,509 | $516,410 |
| Accrued Payroll | 286,407 | 289,546 | 303,615 | 309,926 | 331,045 |
| Other Payables | 454,244 | 1,039,126 | 525,438 | 89,852 | 111,019 |
| Due to Other Funds | 501,705 | 464,170 | 390,153 | 461,480 | 158,626 |
| Deferred Revenue** | 346,829 | 382,897 | 346,488 | 302,656 | 0 |
| Advances Payable | 382,476 | 411,508 | 379,847 | 404,975 | 575,567 |
| Third-Party Payor Liability | 14,588 | 20,198 | 16,015 | 15,702 | 26,207 |
| Total Liabilities | $2,253,165 | $2,894,042 | $2,315,675 | $1,906,100 | $1,718,874 |
| **DEFERRED INFLOWS OF RESOURCES**** | | | | | $508,105 |
| **FUND BALANCES** | | | | | |
| Fund Balance (Deficit) | | | | | |
| Reserved | $784,428 | | | | |
| Unreserved | | | | | |
| Designated | 618,899 | | | | |
| Undesignated | 1,592,484 | | | | |
| Total Unreserved | 2,211,383 | | | | |
| Nonspendable | | 259,127 | $259,597 | $253,836 | $272,007 |
| Restricted | | 35,377 | 55,115 | 59,786 | 40,577 |
| Committed | | | 332,255 | 528,865 | 482,740 |
| Assigned | | 763,038 | 405,285 | 376,181 | 538,078 |
| Unassigned | | 1,664,901 | 1,589,699 | 1,660,982 | 1,769,406 |
| Total Fund Balances | 2,995,811 | 2,722,443 | 2,641,951 | 2,879,650 | 3,102,808 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $5,248,976 | $5,616,485 | $4,957,626 | $4,785,750 | $5,329,787 |

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014.

*The County implemented GASB Statement 54 "Fund Balance Reporting and Government Fund Type Definitions" in FY 2010-11. The governmental fund balances are reported in the new required GASB 54 format.

**The County implemented GASB Statement 65 "Items Previously Reported as Assets and Liabilities" in FY 2013-14. As of June 30, 2014, deferred inflows and outflows of resources are reported in the new required GASB 65 format.

**COUNTY OF LOS ANGELES**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**GENERAL FUND-GAAP BASIS FISCAL YEARS 2009-10 THROUGH 2013-14 (in thousands of $)**

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Taxes | $3,864,654 | $3,843,366 | $3,980,409 | $4,267,858 | $4,520,755 |
| Licenses, Permits & Franchises | 49,079 | 56,656 | 57,144 | 61,412 | 59,886 |
| Fines, Forfeitures and Penalties | 258,842 | 244,787 | 217,972 | 222,226 | 207,094 |
| Use of Money and Property | 124,049 | 130,140 | 103,029 | 89,841 | 128,501 |
| Aid from Other Government | 7,337,716 | 7,506,492 | 7,632,814 | 8,182,687 | 8,395,672 |
| Charges for Services | 1,659,224 | 1,641,399 | 1,700,540 | 1,565,937 | 1,743,447 |
| Miscellaneous Revenues | 191,878 | 145,414 | 134,071 | 216,977 | 152,663 |
| TOTAL | $13,485,442 | $13,568,254 | $13,825,979 | $14,606,938 | $15,208,018 |
| **EXPENDITURES** | | | | | |
| General | $859,319 | $883,854 | $983,077 | $979,989 | $998,438 |
| Public Protection | 4,412,935 | 4,401,985 | 4,538,075 | 4,694,982 | 4,843,148 |
| Health and Sanitation | 2,421,615 | 2,476,524 | 2,689,192 | 2,779,870 | 3,204,177 |
| Public Assistance | 5,025,312 | 5,217,560 | 5,108,516 | 5,247,031 | 5,430,398 |
| Recreation and Cultural Services | 247,094 | 263,046 | 255,818 | 272,835 | 282,660 |
| Debt Service | 271,378 | 278,477 | 24,602 | 30,816 | 28,928 |
| Capital Outlay | 2,115 | 32,598 | 20,106 | 8,065 | 2,398 |
| **Total** | $13,239,768 | $13,554,044 | $13,619,386 | $14,013,588 | $14,790,147 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | $245,674 | $14,210 | $206,593 | $593,350 | $417,871 |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Operating Transfers from (to) Other Funds-Net | ($419,756) | ($340,128) | ($306,002) | ($359,171) | ($197,219) |
| Sales of Capital Assets | 960 | 9,027 | 3,789 | 740 | 770 |
| Capital Leases | 2,115 | 43,523 | 15,128 | 2,780 | 1,736 |
| OTHER FINANCING SOURCES (USES)-Net | ($416,681) | ($287,578) | ($287,085) | ($355,651) | ($194,713) |
| Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses | (171,007) | (273,368) | (80,492) | 237,699 | 223,158 |
| Beginning Fund Balance | 3,166,818 | 2,995,811 | 2,722,443 | 2,641,951 | 2,879,650 |
| **Ending Fund Balance** | $2,995,811 | $2,722,443 | $2,641,951 | $2,879,650 | $3,102,808 |

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014.

## COUNTY OF LOS ANGELES BORROWABLE RESOURCES
## FUNDS AVAILABLE FOR INTRAFUND BORROWING

**2013-14: 12 MONTHS ACTUAL**
**2014-15: 10 MONTHS ACTUAL**

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES**
**AVERAGE DAILY BALANCES: Fiscal Year 2013-14**
**FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)**

| | July 2013 | August 2013 | September 2013 | October 2013 | November 2013 | December 2013 |
|---|---|---|---|---|---|---|
| **PROPERTY TAX GROUP** | | | | | | |
| **Tax Collector Trust Fund** | $ 70,645 | $ 39,983 | $ 40,064 | $ 418,772 | $ 1,416,894 | $ 3,546,677 |
| **Auditor Unapportioned Property Tax** | 227,749 | 89,650 | 125,432 | 178,880 | 785,225 | 753,554 |
| **Unsecured Property Tax** | 135,333 | 146,664 | 104,309 | 135,277 | 115,069 | 61,452 |
| **Miscellaneous Fees & Taxes** | 8,180 | 22,222 | 40,519 | 21,010 | 12,354 | 9,685 |
| **State Redemption Fund** | 28,427 | 41,374 | 44,302 | 62,015 | 51,378 | 31,378 |
| **Education Revenue Augmentation** | 4,964 | 24,866 | 14,130 | 0 | 3,468 | 352,968 |
| **State Reimbursement Fund** | 0 | 0 | 0 | 0 | 1,850 | 9,685 |
| **Sales Tax Replacement Fund** | 840 | 5,314 | 16,433 | 18,812 | 19,092 | 20,909 |
| **Vehicle License Fee Replacement Fund** | 5,114 | 32,345 | 100,030 | 114,513 | 116,215 | 127,277 |
| **Property Tax Rebate Fund** | 1,325 | 6,794 | 5,048 | 582 | 1,402 | (693) |
| **Utility User Tax Trust Fund** | 6,508 | 2,550 | 4,311 | 6,570 | 9,762 | 16,637 |
| **Subtotal** | $ 489,085 | $ 411,762 | $ 494,578 | $ 956,431 | $ 2,532,709 | $ 4,929,529 |
| **VARIOUS TRUST GROUP** | | | | | | |
| **Departmental Trust Fund** | $ 453,037 | $ 501,361 | $ 486,764 | $ 479,212 | $ 484,387 | $ 460,742 |
| **Payroll Revolving Fund** | 50,725 | 48,613 | 58,909 | 51,023 | 46,862 | 63,231 |
| **Asset Development Fund** | 42,236 | 42,080 | 42,101 | 42,217 | 42,319 | 42,374 |
| **Productivity Investment Fund** | 3,532 | 3,525 | 3,516 | 4,921 | 6,303 | 6,266 |
| **Motor Vehicle Capital Outlays** | 910 | 910 | 1,002 | 1,035 | 1,035 | 1,028 |
| **Civic Center Parking** | 103 | (6) | 174 | 140 | 82 | 68 |
| **Reporters Salary Fund** | 278 | 488 | 401 | 462 | 372 | 524 |
| **Cable TV Franchise Fund** | 12,426 | 11,304 | 11,719 | 11,856 | 11,771 | 12,262 |
| **Megaflex Long-Term Disability** | 17,291 | 17,178 | 16,999 | 16,809 | 16,637 | 16,440 |
| **Megaflex Long-Term Disability & Health** | 7,693 | 7,740 | 7,814 | 7,887 | 7,955 | 8,037 |
| **Megaflex Short-Term Disability** | 34,493 | 34,798 | 35,165 | 35,366 | 35,658 | 36,109 |
| **Subtotal** | $ 622,724 | $ 667,991 | $ 664,564 | $ 650,928 | $ 653,381 | $ 647,081 |
| **HOSPITAL GROUP** | | | | | | |
| **Harbor-UCLA Medical Center** | $ (437) | $ 2,473 | $ 787 | $ 6,595 | $ (1,432) | $ 713 |
| **Olive View-UCLA Medical Center** | 2,798 | 739 | 691 | 7,227 | (442) | 791 |
| **LAC+USC Medical Center** | (19,765) | 2,077 | 1,612 | 10,466 | 820 | 2,236 |
| **MLK Ambulatory Care Center** | 452 | 454 | 454 | 454 | 454 | 454 |
| **Rancho Los Amigos Rehab Center** | (3,915) | (481) | 472 | 5,292 | 26 | 1,441 |
| **LAC+USC Medical Center Equipment** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | $ (20,867) | $ 5,262 | $ 4,016 | $ 30,034 | $ (574) | $ 5,635 |
| **GRAND TOTAL** | **$ 1,090,942** | **$ 1,085,015** | **$ 1,163,158** | **$ 1,637,393** | **$ 3,185,516** | **$ 5,582,245** |

**Detail may not add due to rounding.**

Source: Los Angeles County Auditor-Controller

| January 2014 | February 2014 | March 2014 | April 2014 | May 2014 | June 2014 | |
|---|---|---|---|---|---|---|
| | | | | | | **PROPERTY TAX GROUP** |
| $ 764,399 | $ 448,356 | $ 619,297 | $ 2,355,863 | $ 977,193 | $ 107,787 | **Tax Collector Trust Fund** |
| 1,010,774 | 755,277 | 605,574 | 1,006,019 | 390,317 | 130,038 | **Auditor Unapportioned Property Tax** |
| 54,018 | 51,531 | 49,196 | 46,604 | 66,836 | 88,531 | **Unsecured Property Tax** |
| 9,700 | 8,958 | 8,709 | 8,313 | 7,927 | 7,962 | **Miscellaneous Fees & Taxes** |
| 25,862 | 29,801 | 22,127 | 28,790 | 22,253 | 20,380 | **State Redemption Fund** |
| 337,070 | 102,465 | 90,314 | 337,174 | 75,816 | 160,555 | **Education Revenue Augmentation** |
| 17,462 | 1,180 | 1,180 | 2,259 | 21,018 | 8,563 | **State Reimbursement Fund** |
| 38,237 | 2,589 | 16,001 | 23,786 | 77,474 | 0 | **Sales Tax Replacement Fund** |
| 295,110 | 123,211 | 198,050 | 239,818 | 484,395 | 0 | **Vehicle License Fee Replacement Fund** |
| 403 | 1,354 | 1,030 | (1,469) | 5,336 | 4,969 | **Property Tax Rebate Fund** |
| 21,889 | 7,222 | 10,216 | 9,454 | 7,261 | 9,231 | **Utility User Tax Trust Fund** |
| $ 2,574,924 | $ 1,531,944 | $ 1,621,694 | $ 4,056,611 | $ 2,135,826 | $ 538,016 | **Subtotal** |
| | | | | | | **VARIOUS TRUST GROUP** |
| $ 476,175 | $ 456,370 | $ 559,710 | $ 668,625 | $ 550,281 | $ 537,272 | **Departmental Trust Fund** |
| 51,228 | 53,760 | 58,033 | 46,438 | 46,414 | 53,454 | **Payroll Revolving Fund** |
| 42,391 | 42,423 | 42,816 | 42,983 | 43,002 | 43,122 | **Asset Development Fund** |
| 6,194 | 5,848 | 5,632 | 5,465 | 5,218 | 5,024 | **Productivity Investment Fund** |
| 971 | 958 | 958 | 929 | 932 | 933 | **Motor Vehicle Capital Outlays** |
| 253 | 239 | 73 | 319 | 239 | 143 | **Civic Center Parking** |
| 451 | 461 | 393 | 419 | 559 | 413 | **Reporters Salary Fund** |
| 12,314 | 12,078 | 12,597 | 12,617 | 12,285 | 12,796 | **Cable TV Franchise Fund** |
| 16,363 | 16,310 | 16,152 | 15,922 | 15,730 | 15,652 | **Megaflex Long-Term Disability** |
| 8,109 | 8,123 | 8,192 | 8,267 | 8,324 | 8,410 | **Megaflex Long-Term Disability & Health** |
| 36,325 | 36,663 | 37,097 | 37,542 | 37,841 | 38,302 | **Megaflex Short-Term Disability** |
| $ 650,774 | $ 633,233 | $ 741,653 | $ 839,526 | $ 720,825 | $ 715,521 | **Subtotal** |
| | | | | | | **HOSPITAL GROUP** |
| $ 1,149 | $ (1,366) | $ (1,796) | $ 2,477 | $ (6) | $ 554 | **Harbor-UCLA Medical Center** |
| 1,940 | 323 | 1,622 | 2,217 | 331 | (464) | **Olive View-UCLA Medical Center** |
| (3,802) | 1,479 | (4,937) | 1,585 | 4,726 | 6,289 | **LAC + USC Medical Center** |
| 454 | 455 | 456 | 456 | 454 | 453 | **MLK Ambulatory Care Center** |
| 333 | (1,656) | 492 | 962 | 920 | 1,947 | **Rancho Los Amigos Rehab Center** |
| 0 | 0 | 0 | 0 | 0 | 0 | **LAC+USC Medical Center Equipment** |
| $ 74 | $ (765) | $ (4,163) | $ 7,697 | $ 6,425 | $ 8,779 | **Subtotal** |
| **$ 3,225,772** | **$ 2,164,412** | **$ 2,359,184** | **$ 4,903,834** | **$ 2,863,076** | **$ 1,262,316** | **GRAND TOTAL** |

**COUNTY OF LOS ANGELES BORROWABLE RESOURCES**
**AVERAGE DAILY BALANCES: Fiscal Year 2014-15**
**FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)**

| | July 2014 | August 2014 | September 2014 | October 2014 | November 2014 | December 2014 |
|---|---|---|---|---|---|---|
| **PROPERTY TAX GROUP** | | | | | | |
| **Tax Collector Trust Fund** | $ 82,785 | $ 61,674 | $ 54,634 | $ 522,524 | $ 1,309,694 | $ 2,614,653 |
| **Auditor Unapportioned Property Tax** | 175,528 | 81,191 | 99,379 | 151,115 | 944,396 | 1,724,574 |
| **Unsecured Property Tax** | 125,354 | 126,980 | 131,810 | 155,178 | 124,293 | 73,563 |
| **Miscellaneous Fees & Taxes** | 8,065 | 7,790 | 7,455 | 6,455 | 6,420 | 6,287 |
| **State Redemption Fund** | 37,442 | 70,308 | 49,316 | 55,960 | 43,389 | 23,851 |
| **Education Revenue Augmentation** | 162,659 | 168,222 | 142,225 | 142,225 | 159,499 | 555,922 |
| **State Reimbursement Fund** | 0 | 0 | 0 | 0 | 2,265 | 9,052 |
| **Sales Tax Replacement Fund** | 93 | 4,798 | 17,660 | 17,660 | 17,660 | 19,949 |
| **Vehicle License Fee Replacement Fund** | 501 | 25,739 | 94,741 | 94,741 | 94,741 | 107,019 |
| **Property Tax Rebate Fund** | 545 | 915 | 1,060 | 1,016 | 5,085 | 3,971 |
| **Utility User Tax Trust Fund** | 1,484 | 3,757 | 6,735 | 12,439 | 17,194 | 21,796 |
| **Subtotal** | $ 594,456 | $ 551,374 | $ 605,015 | $ 1,159,313 | $ 2,724,636 | $ 5,160,637 |
| **VARIOUS TRUST GROUP** | | | | | | |
| **Departmental Trust Fund** | $ 554,127 | $ 514,454 | $ 490,506 | $ 510,278 | $ 512,868 | $ 518,825 |
| **Payroll Revolving Fund** | 48,464 | 49,721 | 49,450 | 47,916 | 46,736 | 49,949 |
| **Asset Development Fund** | 43,251 | 43,236 | 43,254 | 43,281 | 43,294 | 43,446 |
| **Productivity Investment Fund** | 4,385 | 4,213 | 4,196 | 5,949 | 6,333 | 6,408 |
| **Motor Vehicle Capital Outlays** | 1,074 | 6,016 | 6,027 | 5,982 | 5,930 | 5,930 |
| **Civic Center Parking** | 56 | 249 | 216 | 155 | 47 | 255 |
| **Reporters Salary Fund** | 437 | 257 | 604 | 305 | 125 | 535 |
| **Cable TV Franchise Fund** | 12,554 | 12,250 | 12,744 | 12,911 | 12,768 | 13,186 |
| **Megaflex Long-Term Disability** | 15,436 | 15,302 | 15,110 | 14,844 | 14,637 | 14,580 |
| **Megaflex Long-Term Disability & Health** | 8,460 | 8,511 | 8,584 | 8,645 | 8,699 | 8,769 |
| **Megaflex Short-Term Disability** | 38,580 | 38,909 | 39,176 | 39,466 | 39,884 | 40,313 |
| **Subtotal** | $ 726,824 | $ 693,118 | $ 669,867 | $ 689,732 | $ 691,321 | $ 702,196 |
| **HOSPITAL GROUP** | | | | | | |
| **Harbor-UCLA Medical Center** | $ 482 | $ 7,757 | $ 978 | 2,416 | $ 2,010 | $ 653 |
| **Olive View-UCLA Medical Center** | (1,026) | 4,753 | 1,820 | 447 | 2,479 | 849 |
| **LAC+USC Medical Center** | (13,221) | 16,881 | 5,869 | (3,066) | 7,621 | 5,010 |
| **MLK Ambulatory Care Center** | 453 | 452 | 453 | 453 | 452 | 452 |
| **Rancho Los Amigos Rehab Center** | 129 | (312) | 742 | 438 | 293 | (306) |
| **LAC+USC Medical Center Equipment** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Subtotal** | $ (13,183) | $ 29,531 | $ 9,862 | $ 688 | $ 12,855 | $ 6,658 |
| **GRAND TOTAL** | **$ 1,308,097** | **$ 1,274,023** | **$ 1,284,744** | **$ 1,849,733** | **$ 3,428,812** | **$ 5,869,491** |

**Detail may not add due to rounding.**

Source: Los Angeles County Auditor-Controller

| January 2015 | February 2015 | March 2015 | April 2015 | Estimated May 2015 | Estimated June 2015 | |
|---|---|---|---|---|---|---|
| | | | | | | **PROPERTY TAX GROUP** |
| $ 797,754 | $ 485,268 | $ 702,363 | $ 2,437,989 | $ 933,184 | $ 171,422 | **Tax Collector Trust Fund** |
| 1,220,545 | 815,557 | 602,181 | 1,413,848 | 656,934 | 178,138 | **Auditor Unapportioned Property Tax** |
| 62,588 | 63,165 | 55,450 | 47,658 | 90,115 | 122,095 | **Unsecured Property Tax** |
| 6,295 | 6,249 | 6,278 | 6,336 | 9,198 | 8,868 | **Miscellaneous Fees & Taxes** |
| 27,263 | 26,506 | 22,668 | 24,261 | 32,997 | 24,065 | **State Redemption Fund** |
| 376,436 | 244,042 | 213,066 | 472,760 | 75,816 | 160,555 | **Education Revenue Augmentation** |
| 20,065 | 1,109 | 1,109 | 2,166 | 27,875 | 10,724 | **State Reimbursement Fund** |
| 81,132 | 19,768 | 37,033 | 39,454 | 77,474 | 0 | **Sales Tax Replacement Fund** |
| 455,995 | 105,755 | 204,300 | 218,117 | 547,062 | 0 | **Vehicle License Fee Replacement Fund** |
| 9,784 | 9,716 | 6,450 | 9,458 | 0 | 0 | **Property Tax Rebate Fund** |
| 26,938 | 33,672 | 14,099 | 2,852 | 7,261 | 11,403 | **Utility User Tax Trust Fund** |
| $ 3,084,795 | $ 1,810,807 | $ 1,864,997 | $ 4,674,899 | $ 2,457,916 | $ 687,270 | **Subtotal** |
| | | | | | | **VARIOUS TRUST GROUP** |
| $ 523,483 | $ 512,255 | $ 522,276 | $ 540,877 | $ 550,281 | $ 537,272 | **Departmental Trust Fund** |
| 46,349 | 61,240 | 62,729 | 45,329 | 59,703 | 49,577 | **Payroll Revolving Fund** |
| 43,611 | 43,693 | 43,814 | 43,962 | 43,814 | 43,814 | **Asset Development Fund** |
| 6,418 | 6,479 | 6,154 | 5,808 | 6,154 | 6,154 | **Productivity Investment Fund** |
| 5,930 | 5,921 | 5,882 | 5,904 | 5,882 | 5,882 | **Motor Vehicle Capital Outlays** |
| 136 | 103 | 115 | 132 | 239 | 143 | **Civic Center Parking** |
| 342 | 345 | 568 | 533 | 559 | 413 | **Reporters Salary Fund** |
| 13,200 | 12,778 | 13,146 | 13,115 | 13,146 | 13,146 | **Cable TV Franchise Fund** |
| 14,494 | 14,466 | 14,320 | 14,277 | 14,320 | 14,320 | **Megaflex Long-Term Disability** |
| 8,851 | 8,894 | 8,948 | 8,999 | 8,948 | 8,948 | **Megaflex Long-Term Disability & Health** |
| 40,579 | 41,013 | 41,644 | 42,110 | 41,644 | 41,644 | **Megaflex Short-Term Disability** |
| $ 703,393 | $ 707,187 | $ 719,596 | $ 721,046 | $ 744,690 | $ 721,313 | **Subtotal** |
| | | | | | | **HOSPITAL GROUP** |
| $ 3,116 | $ 1,924 | $ (42) | $ 735 | $ 1,000 | $ 1,000 | **Harbor-UCLA Medical Center** |
| 4,729 | 2,071 | 869 | 2,224 | 1,000 | 1,000 | **Olive View-UCLA Medical Center** |
| (2,825) | 4,503 | 1,351 | (8,347) | 1,000 | 1,000 | **LAC + USC Medical Center** |
| 454 | 452 | 430 | 429 | 1,000 | 1,000 | **MLK Ambulatory Care Center** |
| 687 | (147) | 240 | 1,753 | 1,000 | 1,000 | **Rancho Los Amigos Rehab Center** |
| 0 | 0 | 0 | 0 | 1,000 | 1,000 | **LAC+USC Medical Center Equipment** |
| $ 6,161 | $ 8,803 | $ 2,848 | $ (3,206) | $ 6,000 | $ 6,000 | **Subtotal** |
| **$ 3,794,349** | **$ 2,526,797** | **$ 2,587,441** | **$ 5,392,739** | **$ 3,208,606** | **$ 1,414,583** | **GRAND TOTAL** |

COUNTY OF LOS ANGELES

CALIFORNIA

# COUNTY OF LOS ANGELES
# GENERAL FUND CASH FLOW STATEMENTS

## 2013-14: 12 MONTHS ACTUAL
## 2014-15: 10 MONTHS ACTUAL

**COUNTY OF LOS ANGELES**
**GENERAL FUND CASH FLOW ANALYSIS**
**FISCAL YEAR 2013-14**
**(in thousands of $)**

| | July 2013 | August 2013 | September 2013 | October 2013 | November 2013 |
|---|---|---|---|---|---|
| **BEGINNING BALANCE** | $ 892,775 | $ 1,194,935 | $ 844,344 | $ 177,920 | $ 43,694 |
| **RECEIPTS** | | | | | |
| Property Taxes | $ 42,705 | $ 94,531 | 0 | 1,388 | $ 44,241 |
| Other Taxes | 24,634 | 18,209 | 10,430 | 14,530 | 14,301 |
| Licenses, Permits & Franchises | 2,798 | 6,990 | 2,470 | 4,437 | 2,570 |
| Fines, Forfeitures & Penalties | 27,025 | 20,777 | 11,076 | 12,229 | 19,020 |
| Investment and Rental Income | 12,178 | 10,686 | 8,866 | 9,142 | 6,577 |
| Motor Vehicle (VLF) Realignment | 0 | 32,485 | 43,606 | 31,384 | 47,412 |
| Sales Taxes - Proposition 172 | 60,221 | 55,156 | 47,519 | 56,790 | 61,134 |
| 1991 Program Realignment | 63,415 | 12,899 | 50,408 | 59,249 | 121,794 |
| Other Intergovernmental Revenue | 116,189 | 218,021 | 166,129 | 220,412 | 154,995 |
| Charges for Current Services | 96,918 | 212,745 | 45,880 | 159,706 | 114,498 |
| Other Revenue & Tobacco Settlement | 79,743 | 51,601 | 24,459 | 53,587 | 26,076 |
| Transfers & Reimbursements | 11,555 | 467 | 1,836 | 22,934 | 18,282 |
| Hospital Loan Repayment* | 0 | 102,151 | 28,709 | 414,368 | 265,572 |
| Welfare Advances | 329,984 | 222,520 | 459,965 | 506,583 | 291,480 |
| Other Financing Sources/MHSA | 27,204 | 43,212 | 474 | $ 15,929 | 60,185 |
| Intrafund Borrowings | 0 | 0 | 0 | 0 | 0 |
| TRANs Sold | 1,000,000 | 0 | 0 | 0 | 0 |
| Total Receipts | $ 1,894,569 | $ 1,102,450 | $ 901,827 | $ 1,582,668 | $ 1,248,137 |
| **DISBURSEMENTS** | | | | | |
| Welfare Warrants | $ 185,465 | $ 245,877 | $ 188,577 | $ 219,486 | $ 211,736 |
| Salaries | 397,338 | 390,413 | 385,469 | 384,592 | 388,683 |
| Employee Benefits | 230,931 | 238,344 | 201,020 | 246,389 | 244,276 |
| Vendor Payments | 526,994 | 316,558 | 349,165 | 372,656 | 295,313 |
| Loans to Hospitals* | 0 | 0 | 297,730 | 403,058 | 315,506 |
| Hospital Subsidy Payments | 201,867 | 211,864 | 140,245 | 9,216 | (162,342) |
| Transfer Payments | 49,814 | 49,985 | 6,045 | 81,497 | 15,475 |
| TRANs Pledge Transfer | 0 | 0 | 0 | 0 | 0 |
| Intrafund Repayment | 0 | 0 | 0 | $ - | 0 |
| Total Disbursements | $ 1,592,409 | $ 1,453,041 | $ 1,568,251 | $ 1,716,894 | $ 1,308,647 |
| **ENDING BALANCE** | **$ 1,194,935** | **$ 844,344** | **$ 177,920** | **$ 43,694** | **$ (16,816)** |
| Borrowable Resources (Avg. Balance) | $ 1,090,942 | $ 1,085,015 | $ 1,163,158 | $ 1,637,393 | $ 3,185,516 |
| **Total Cash Available** | $ 2,285,877 | $ 1,929,359 | $ 1,341,078 | $ 1,681,087 | $ 3,168,700 |

* The net change in the outstanding Hospital Loan Balance is an increase of $251 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

| December 2013 | January 2014 | February 2014 | March 2014 | April 2014 | May 2014 | June 2014 | Total 2013-14 |
|---|---|---|---|---|---|---|---|
| $ (16,816) | $ 358,844 | $ 797,772 | $ 689,240 | $ (6,076) | $ 396,747 | $ 1,074,220 | |
| | | | | | | | |
| $ 1,044,377 | $ 1,004,008 | $ 194,235 | $ 11,826 | $ 757,203 | $ 968,390 | $ 175,011 | $ 4,337,915 |
| 10,198 | 11,049 | 31,542 | 8,054 | 24,030 | 12,675 | 23,744 | 203,396 |
| 3,951 | 2,632 | 10,112 | 5,885 | 7,068 | 12,974 | 3,373 | 65,260 |
| 11,257 | 11,177 | 27,640 | 16,801 | 13,462 | 29,970 | 12,242 | 212,676 |
| 6,492 | 10,207 | 8,205 | 6,617 | 7,441 | 9,268 | 8,743 | 104,422 |
| 24,809 | 25,311 | 27,297 | 30,629 | 30,979 | 29,853 | 21,206 | 344,971 |
| 51,498 | 50,915 | 73,037 | 48,393 | 46,845 | 65,344 | 52,481 | 669,333 |
| 55,879 | 45,938 | 66,923 | 37,739 | 36,190 | 56,222 | 42,231 | 648,887 |
| 266,245 | 225,840 | 189,730 | 170,266 | 223,370 | 170,651 | 142,362 | 2,264,210 |
| 129,125 | 142,290 | 121,664 | 124,423 | 104,106 | 132,634 | 198,802 | 1,582,791 |
| 24,191 | 36,672 | 36,434 | 29,574 | 88,157 | 37,837 | 53,129 | 541,460 |
| 43,363 | 3,475 | 9,465 | 8,533 | 8,702 | 11,840 | 17,981 | 158,433 |
| 139,496 | 333,068 | 137,663 | 0 | 414,664 | 289,015 | 266,275 | 2,390,981 |
| 421,891 | 366,885 | 362,837 | 274,824 | 458,467 | 301,394 | 422,479 | 4,419,309 |
| 1,579 | 38,430 | 45,916 | - | 60,026 | 22,301 | 22,191 | 337,447 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,000,000 |
| $ 2,234,351 | $ 2,307,897 | $ 1,342,700 | $ 773,564 | $ 2,280,710 | $ 2,150,368 | $ 1,462,250 | $ 19,281,491 |
| | | | | | | | |
| $ 213,680 | $ 215,706 | $ 212,626 | $ 219,445 | $ 221,001 | $ 216,836 | $ 250,233 | $ 2,600,668 |
| 398,620 | 410,549 | 404,087 | 402,616 | 404,295 | 395,784 | 400,887 | 4,763,333 |
| 230,595 | 258,833 | 252,651 | 273,150 | 218,947 | 253,365 | 224,036 | 2,872,537 |
| 434,934 | 357,425 | 294,949 | 359,942 | 366,767 | 368,371 | 390,532 | 4,433,606 |
| 274,611 | 247,142 | 182,493 | 158,827 | 367,382 | 160,345 | 235,298 | 2,642,392 |
| (68,627) | (92) | 0 | 0 | 21,700 | 0 | (2,811) | 351,020 |
| 8,988 | 79,406 | 2,405 | 4,900 | 77,795 | 78,194 | 12,310 | 466,814 |
| 365,890 | 300,000 | 102,021 | 50,000 | 200,000 | 0 | 0 | 1,017,911 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| $ 1,858,691 | $ 1,868,969 | $ 1,451,232 | $ 1,468,880 | $ 1,877,887 | $ 1,472,895 | $ 1,510,485 | $ 19,148,281 |
| **$ 358,844** | **$ 797,772** | **$ 689,240** | **$ (6,076)** | **$ 396,747** | **$ 1,074,220** | **$ 1,025,985** | |
| 5,582,245 | $ 3,225,772 | $ 2,164,412 | $ 2,359,184 | $ 4,903,834 | $ 2,863,076 | $ 1,262,316 | |
| $ 5,941,089 | $ 4,023,544 | $ 2,853,652 | $ 2,353,108 | $ 5,300,581 | $ 3,937,296 | $ 2,288,301 | |

**COUNTY OF LOS ANGELES**
**GENERAL FUND CASH FLOW ANALYSIS**
**FISCAL YEAR 2014-15**
**(in thousands of $)**

| | July 2014 | August 2014 | September 2014 | October 2014 | November 2014 |
|---|---|---|---|---|---|
| **BEGINNING BALANCE** | $ 1,025,985 | $ 1,301,521 | $ 994,697 | $ 563,608 | $ 215,745 |
| **RECEIPTS** | | | | | |
| Property Taxes | $ 27,651 | $ 103,162 | 0 | $ 96 | $ 45,898 |
| Other Taxes | 10,069 | 18,381 | 12,868 | 10,718 | 13,517 |
| Licenses, Permits & Franchises | 2,610 | 3,285 | 4,185 | 3,182 | 2,532 |
| Fines, Forfeitures & Penalties | 20,663 | 21,395 | 10,623 | 12,645 | 18,196 |
| Investment and Rental Income | 14,624 | 9,613 | 8,670 | 11,970 | 7,458 |
| Motor Vehicle (VLF) Realignment | 0 | 34,418 | 55,791 | 25,789 | 38,077 |
| Sales Taxes - Proposition 172 | 66,705 | 55,919 | 45,254 | 61,560 | 78,022 |
| 1991 Program Realignment | 72,036 | 23,628 | 9,198 | 47,389 | 58,241 |
| Other Intergovernmental Revenue | 152,891 | 294,683 | 133,741 | 205,981 | 174,871 |
| Charges for Current Services | 144,728 | 134,476 | 91,504 | 115,466 | 99,988 |
| Other Revenue & Tobacco Settlement | 66,681 | 52,802 | 73,283 | 39,172 | 31,624 |
| Transfers & Reimbursements | 25,849 | 517 | 736 | 36,993 | 11,247 |
| Hospital Loan Repayment* | 45,993 | 260,499 | 145,337 | 203,511 | 187,282 |
| Welfare Advances | 370,897 | 222,153 | 350,312 | 489,894 | 447,018 |
| Other Financing Sources/MHSA | 54,602 | 48,165 | 0 | 19,590 | 30,068 |
| Intrafund Borrowings | 0 | 0 | 0 | 0 | 0 |
| TRANs Sold | 900,000 | 0 | 0 | 0 | 0 |
| Total Receipts | $ 1,975,999 | $ 1,283,096 | $ 941,502 | $ 1,283,956 | $ 1,244,039 |
| **DISBURSEMENTS** | | | | | |
| Welfare Warrants | $ 193,200 | $ 196,633 | $ 246,948 | $ 192,696 | $ 243,472 |
| Salaries | 412,315 | 408,609 | 404,933 | 406,654 | 413,009 |
| Employee Benefits | 264,126 | 255,478 | 226,942 | 261,634 | 264,174 |
| Vendor Payments | 616,481 | 401,673 | 320,690 | 366,879 | 382,576 |
| Loans to Hospitals* | 88,526 | 136,561 | 170,272 | 313,388 | 166,165 |
| Hospital Subsidy Payments | 104,899 | 130,865 | 340 | 9,309 | 0 |
| Transfer Payments | 20,916 | 60,101 | 2,466 | 81,259 | 10,945 |
| TRANs Pledge Transfer | 0 | 0 | 0 | 0 | 0 |
| Intrafund Repayment | 0 | 0 | 0 | 0 | 0 |
| Total Disbursements | $ 1,700,463 | $ 1,589,920 | $ 1,372,591 | $ 1,631,819 | $ 1,480,341 |
| **ENDING BALANCE** | **$ 1,301,521** | **$ 994,697** | **$ 563,608** | **$ 215,745** | **$ (20,557)** |
| Borrowable Resources (Avg. Balance) | $ 1,308,097 | $ 1,274,023 | $ 1,284,744 | $ 1,849,733 | $ 3,428,812 |
| **Total Cash Available** | $ 2,609,618 | $ 2,268,720 | $ 1,848,352 | $ 2,065,478 | $ 3,408,255 |

* The net change in the outstanding Hospital Loan Balance is a decrease of $122.8 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

| December 2014 | January 2015 | February 2015 | March 2015 | April 2015 | Estimated May 2015 | Estimated June 2015 | Total 2014-15 |
|---|---|---|---|---|---|---|---|
| $ (20,557) | $ 231,055 | $ 600,670 | $ 552,198 | $ 335,074 | $ 426,895 | $ 963,139 | |
| | | | | | | | |
| $ 1,103,659 | $ 1,049,118 | $ 202,036 | $ 18,856 | $ 799,010 | $ 946,844 | $ 201,573 | $ 4,497,903 |
| 11,837 | 12,687 | 10,797 | 35,097 | 28,217 | 7,822 | 17,314 | 189,323 |
| 3,204 | 4,090 | 2,552 | 5,638 | 12,773 | 4,434 | 4,465 | 52,950 |
| 10,228 | 10,587 | 21,116 | 16,671 | 12,468 | 31,053 | 13,389 | 199,034 |
| 13,001 | 9,123 | 8,777 | 9,413 | 10,016 | 7,351 | 7,972 | 117,988 |
| 31,482 | 29,730 | 28,025 | 28,541 | 63,863 | 29,853 | 21,336 | 386,905 |
| 53,006 | 53,274 | 77,158 | 43,484 | 48,613 | 66,292 | 52,463 | 701,749 |
| 30,331 | 30,892 | 55,410 | 26,973 | 26,850 | 48,627 | 33,921 | 463,496 |
| 184,144 | 238,352 | 111,392 | 205,291 | 177,227 | 199,195 | 128,520 | 2,206,288 |
| 155,869 | 170,027 | 85,530 | 107,062 | 121,405 | 107,786 | 167,834 | 1,501,675 |
| 72,220 | 7,120 | (8,961) | 46,750 | 105,092 | 39,037 | 45,039 | 569,859 |
| 48,295 | 7,449 | 6,824 | 11,400 | 10,403 | 4,582 | 17,914 | 182,209 |
| 75,489 | 143,308 | 359,454 | 202,662 | 254,788 | 125,680 | 235,430 | 2,239,433 |
| 280,807 | 490,283 | 326,534 | 439,770 | 317,828 | 350,433 | 403,233 | 4,489,162 |
| 31,413 | 12,239 | 14,472 | 23,191 | 20,531 | 29,363 | 30,225 | 313,858 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 900,000 |
| $ 2,104,985 | $ 2,268,279 | $ 1,301,116 | $ 1,220,799 | $ 2,009,084 | $ 1,998,349 | $ 1,380,627 | $ 19,011,831 |
| | | | | | | | |
| $ 217,958 | $ 214,960 | $ 215,406 | $ 217,895 | $ 247,656 | $ 230,123 | $ 251,777 | $ 2,668,724 |
| 422,307 | 436,989 | 429,261 | 417,606 | 429,981 | 413,653 | 416,239 | 5,011,556 |
| 240,428 | 283,219 | 277,427 | 242,609 | 279,313 | 276,966 | 245,382 | 3,117,698 |
| 410,662 | 349,375 | 308,645 | 370,823 | 338,291 | 380,613 | 361,693 | 4,608,401 |
| 236,986 | 210,184 | 110,505 | 167,570 | 202,608 | 75,176 | 238,647 | 2,116,588 |
| 0 | 0 | 0 | (2,163) | 0 | 0 | 0 | 243,250 |
| 10,032 | 88,937 | 8,344 | 23,583 | 135,951 | 85,574 | 52,841 | 580,949 |
| 315,000 | 315,000 | 0 | 0 | 283,463 | 0 | 0 | 913,463 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| $ 1,853,373 | $ 1,898,664 | $ 1,349,588 | $ 1,437,923 | $ 1,917,263 | $ 1,462,105 | $ 1,566,580 | $ 19,260,630 |
| **$ 231,055** | **$ 600,670** | **$ 552,198** | **$ 335,074** | **$ 426,895** | **$ 963,139** | **$ 777,186** | |
| $ 5,869,491 | $ 3,794,349 | $ 2,526,797 | $ 2,587,441 | $ 5,392,739 | $ 3,208,606 | $ 1,414,583 | |
| $ 6,100,546 | $ 4,395,019 | $ 3,078,995 | $ 2,922,515 | $ 5,819,634 | $ 4,171,745 | $ 2,191,769 | |

COUNTY OF LOS ANGELES

CALIFORNIA

# DEBT SUMMARY

## INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

## OUTSTANDING OBLIGATIONS

As of July 1, 2014, approximately $1.576 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $494 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining $1.082 billion of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2014-15.

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

**2014-15 Payments**

| Funding Source | 2014-15 Payment |
|---|---|
| Total 2014-15 Payment Obligations | $177,446,605 |
| Less: Sources of Non-General Fund Entities: | |
| Hospital Enterprise Fund | 69,972,776 |
| Courthouse Construction Funds | 26,513,038 |
| Special Districts/Special Funds | 1,500,740 |
| Net 2014-15 General Fund Obligations | $79,460,051 |

Source: Los Angeles County Auditor-Controller

The principal amount of the County's outstanding intermediate and long-term debt obligations increased to $1.645 billion as of May 1, 2015, which includes debt issuance and repayment activity in Fiscal Year 2014-15. An additional $900 million in TRANs, $37.0 million in Bond Anticipation Notes, and $380.0 million in Lease Revenue Tax-exempt Commercial Paper and Direct Placement Revolving Notes were also outstanding as of May 1, 2015. The following table summarizes the outstanding General County debt and note obligations.

## SUMMARY OF OUTSTANDING PRINCIPAL

**As of May 1, 2015 (in thousands)**

| Type of Obligation | Outstanding Principal |
|---|---|
| Total County | |
| Short-Term Obligations: | |
| Tax and Revenue Anticipation Notes | $900,000 |
| Bond Anticipation Notes | 37,000 |
| Lease Revenue Notes | 380,000 |
| Intermediate & Long-Term Obligations | 1,645,405 |
| Total Outstanding Principal | $2,962,405 |

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

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

## SHORT-TERM OBLIGATIONS

### Tax and Revenue Anticipation Notes

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

Pursuant to a resolution adopted by the Board of Supervisors on May 13, 2014, the County issued $900 million of 2014-15 TRANs on July 1, 2014. The 2014-15 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2014-15, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2014-15 Tax and Revenue Anticipation Notes" of this Appendix A.

### 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, 2015, $37.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2016.

### Lease Revenue Note Program

In April 2013, the County restructured and expanded its Lease Revenue Commercial Paper Program. Under the new Lease Revenue Note Program (the "Note Program"), the County increased the maximum authorized principal amount from $400 million to $600 million. The short-term lease revenue notes issued through the Note Program will continue to finance construction costs on various capital projects throughout the County. The Note Program consists of three Irrevocable, Direct-Pay Letters of Credit ("LOC") in the aggregate principal amount of $450 million issued by JP Morgan (Series A - $150 million), U.S. Bank (Series B - $100 million) and Wells Fargo (Series C - $200 million); and a Direct Placement Revolving Credit Facility with Bank of America (Series D - $150 million). The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of twenty-five County-owned properties pledged as collateral to secure the credit facilities. The four credit agreements, which are scheduled to terminate on April 18, 2016, provide credit enhancement and liquidity facilities to support the issuance of tax-exempt, taxable and 501c(3) eligible commercial paper and short-term direct placement revolving notes. As of May 1, 2015, $380 million of tax-exempt commercial paper and direct placement revolving notes are outstanding. The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion.

## INTERMEDIATE AND LONG-TERM OBLIGATIONS

### Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2014, approximately $1.576 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 Fiscal Year 2014-15 Final Adopted Budget contains sufficient appropriations to fund the County's lease payment obligations in Fiscal Year 2014-15. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

## DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Property Tax Roll") decreased from 0.144% in Fiscal Year 2013-14 to 0.132% in Fiscal Year 2014-15. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Property Tax Roll over the past ten years.

**COUNTY OF LOS ANGELES**
**OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1**

| Fiscal Year | Outstanding Principal | Net Local Property Tax Roll | Debt To Value Ratio |
|---|---|---|---|
| 2005-06 | $2,387,949,433 | $823,746,755,234 | 0.290% |
| 2006-07 | 1,786,504,365 | 913,572,838,291 | 0.196% |
| 2007-08 | 1,441,826,104 | 997,789,741,224 | 0.145% |
| 2008-09 | 1,180,113,183 | 1,067,594,451,410 | 0.111% |
| 2009-10 | 972,937,056 | 1,062,174,404,954 | 0.092% |
| 2010-11 | 805,297,030 | 1,042,339,975,681 | 0.077% |
| 2011-12 | 1,397,467,754 | 1,056,493,252,156 | 0.132% |
| 2012-13 | 1,370,642,758 | 1,079,685,510,076 | 0.127% |
| 2013-14 | 1,622,142,327 | 1,129,994,170,579 | 0.144% |
| 2014-15 | 1,576,510,029 | 1,191,806,972,618 | 0.132% |

Source: Los Angeles County Assessor and Auditor-Controller

## OTHER DEBT OBLIGATIONS

### Tobacco Bonds

On February 8, 2006 the California County Tobacco Securitization Agency (the "Agency"), a Joint Exercise of Powers Authority, issued $319.8 million in Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds") for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the "Corporation"). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County's annual Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement. The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

### DPSS Lease Obligations

Beginning January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate building construction required for the DPSS Facilities, financing was obtained through the sale of Certificates of Participation ("COPs") and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the COPs and Bonds. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations decreased to $252.6 million as of May 1, 2015 due to repayment activity in Fiscal Year 2014-15.

**COUNTY OF LOS ANGELES**
**DEBT SUMMARY TABLES**

**REPORTS AS OF JULY 1, 2014**

**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, 2015**

**SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS**

**ESTIMATED OVERLAPPING DEBT STATEMENT**

**COUNTY OF LOS ANGELES**
**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE**
**AS OF JULY 1, 2014**

| Fiscal Year | General Fund | Hospital Enterprise Fund | Courthouse Construction Fund | Special Districts / Special Funds | Total Annual Debt Service |
|---|---|---|---|---|---|
| 2014-15 | $ 79,460,051 | $ 69,972,776 | $ 26,513,038 | $ 1,500,740 | $ 177,446,605 |
| 2015-16 | 72,315,251 | 72,107,436 | 25,635,249 | 2,775,617 | 172,833,552 |
| 2016-17 | 61,264,107 | 60,406,931 | 21,865,780 | 2,773,553 | 146,310,370 |
| 2017-18 | 56,151,811 | 52,205,857 | 16,975,475 | 2,771,892 | 128,105,035 |
| 2018-19 | 54,348,579 | 50,467,524 | 16,976,475 | 2,772,901 | 124,565,479 |
| 2019-20 | 55,256,836 | 50,471,921 | 16,965,725 | 2,772,114 | 125,466,595 |
| 2020-21 | 55,266,453 | 50,429,239 | 16,957,350 | 2,770,155 | 125,423,196 |
| 2021-22 | 56,251,172 | 50,423,184 | 16,954,300 | 2,772,727 | 126,401,383 |
| 2022-23 | 53,263,521 | 50,420,052 | 16,951,625 | 2,770,179 | 123,405,377 |
| 2023-24 | 30,534,101 | 50,410,165 | 16,943,875 | 2,771,524 | 100,659,665 |
| 2024-25 | 30,525,496 | 50,403,888 | 16,933,500 | 2,772,880 | 100,635,764 |
| 2025-26 | 30,521,622 | 50,395,048 | 16,929,000 | 2,772,804 | 100,618,474 |
| 2026-27 | 30,513,982 | 50,391,691 | 16,918,875 | 2,772,537 | 100,597,085 |
| 2027-28 | 30,428,517 | 50,383,353 | 16,906,750 | 2,771,073 | 100,489,692 |
| 2028-29 | 30,122,362 | 50,371,753 | 16,905,750 | 2,773,632 | 100,173,497 |
| 2029-30 | 29,905,736 | 50,364,260 | 16,893,613 | 2,770,541 | 99,934,149 |
| 2030-31 | 29,895,916 | 50,345,701 | 9,432,600 | 2,770,790 | 92,445,007 |
| 2031-32 | 29,890,532 | 50,341,280 | 9,431,488 | 2,771,350 | 92,434,650 |
| 2032-33 | 29,884,456 | 50,331,926 | 6,918,000 | 2,770,272 | 89,904,654 |
| 2033-34 | 29,873,635 | 50,315,721 | 6,918,750 | 2,772,755 | 89,880,860 |
| 2034-35 | 29,866,297 | 50,309,705 | - | 2,774,794 | 82,950,796 |
| 2035-36 | 29,859,296 | 50,294,766 | - | 2,769,980 | 82,924,043 |
| 2036-37 | 29,852,038 | 50,283,745 | - | 2,774,430 | 82,910,213 |
| 2037-38 | 29,841,344 | 50,278,866 | - | 2,772,883 | 82,893,094 |
| 2038-39 | 29,832,619 | 50,259,691 | - | 2,773,883 | 82,866,194 |
| 2039-40 | 29,824,294 | 50,246,289 | - | 2,773,659 | 82,844,243 |
| 2040-41 | 29,817,185 | 50,237,761 | - | 2,772,601 | 82,827,547 |
| 2041-42 | 9,194,250 | 19,945,100 | - | 2,774,050 | 31,913,400 |
| 2042-43 | 9,198,250 | 19,948,218 | - | 2,774,482 | 31,920,950 |
| 2043-44 | 9,196,875 | - | - | 808,250 | 10,005,125 |
| 2044-45 | 9,194,250 | - | - | 809,750 | 10,004,000 |
| Total | $ 1,189,441,832 | $ 1,515,791,989 | $ 354,251,413 | $ 85,966,913 | $ 3,145,452,145 |

**COUNTY OF LOS ANGELES**
**OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE**
**AS OF JULY 1, 2014**

| Fiscal Year | General Fund | Hospital Enterprise Fund | Courthouse Construction Fund | Special Districts / Special Funds | Total Outstanding Principal |
|---|---|---|---|---|---|
| 2014-15 | $ 494,313,078 | $ 851,598,655 | $ 200,175,469 | $ 30,422,828 | $ 1,576,510,029 |
| 2015-16 | 584,562,610 | 822,959,297 | 183,573,679 | 42,739,931 | 1,633,835,517 |
| 2016-17 | 551,399,430 | 775,945,856 | 180,113,100 | 42,212,308 | 1,549,670,693 |
| 2017-18 | 526,141,095 | 741,266,802 | 178,385,000 | 41,463,167 | 1,487,256,064 |
| 2018-19 | 507,664,063 | 723,352,176 | 170,020,000 | 40,686,165 | 1,441,722,404 |
| 2019-20 | 491,151,443 | 706,347,922 | 161,225,000 | 39,872,265 | 1,398,596,630 |
| 2020-21 | 473,991,942 | 688,476,303 | 151,990,000 | 39,017,435 | 1,353,475,679 |
| 2021-22 | 448,814,023 | 669,817,455 | 142,290,000 | 38,120,777 | 1,299,042,255 |
| 2022-23 | 413,303,559 | 650,368,047 | 132,110,000 | 37,175,498 | 1,232,957,104 |
| 2023-24 | 379,087,302 | 630,069,623 | 121,425,000 | 36,184,357 | 1,166,766,281 |
| 2024-25 | 366,254,815 | 608,863,906 | 110,200,000 | 35,141,008 | 1,120,459,729 |
| 2025-26 | 352,841,357 | 586,643,269 | 98,410,000 | 34,042,763 | 1,071,937,389 |
| 2026-27 | 338,786,235 | 563,319,690 | 86,020,000 | 32,888,277 | 1,021,014,202 |
| 2027-28 | 324,060,089 | 538,830,160 | 73,005,000 | 31,674,859 | 967,570,108 |
| 2028-29 | 308,702,909 | 513,114,829 | 59,335,000 | 30,400,717 | 911,553,455 |
| 2029-30 | 292,901,152 | 486,115,239 | 44,965,000 | 29,058,609 | 853,040,000 |
| 2030-31 | 276,531,720 | 457,762,435 | 29,895,000 | 27,650,845 | 791,840,000 |
| 2031-32 | 259,349,828 | 427,999,539 | 21,735,000 | 26,170,633 | 735,255,000 |
| 2032-33 | 241,310,098 | 396,740,964 | 13,170,000 | 24,613,939 | 675,835,000 |
| 2033-34 | 222,370,124 | 363,916,356 | 6,750,000 | 22,978,519 | 616,015,000 |
| 2034-35 | 202,489,529 | 329,453,785 | - | 21,256,686 | 553,200,000 |
| 2035-36 | 181,610,780 | 293,295,333 | - | 19,448,887 | 494,355,000 |
| 2036-37 | 159,676,347 | 255,401,290 | - | 17,562,363 | 432,640,000 |
| 2037-38 | 136,632,750 | 215,683,273 | - | 15,583,977 | 367,900,000 |
| 2038-39 | 112,486,190 | 174,133,219 | - | 13,515,591 | 300,135,000 |
| 2039-40 | 48,770,222 | 130,747,077 | - | 11,346,826 | 190,864,125 |
| 2040-41 | 60,888,169 | 85,416,324 | - | 9,070,508 | 155,375,000 |
| 2041-42 | 809,750 | 38,047,845 | - | 6,682,155 | 45,539,750 |
| 2042-43 | 25,625,000 | 19,481,371 | - | 4,173,629 | 49,280,000 |
| 2043-44 | 17,505,000 | - | - | 1,540,000 | 19,045,000 |
| 2044-45 | 8,970,000 | - | - | 790,000 | 9,760,000 |

Source: Los Angeles County Chief Executive Office

**COUNTY OF LOS ANGELES**
**COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE**
**AS OF JULY 1, 2014**

| Title | Total Debt Service | General Fund | Hospital Enterprise Fund | Courthouse Construction Fund | Special Districts / Special Funds |
|---|---|---|---|---|---|
| Long-Term Obligations | | | | | |
| Long-Term Capital Projects | | | | | |
| 1993 COPs: Disney Parking Project | $ 14,520,000 | $ 14,520,000 | | | |
| 2002 Lease Rev Bonds Ser B: | | | | | |
| Downey Courhouse | $ 1,058,391 | | | $ 1,058,391 | |
| Sheriffs Training Academy | 873,727 | $ 873,727 | | | |
| San Fernando Court | 1,463,432 | | | 1,463,432 | |
| Total 2002 Lease Rev Bonds Ser B | $ 3,395,550 | $ 873,727 | $ 0 | $ 2,521,823 | $ 0 |
| 2005 Lease Rev Refg Bonds Ser A: | | | | | |
| Music Center Improvements | $ 762,523 | $ 762,523 | | | |
| Burbank Courthouse | 747,895 | | | $ 747,895 | |
| Emergency Operations Center | 1,934,257 | 1,934,257 | | | |
| Harbor/UCLA Medical Center - Primary Care & Diagnostic Center | 1,465,768 | | $ 1,465,768 | | |
| Martin Luther King Medical Center - Trauma Center | 6,136,200 | | 6,136,200 | | |
| Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A | 4,336,223 | | 4,336,223 | | |
| Rancho Los Amigos Medical Center - Parking Structure | 1,618,160 | | 1,618,160 | | |
| San Fernando Valley Juvenile Hall | 960,792 | 960,792 | | | |
| LAC/USC Medical Center Marengo Street Parking Garage | 2,562,376 | | 2,562,376 | | |
| LAX Area Courthouse | 6,830,306 | | | 6,830,306 | |
| San Fernando Valley Courthouse (Chatsworth) | 5,418,870 | | | 5,418,870 | |
| Total 2005 Lease Rev Refg Bonds Ser A | $ 32,773,370 | $ 3,657,572 | $ 16,118,727 | $ 12,997,072 | $ 0 |
| 2005 Lease Revenue Bonds: Calabasas Landfill Project | $ 3,415,709 | $ 3,415,709 | | | |
| 2006 Lease Rev Refg Bonds Ser A: | | | | | |
| East Los Angeles Courthouse | $ 1,196,263 | | | $ 1,196,263 | |
| Lynwood Regional Justice Center | 10,260,925 | $ 10,260,925 | | | |
| Men's Central Jail - Twin Towers | 9,698,100 | 9,698,100 | | | |
| Van Nuys Courthouse | 2,882,175 | | | 2,882,175 | |
| Total 2006 Lease Rev Refg Bonds Ser A | $ 24,037,463 | $ 19,959,025 | $ 0 | $ 4,078,438 | $ 0 |
| 2006 Lease Rev Refg Bonds Ser B: | | | | | |
| Michael D. Antonovich Antelope Valley Courthouse | $ 6,915,706 | | | $ 6,915,706 | |
| 2010 Multiple Capital Projects I, Series A: | | | | | |
| Coroners Expansion/ Refurbishment | $ 732,603 | $ 732,603 | | | |
| Patriotic Hall Renovation | 1,183,022 | 1,183,022 | | | |
| Olive View Medical Center ER/TB Unit | 1,363,151 | | $ 1,363,151 | | |
| Olive View Medical Center Seismic | 561,565 | | 561,565 | | |
| Harbor/UCLA Surgery/ Emergency | 8,542,138 | | 8,542,138 | | |
| Harbor/UCLA Seismic Retrofit | 1,317,234 | | 1,317,234 | | |
| Hall of Justice Rehabilitation | 6,107,374 | 6,107,374 | | | |
| Total 2010 Multiple Capital Projects I, Series A | $ 19,807,087 | $ 8,023,000 | $ 11,784,087 | $ 0 | $ 0 |
| 2010 Multiple Capital Projects I, Federally Taxable Series B: | | | | | |
| Coroners Expansion/ Refurbishment | $ 1,166,023 | $ 1,166,023 | | | |
| Patriotic Hall Renovation | 1,882,916 | 1,882,916 | | | |
| Olive View Medical Center ER/TB Unit | 2,169,611 | | $ 2,169,611 | | |
| Olive View Medical Center Seismic | 893,795 | | 893,795 | | |
| Harbor/UCLA Surgery/ Emergency | 13,595,795 | | 13,595,795 | | |
| Harbor/UCLA Seismic Retrofit | 2,096,529 | | 2,096,529 | | |
| Hall of Justice Rehabilitation | 9,720,589 | 9,720,589 | | | |
| Total 2010 Multiple Capital Projects I, Series B | $ 31,525,258 | $ 12,769,528 | $ 18,755,731 | $ 0 | $ 0 |
| 2011 High Desert Solar Complex (Federally Taxable) | $ 1,593,709 | $ 1,593,709 | | | |
| 2012 Refg COPs: Disney Parking Project | $ 2,533,750 | $ 2,533,750 | | | |
| 2012 Multiple Capital Projects II, Series 2012: | | | | | |
| High Desert Multi-Service Ambulatory Care Center | $ 6,754,564 | | $ 6,754,564 | | |
| Martin Luther King Jr. Multi-Service Ambulatory Care Center | 8,222,508 | | 8,222,508 | | |
| Martin Luther King Jr. Data Center | 261,138 | | 261,138 | | |
| Fire Station 128 | 226,862 | | | | $ 226,862 |
| Fire Station 132 | 366,924 | | | | 366,924 |
| Fire Station 150 | 569,127 | | | ` | 569,127 |
| Fire Station 156 | 337,827 | | | | 337,827 |
| Total 2012 Multiple Capital Projects II, Series 2012 | $ 16,738,950 | $ 0 | $ 15,238,210 | $ 0 | $ 1,500,740 |
| Total Long-Term Obligations | $ 157,256,552 | $ 67,346,019 | $ 61,896,755 | $ 26,513,038 | $ 1,500,740 |
| Intermediate-Term Obligations | | | | | |
| Equipment | | | | | |
| 2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program | $ 10,151,950 | $ 6,091,170 | $ 4,060,780 | | |
| 2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program | $ 10,038,103 | $ 6,022,862 | $ 4,015,241 | | |
| Total Intermediate-Term Obligations | $ 20,190,053 | $ 12,114,032 | $ 8,076,021 | $ 0 | $ 0 |
| Total Obligations | $ 177,446,605 | $ 79,460,051 | $ 69,972,776 | $ 26,513,038 | $ 1,500,740 |

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

**COUNTY OF LOS ANGELES**
**OUTSTANDING PRINCIPAL BY FUNDING SOURCE**
**AS OF JULY 1, 2014**

| Title | Total Outstanding Principal | General Fund | Hospital Enterprise Fund | Courthouse Construction Fund | Special Districts / Special Funds |
|---|---|---|---|---|---|
| Long-Term Obligations | | | | | |
| Long-Term Capital Projects | | | | | |
| 1993 COPs: Disney Parking Project | $ 20,437,430 | $ 20,437,430 | | | |
| 2002 Lease Rev Bonds Ser B: | | | | | |
| Downey Courhouse | $ 2,900,365 | | | $ 2,900,365 | |
| Sheriffs Training Academy | 2,394,318 | $ 2,394,318 | | | |
| San Fernando Court | 4,010,318 | | | 4,010,318 | |
| Total 2002 Lease Rev Bonds Ser B | $ 9,305,000 | $ 2,394,318 | $ 0 | $ 6,910,682 | $ 0 |
| 2005 Lease Rev Refg Bonds Ser A: | | | | | |
| Music Center Improvements | $ 2,374,386 | $ 2,374,386 | | | |
| Burbank Courthouse | 2,336,264 | | | $ 2,336,264 | |
| Emergency Operations Center | 5,167,624 | 5,167,624 | | | |
| Harbor/UCLA Medical Center - Primary Care & Diagnostic Center | 3,915,186 | | $ 3,915,186 | | |
| Martin Luther King Medical Center - Trauma Center | 21,644,846 | | 21,644,846 | | |
| Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A | 13,524,719 | | 13,524,719 | | |
| Rancho Los Amigos Medical Center - Parking Structure | 5,048,277 | | 5,048,277 | | |
| San Fernando Valley Juvenile Hall | 3,390,091 | 3,390,091 | | | |
| LAC/USC Medical Center Marengo Street Parking Garage | 7,995,085 | | 7,995,085 | | |
| LAX Area Courthouse | 52,986,043 | | | 52,986,043 | |
| San Fernando Valley Courthouse (Chatsworth) | 41,962,479 | | | 41,962,479 | |
| Total 2005 Lease Rev Refg Bonds Ser A | $ 160,345,000 | $ 10,932,100 | $ 52,128,113 | $ 97,284,787 | $ 0 |
| 2005 Lease Revenue Bonds: Calabasas Landfill Project | $ 23,875,000 | $ 23,875,000 | | | |
| 2006 Lease Rev Refg Bonds Ser A: | | | | | |
| East Los Angeles Courthouse | $ 2,960,000 | | | $ 2,960,000 | |
| Lynwood Regional Justice Center | 12,980,000 | $ 12,980,000 | | | |
| Men's Central Jail - Twin Towers | 12,310,000 | 12,310,000 | | | |
| Van Nuys Courthouse | 5,200,000 | | | 5,200,000 | |
| Total 2006 Lease Rev Refg Bonds Ser A | $ 33,450,000 | $ 25,290,000 | $ 0 | $ 8,160,000 | $ 0 |
| 2006 Lease Rev Refg Bonds Ser B: | | | | | |
| Michael D. Antonovich Antelope Valley Courthouse | $ 87,820,000 | | | $ 87,820,000 | |
| 2010 Multiple Capital Projects I, Series A: | | | | | |
| Coroners Expansion/ Refurbishment | $ 3,805,955 | $ 3,805,955 | | | |
| Patriotic Hall Renovation | 6,145,932 | 6,145,932 | | | |
| Olive View Medical Center ER/TB Unit | 7,081,718 | | $ 7,081,718 | | |
| Olive View Medical Center Seismic | 2,917,390 | | 2,917,390 | | |
| Harbor/UCLA Surgery/ Emergency | 44,377,348 | | 44,377,348 | | |
| Harbor/UCLA Seismic Retrofit | 6,843,176 | | 6,843,176 | | |
| Hall of Justice Rehabilitation | 31,728,482 | 31,728,482 | | | |
| Total 2010 Multiple Capital Projects I, Series A | $ 102,900,000 | $ 41,680,368 | $ 61,219,632 | $ 0 | $ 0 |
| 2010 Multiple Capital Projects I, Series B: | | | | | |
| Coroners Expansion/ Refurbishment | $ 25,447,194 | $ 25,447,194 | | | |
| Patriotic Hall Renovation | 41,092,631 | 41,092,631 | | | |
| Olive View Medical Center ER/TB Unit | 47,349,441 | | $ 47,349,441 | | |
| Olive View Medical Center Seismic | 19,506,113 | | 19,506,113 | | |
| Harbor/UCLA Surgery/ Emergency | 296,713,674 | | 296,713,674 | | |
| Harbor/UCLA Seismic Retrofit | 45,754,510 | | 45,754,510 | | |
| Hall of Justice Rehabilitation | 212,141,438 | 212,141,438 | | | |
| Total 2010 Multiple Capital Projects I, Series B | $ 688,005,000 | $ 278,681,262 | $ 409,323,738 | $ 0 | $ 0 |
| 2011 High Desert Solar Complex (Federally Taxable) | $ 10,317,599 | $ 10,317,599 | | | |
| 2012 Refg COPs: Disney Parking Project | $ 50,675,000 | $ 50,675,000 | | | |
| 2012 Multiple Capital Projects II, Series 2012: | | | | | |
| High Desert Multi-Service Ambulatory Care Center | $ 136,927,718 | | $ 136,927,718 | | |
| Martin Luther King Jr. Multi-Service Ambulatory Care Center | 166,685,702 | | 166,685,702 | | |
| Martin Luther King Jr. Data Center | 5,293,752 | | 5,293,752 | | |
| Fire Station 128 | 4,598,916 | | | | $ 4,598,916 |
| Fire Station 132 | 7,438,246 | | | | 7,438,246 |
| Fire Station 150 | 11,537,280 | | | | 11,537,280 |
| Fire Station 156 | 6,848,385 | | | | 6,848,385 |
| Total 2012 Multiple Capital Projects II, Series 2012 | $ 339,330,000 | $ 0 | $ 308,907,172 | $ 0 | $ 30,422,828 |
| Total Long-Term Obligations | $ 1,526,460,029 | $ 464,283,078 | $ 831,578,655 | $ 200,175,469 | $ 30,422,828 |
| Intermediate-Term Obligations | | | | | |
| Equipment | | | | | |
| 2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program | $ 20,250,000 | $ 12,150,000 | $ 8,100,000 | | |
| 2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program | $ 29,800,000 | $ 17,880,000 | $ 11,920,000 | | |
| Total Intermediate-Term Obligations | $ 50,050,000 | $ 30,030,000 | $ 20,020,000 | $ 0 | $ 0 |
| Total Obligations | $ 1,576,510,029 | $ 494,313,078 | $ 851,598,655 | $ 200,175,469 | $ 30,422,828 |

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

**COUNTY OF LOS ANGELES**
**SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS**
**AS OF MAY 1, 2015**

| Title | Outstanding Principal | Total Future Payments | 2014-15 FY Payment Remaining |
|---|---|---|---|
| **Long-Term Obligations** | | | |
| Long-Term Capital Projects | | | |
| 1993 COPs: Disney Parking Project | $ 17,095,289 | $ 93,495,000 | $ 0 |
| 2002 Lease Rev Bonds Series B - 2002 Master Refunding Project | 6,380,000 | 6,959,900 | 191,400 |
| 2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project | 134,760,000 | 185,492,795 | 3,279,993 |
| 2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project | 23,875,000 | 28,780,071 | 2,870,354 |
| 2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project | 10,365,000 | 10,609,081 | 0 |
| 2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project | 85,100,000 | 131,454,684 | 0 |
| 2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I | 87,695,000 | 98,897,706 | 0 |
| 2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable) | 688,005,000 | 1,230,550,193 (1) | 0 |
| 2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable) | 8,825,228 | 9,365,841 (1) | 0 |
| 2012 Refg COPs: Disney Parking Project | 50,675,000 | 68,431,750 | 0 |
| 2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012 | 338,740,000 | 613,552,300 | 0 |
| 2015 Multiple Capital Projects, Series A | 153,215,000 | 300,161,506 | 0 |
| Total Long-Term Obligations | $ 1,604,730,517 | $ 2,777,750,829 | $ 6,341,747 |
| **Intermediate-Term Obligations** | | | |
| Equipment | | | |
| 2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program | $ 15,565,000 | $ 16,471,375.00 | $ 4,984,125 |
| 2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program | 25,110,000 | 26,379,675 | 5,003,400 |
| Total Intermediate-Term Obligations | $ 40,675,000 | $ 42,851,050 | $ 9,987,525 |
| Total Obligations | $ 1,645,405,517 | $ 2,820,601,879 | $ 16,329,272 |

COPs = Certificates of Participation

(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.

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

**COUNTY OF LOS ANGELES**
**ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2015**
2014-15 Assessed Valuation: $1,215,596,526,145: (includes unitary valuation)

| | Applicable % | Debt as of 5/1/15 |
|---|---|---|
| **DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT** | | |
| Los Angeles County Flood Control District | 100.000 % | $ 15,105,000 |
| Metropolitan Water District | 48.232 | 53,257,774 |
| Los Angeles Community College District | 100.000 | 3,929,135,000 |
| Other Community College Districts | Various (1) | 2,636,786,457 |
| Arcadia Unified School District | 100.000 | 190,428,896 |
| Beverly Hills Unified School District | 100.000 | 194,220,855 |
| Glendale Unified School District | 100.000 | 222,759,986 |
| Long Beach Unified School District | 100.000 | 781,405,702 |
| Los Angeles Unified School District | 100.000 | 10,348,740,000 |
| Pasadena Unified School District | 100.000 | 336,555,000 |
| Pomona Unified School District | 100.000 | 233,126,050 |
| Redondo Beach Unified School District | 100.000 | 220,864,621 |
| Santa Monica-Malibu Unified School District | 100.000 | 310,824,194 |
| Torrance Unified School District | 100.000 | 369,992,073 |
| Other Unified School Districts | Various (1) | 2,970,384,032 |
| High School and School Districts | Various (1) | 1,713,372,021 |
| City of Los Angeles | 100.000 | 887,735,000 |
| City of Industry | 100.000 | 115,425,000 |
| Other Cities | 100.000 | 60,900,000 |
| Palmdale Water District Water Revenue Bonds | 100.000 | 54,289,038 (2) |
| Palos Verdes Library District | 100.000 | 2,420,000 |
| Community Facilities Districts | 100.000 | 701,537,172 |
| Los Angeles County Regional Park & Open Space Assessment District | 100.000 | 82,880,000 |
| 1915 Act and Benefit Assessment Bonds - Estimate | 100.000 | 97,742,600 |
| **TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT** | | $ 26,529,886,471 |
| Less: Palmdale Water District Water Revenue Bonds supported by net operating revenues | | (34,744,984) |
| **TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT** | | 26,495,141,487 |
| **DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT** | | |
| **Los Angeles County General Fund Obligations** | **100.000 %** | **$ 1,898,065,518** |
| Los Angeles County Office of Education Certificates of Participation | 100.000 | 8,719,113 |
| Community College District Certificates of Participation | Various (3) | 45,926,042 |
| Baldwin Park Unified School District Certificates of Participation | 100.000 | 28,825,000 |
| Compton Unified School District Certificates of Participation | 100.000 | 22,290,000 |
| Los Angeles Unified School District Certificates of Participation | 100.000 | 307,180,000 |
| Paramount Unified School District Certificates of Participation | 100.000 | 28,900,000 |
| Other Unified School District Certificates of Participation | Various (3) | 133,626,333 |
| High School and Elementary School District General Fund Obligations | Various (3) | 141,918,968 |
| City of Beverly Hills General Fund Obligations | 100.000 | 175,380,000 |
| City of Los Angeles General Fund and Judgment Obligations | 100.000 | 1,673,002,887 |
| City of Long Beach General Fund Obligations | 100.000 | 158,875,000 |
| City of Long Beach Pension Obligations | 100.000 | 40,915,000 |
| City of Pasadena General Fund Obligations | 100.000 | 472,662,918 |
| City of Pasadena Pension Obligations | 100.000 | 126,275,000 |
| Other Cities' General Fund Obligations | 100.000 | 1,218,040,837 |
| Los Angeles County Sanitation Districts Financing Authority | 100.000 | 182,240,062 |
| **TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT** | | $ 6,662,842,678 |
| Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues** | | **(5,035,237)** |
| Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds | | |
| and economically defeased certificates of participation | | (17,090,808) |
| Cities' self-supporting bonds | | (496,918,757) |
| **TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT** | | $ 6,143,797,876 |
| OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies): | | $ 4,343,547,755 |
| TOTAL GROSS DIRECT DEBT | | $ 1,898,065,518 |
| TOTAL NET DIRECT DEBT | | $ 1,893,030,281 |
| TOTAL GROSS OVERLAPPING DEBT | | $ 35,638,211,386 |
| TOTAL NET OVERLAPPING DEBT | | $ 35,089,456,837 |
| GROSS COMBINED TOTAL DEBT | | $ 37,536,276,904 (4) |
| NET COMBINED TOTAL DEBT | | $ 36,982,487,118 |

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
(2) Palmdale Water District Water Revenue Bonds are partially supported by the 1% ad valorem property tax levy
(3) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

| **RATIOS TO 2014-15 ASSESSED VALUATION** | |
|---|---|
| Total Gross Overlapping Tax and Assessment Debt | 2.18 % |
| Total Net Overlapping Tax and Assessment Debt | 2.18 % |
| Total Gross Direct Debt ($1,898,065,518) | 0.16 % |
| Total Net Direct Debt ($1,893,030,281) | 0.16 % |
| Gross Combined Total Debt | 3.09 % |
| Net Combined Total Debt | 3.04 % |
| Ratios to Redevelopment Sucessor Agency Incremental Valuation ($159,451,721,798): | |
| Total Overlapping Tax Increment Debt | 2.72 % |

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 2014 Gross Product of $640.7 billion, Los Angeles County's economy is larger than that of 44 states and all but 20 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. While still working through the effects of a severe recession, the County's economy experienced strong growth in 2014 with an increase in economic output of 9.9%, as measured by Gross Product, and an increase in total taxable sales of 5.9%. The strong economic recovery is expected to continue in 2015, with several sectors of the local economy experiencing growth.

The County's unemployment rate averaged 8.2% in 2014, which represents an improvement from its 2013 unemployment rate of 9.9%. In 2015 and 2016, the job market is expected to show continued improvement, with a projected decline in the average unemployment rate to 7.2% and 6.6%, respectively. The significant job losses which occurred during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects. With over $16 billion in voter-approved general obligation bond measures, historically low interest rates and cost-effective financing programs and incentives provided by the Federal government, local governments and school and community college districts have undertaken major capital construction projects.

The increase in sales tax revenue ensuing from the 2008 voter-approved Measure R provides funding for major highway and transit projects that are currently underway throughout the County. In addition, hospitals throughout the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach), the expansion of the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to an improving job market in the County.

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 354,400 workers employed in this sector in 2014. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked as the ninth largest among the world's port facilities. The County's vibrant technology sector known as Silicon Beach has become a large and growing source of highly compensated jobs in the local economy. According to the Los Angeles Economic Development Corporation ("LAEDC"), the County's technology sector employed 205,000 in 2014.

**Quality of Life**

*Higher Education*

The County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental College and Claremont College; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

*Culture*

The County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world", offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios, video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. The County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world.

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library. Construction on the new Broad Museum of Contemporary Art is near completion and will open in late 2015. The 3-story structure is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

*Recreation*

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

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, sporting venues, motion picture and television studios, parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade & Rose Bowl game, Long Beach Grand Prix, Grammy Awards, and the Academy Awards. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, X Games, BCS College Football National Championship, and the Super Bowl.

**Population**

The County is the most populous county in the U.S. with over 10 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 26.2% of the total population of California. The U.S. Census Bureau's demographic profile of the County indicates that 48.3% of the population is Hispanic and 51.7% non-Hispanic. 27.2% of the County's population are White, 15% are Asian-Pacific Islander, and 9.2% are African American. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 98 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 76.6% of the adult population has a high school diploma or higher, and 29.7% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

**Employment**

After the recent economic downturn, which started in late 2007 and had a significant adverse impact on the local economy, the County has continued to experience a steady recovery in the job market since 2010. The average unemployment rate increased from 5.1% in 2007 to 12.6% in 2010, but gradually decreased over the last four years to 8.2% in 2014. In comparison, the average unemployment rates for the State of California and the nation in 2014 were 7.5% and 6.2%, respectively. The employment situation in the County showed further signs of improvement in 2014, with estimated total net job growth of 78,700 among the various sectors of the local economy. In 2015, total non-farm employment is projected to grow by 1.9% or (79,600 jobs), resulting in a lower unemployment rate of 7.2%. Table F details the non-agricultural employment statistics by sector for the County from 2010 through 2014.

**Personal Income**

Total personal income grew in the County by an estimated 4.7% in 2014. The 2014 total personal income of $487.9 billion represents an estimated 25.1% of the total personal income generated in California. The LAEDC is projecting continued robust growth in personal income of 4.6% for 2015 and 5.0% for 2016. Table C provides a summary of the personal income statistics for the County from 2010 through 2014.

**Consumer Spending**

As the most populous county in the nation with a vibrant and diverse economy, Los Angeles County is recognized as a national leader in consumer spending. As forecasted by LAEDC, the County experienced a 5.9% increase in total taxable sales in 2014, with continued growth of 5.2% and 5.6% projected for 2015 and 2016, respectively. The $151.2 billion of total taxable sales in the County in 2014 represents over 24% of the total taxable sales in California which underscores the significant importance of the County to the economic health of California. Table D provides a summary of total taxable sales activity in the County from 2010 through 2014.

**Industry**

With an estimated annual economic output of $640.7 billion in 2014, the County continues to rank among the world's largest economies. The County's 2014 Gross Product represents approximately 27.7% of the total economic output in California and 3.7% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2010 through 2014.

**International Trade**

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of $357.1 billion in 2008. After suffering a substantial decrease in 2009, the value of two-way trade in the LACD has experienced strong growth over the last several years. From 2009 to 2013, the value of two-way trade at LACD increased by 47% which surpassed the record level attained in 2008. LACD experienced moderate growth in 2014, handling approximately $418 billion worth of international trade, which represents a 1% increase from 2013. The decline in the rate of growth was partially the result of a labor strike that slowed loading activities at both ports during the fourth quarter of 2014. As a result of the resolution of the labor strike during the first quarter of 2015, the LACD is expected to experience moderate growth in 2015 with stronger growth returning in 2016. Based on the latest LAEDC projections, international trade is expected to grow by 1.0% in 2015 to approximately $422 billion, and by 3.0% in 2016 to nearly $435 billion. The LACD maintained its ranking as the top customs district in the nation for international trade in 2014, with China, Japan, South Korea, Taiwan and Germany being the top trading partners.

**Transportation/Infrastructure**

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

*Airports and Harbors*

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the fifth busiest airport in the world and second in the United States for passenger traffic. In 2014, LAX served 70.7 million passengers, representing a 6.0% increase from the previous year. The 2 million tons of air cargo handled at LAX in 2014, and the corresponding value of $91.6 billion, represents an increase of 3.9% from 2013 levels. A $4.1 billion capital improvement project is currently underway at LAX, which is

expected to generate approximately 40,000 local jobs. The Bob Hope Airport is currently in the planning stage to replace its passenger concourse with a new state of the art facility. Construction is scheduled to begin on the new concourse in late 2016.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been one of the fastest growing port facility in the United States, and is the busiest port complex in the U.S. and western hemisphere, and the ninth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue. In 2014, the port complex experienced a 3.8% increase in the volume of cargo from 2013, and is projecting moderate growth in 2015 with stronger growth returning in 2016 as the ports recover from a labor strike in late 2014.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2014, it was ranked as the busiest container port in the United States for the fourteenth consecutive year, and the nineteenth busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2014, the Port handled over 8.3 million TEUs, which represents a 6% decrease in container volume from 2013.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-first busiest in the world in 2013. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2014, the port handled over 6.8 million TEUs of container cargo, which represents an increase of 1.3% from 2013.

*Port Expansion*

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

*Metro System*

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. With over 473 million in annual boardings, the Metro System is the third largest public transportation system in the U.S. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority ("MTA"), which is responsible for the planning, design, construction and operation of the public transportation system for the County. The Fiscal Year 2014-15 operating budget for the MTA is $5.4 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

**Visitor and Convention Business**

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2014, the Los Angeles region hosted a record high 29.5 million overnight visitors, representing a 3.4% increase from 2013. The newly built hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting business as well as leisure travelers to the County. According to the Los Angeles Convention and Visitors Bureau, the Los Angeles region was the third ranked destination for overseas visitors in 2014, with tourists and business travelers spending in excess of $18 billion. For the third year in a row the Los Angeles region was the one ranked destination for overseas visitors from China growing by over 20% from 2013.

**Real Estate and Construction**

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market has experienced a steady recovery since 2012. The average median price for new and existing homes, decreased by nearly 46% from a peak of $532,281 in 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market stabilized in 2012 and began to show signs of strong growth as the average median home price increased by 44% from the first quarter of 2012 to the fourth quarter of 2013 ($301,239 to $433,131). In 2014, the real estate market experienced moderate growth, as the average median home price increased by 7% to $464,865 in the fourth quarter of 2014. After a record high of 105,433 in 2009, notices of default recorded decreased by 83% to 17,883 in 2014 equaling a rate of approximately 1,490 notices per month, which represents a slight improvement over 2013 when the rate averaged 1,748 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, decreased by over 87% from a cyclical high of 39,774 in 2008 to 5,124 in 2014. The number of trustees deeds recorded in 2014 represents a 29% decrease from the 7,248 recorded in 2013. The positive foreclosure trend continued in 2014, as the number of trustees deeds recorded was only 1,195 in the fourth quarter as compared to 1,334 in the first quarter of 2014. The County's residential real estate market is expected to show modest improvement in 2015.

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained relatively stable assessed valuations. The stability of the property tax base is primarily due to the significant amount "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2014-15, the County Assessor reported a Net Local Roll of $1.19 trillion, which represents a 5.5% increase from the Net Local Roll of $1.13 trillion in Fiscal Year 2013-14. The Net Local Roll in Fiscal Year 2014-15 represents a 14.3% increase from Fiscal Year 2010-11, and the fourth consecutive year of assessed valuation growth after the recent economic downturn.

The commercial real estate sector continued to experience steady improvement in 2014, which is expected to continue in 2015. Construction lending experienced a significant increase of 37% from $6.379 billion in 2013 to $8.750 billion in 2014. Office market vacancy rates improved from 2013 to 2014, with the average vacancy rate decreasing to 15.2% from 16.9%, which is still significantly higher than the 9.7% rate in 2007, prior to the severe economic downturn. Industrial market vacancy rates experienced modest improvement in 2014, decreasing from 1.9% in 2013 to 1.6% in 2014, which is slightly higher than the

1.5% vacancy rate in 2007 prior to the economic downtown. Construction continued on the new Wilshire Grand Center in Downtown Los Angeles, which will become the tallest building in the western United States when completed in 2017. The 73-story, 1,100-foot tall structure, which will include an InterContinental hotel, office space and condominiums, represents a $1 billion private investment in Downtown Los Angeles. The University of Southern California recently broke ground on a new mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The complex, which will include six residence halls for 2,700 students, a grocery store, a fitness center, a drugstore and 115,000 square feet of additional retail space is expected to cost the university approximately $1.1 billion to construct. The new complex is expected to be completed in 2018 and is projected to generate 12,000 new jobs during construction.

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles County | $543,740 | $557,500 | $577,500 | $583,100 | $640,700 |
| State of California | 1,901,072 | 1,958,900 | 2,045,700 | 2,202,700 | 2,311,600 |
| United States | 14,526,500 | 15,094,000 | 15,653,370 | 16,768,100 | 17,420,700 |
| Los Angeles County as a % of California | 28.60% | 28.46% | 28.23% | 26.47% | 27.72% |

*Source: Los Angeles Economic Development Corporation - 2015 2016 Economic Forecast and Industry Outlook February 2015*

**TABLE B: POPULATION LEVELS**

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles County | 9,825,200 | 9,862,400 | 9,946,900 | 10,013,300 | 10,069,000 |
| State of California | 37,309,400 | 37,570,100 | 37,867,500 | 38,164,000 | 38,499,400 |
| Los Angeles County as a % of California | 26.33% | 26.25% | 26.27% | 26.24% | 26.15% |

*Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015*

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles County | $404,500 | $425,700 | $455,800 | $466,100 | $487,900 |
| Orange County | 147,400 | 155,300 | 166,600 | 169,800 | 177,700 |
| Riverside and San Bernardino Counties | 126,500 | 134,200 | 140,300 | 144,700 | 151,900 |
| Ventura County | 37,100 | 39,400 | 41,700 | 42,400 | 44,300 |
| State of California | 1,578,600 | 1,685,600 | 1,805,200 | 1,856,600 | 1,943,100 |
| Los Angeles County as a % of California | 25.62% | 25.26% | 25.25% | 25.11% | 25.11% |

*Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015*

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles County | $116,900 | $126,400 | $135,300 | $142,800 | $151,200 |
| State of California | 477,300 | 520,600 | 558,400 | 590,800 | 624,400 |
| Los Angeles County as a % of California | 24.49% | 24.28% | 24.23% | 24.17% | 24.22% |

*Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015*

**TABLE E: UNEMPLOYMENT RATES**

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles County | 12.6% | 12.3% | 10.9% | 9.9% | 8.2% |
| State of California | 12.4% | 11.8% | 10.4% | 8.9% | 7.5% |
| United States | 9.6% | 8.9% | 8.1% | 7.4% | 6.2% |

*Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015*

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

**Non-Agricultural Wage and Salary Workers (in thousands)**

| Employment Sector | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Wholesale & Retail Trade | 589.4 | 598.1 | 612.2 | 623.7 | 632.6 |
| Health Care & Social Assistance | 526.1 | 528.8 | 558.4 | 594.2 | 617.0 |
| Government | 579.6 | 565.5 | 556.8 | 549.2 | 547.4 |
| Leisure & Hospitality | 384.8 | 394.6 | 415.3 | 436.7 | 446.4 |
| Manufacturing | 373.2 | 366.8 | 367.2 | 366.5 | 354.4 |
| Professional, Scientific & Technical Services | 245.6 | 255.3 | 268.2 | 276.3 | 285.5 |
| Administrative & Support Services | 228.7 | 232.4 | 245.1 | 256.3 | 270.6 |
| Information | 191.5 | 191.9 | 191.4 | 197.3 | 205.0 |
| Transportation & Utilities | 150.5 | 151.8 | 154.4 | 156.9 | 160.1 |
| Finance & Insurance | 137.8 | 136.8 | 138.6 | 137.1 | 135.5 |
| Educational Services | 111.1 | 114.2 | 115.7 | 119.2 | 122.6 |
| Construction | 104.5 | 105.0 | 109.1 | 116.5 | 124.7 |
| Real Estate | 71.7 | 71.6 | 72.1 | 74.7 | 76.4 |
| Management of Enterprises | 53.2 | 55.3 | 56.7 | 57.7 | 60.4 |
| Other | 140.8 | 140.9 | 145.9 | 150.1 | 152.7 |
| Total | 3,888.5 | 3,909.0 | 4,007.1 | 4,112.4 | 4,191.3 |

*Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015*

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

| Type of Activity | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| International Air Cargo (Tons) | | | | | |
| Los Angeles International Airport | 1,125.2 | 1,080.7 | 1,135.8 | 1,119.5 | 1,176.3 |
| As Percentage of Total Air Cargo | 67.63% | 57.80% | 57.85% | 58.12% | 58.78% |
| Total Air Cargo (Tons) | | | | | |
| Los Angeles International Airport | 1,663.9 | 1,869.6 | 1,963.2 | 1,926.1 | 2,001.2 |
| Long Beach Airport | 26.1 | 25.4 | 24.4 | 24.4 | 25.5 |
| Bob Hope Airport (Burbank) | 44.4 | 43.9 | 47.4 | 52.9 | 56.3 |
| Total | 1,734.3 | 1,938.9 | 2,035.0 | 2,003.4 | 2,082.9 |
| International Air Passengers | | | | | |
| Los Angeles International Airport | 15,936.0 | 16,731.3 | 17,152.9 | 17,852.1 | 19,105.7 |
| As Percentage of Total Passengers | 26.98% | 27.05% | 26.93% | 26.78% | 27.04% |
| Total Air Passengers | | | | | |
| Los Angeles International Airport | 59,070.1 | 61,862.5 | 63,688.1 | 66,667.6 | 70,662.2 |
| Long Beach Airport | 2,978.4 | 3,115.4 | 3,206.9 | 2,942.9 | 2,824.0 |
| Bob Hope Airport (Burbank) | 4,461.3 | 3,942.3 | 3,725.5 | 3,844.4 | 3,861.2 |
| Total | 66,509.8 | 68,920.2 | 70,620.5 | 73,454.9 | 77,347.4 |
| Container Volume (TEUs) | | | | | |
| Port of Los Angeles | 7,831.9 | 7,940.5 | 8,077.7 | 7,868.6 | 8,340.1 |
| Port of Long Beach | 6,263.5 | 6,061.1 | 6,045.7 | 6,730.6 | 6,820.8 |
| Total | 14,095.4 | 14,001.6 | 14,123.4 | 14,599.2 | 15,160.9 |

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

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

| Customs District | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles, CA | $347,900 | $387,500 | $403,900 | $414,700 | $418,000 |
| New York, NY | $326,800 | $388,400 | $381,900 | $379,200 | $387,100 |
| Laredo, TX | $185,700 | $216,300 | $239,100 | $253,200 | $280,000 |
| Detroit, MI | $219,200 | $245,100 | $253,200 | $244,900 | $260,400 |
| Houston, TX | $211,400 | $268,400 | $274,000 | $251,900 | $253,300 |
| New Orleans, LA | $194,400 | $234,500 | $243,600 | $235,000 | $234,600 |
| Chicago, IL | $161,400 | $176,600 | $187,500 | $192,500 | $210,500 |
| Seattle, WA | $111,100 | $128,600 | $138,800 | $152,700 | $152,500 |
| Savannah, GA | $109,100 | $126,500 | $132,400 | $129,500 | $141,900 |
| Cleveland, OH | $94,600 | $109,400 | $118,500 | $122,500 | $131,500 |

*Source: Los Angeles Economic Development Corporation - 2015-2016 International Trade Report*

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

| Port | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles-Long Beach, CA | 193,591 | 199,509 | 201,706 | 207,228 | 210,435 |
| Tacoma, WA | 27,507 | 28,428 | 30,975 | 31,820 | 34,970 |
| Oakland, CA | 29,475 | 30,285 | 30,305 | 30,901 | 30,543 |
| Seattle, WA | 31,337 | 29,856 | 25,549 | 18,118 | 14,405 |
| Portland, OR | 19,661 | 19,140 | 17,948 | 13,516 | 14,627 |
| Kalama, WA | 11,653 | 11,570 | 10,199 | 9,305 | 9,725 |
| San Diego, CA | 4,074 | 4,287 | 4,822 | 5,168 | 5,359 |
| Port Hueneme | 3,356 | 4,095 | 4,520 | 4,921 | 5,248 |
| Vancouver, WA | 6,110 | 6,198 | 4,915 | 2,001 | 2,855 |

*Source: Los Angeles Economic Development Corporation - 2015-2016 International Trade Report*

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

| Port | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Los Angeles-Long Beach, CA | 14,095 | 14,002 | 14,124 | 14,600 | 15,161 |
| New York, NY | 5,292 | 5,503 | 5,530 | 5,467 | 5,772 |
| Savannah, GA | 2,825 | 2,945 | 2,966 | 3,034 | 3,346 |
| Oakland, CA | 2,330 | 2,343 | 2,344 | 2,347 | 2,394 |
| Norfolk, VA | 1,895 | 1,918 | 2,106 | 2,224 | 2,393 |
| Tacoma, WA | 977 | 1,022 | 1,265 | 1,445 | 2,040 |
| Houston, TX | 1,812 | 1,866 | 1,922 | 1,950 | 1,951 |
| Charleston, SC | 1,280 | 1,381 | 1,515 | 1,601 | 1,792 |
| Seattle, WA | 2,126 | 2,017 | 1,853 | 1,564 | 1,388 |

*Source: Los Angeles Economic Development Corporation - 2015-2016 International Trade Report*

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

| Indicator | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| 1. Construction Lending (in millions) | $ 2,128 | $ 3,258 | $ 4,601 | $ 6,379 | $ 8,750 |
| 2. Residential Purchase Lending (in millions) | $ 22,491 | $ 20,469 | $ 23,675 | $ 27,910 | $ 31,441 |
| 3. New & Existing Median Home Prices | $ 335,363 | $ 316,469 | $ 330,463 | $ 412,795 | $ 458,939 |
| 4. New & Existing Home Sales | 77,313 | 74,216 | 83,686 | 84,229 | 76,201 |
| 5. Notices of Default Recorded | 68,603 | 64,490 | 49,354 | 20,970 | 17,883 |
| 6. Unsold New Housing (at year-end) | 1,997 | 1,517 | 845 | 561 | 552 |
| 7. Office Market Vacancy Rates | 17.0% | 17.0% | 16.7% | 16.9% | 15.2% |
| 8. Industrial Market Vacancy Rates | 3.2% | 2.9% | 2.1% | 1.9% | 1.6% |

*Source: Real Estate Research Council of Southern California - 4th Quarter 2014*

**TABLE L: BUILDING PERMITS AND VALUATIONS**

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Residential Building Permits | | | | | |
| 1. New Residential Permits (Units) | | | | | |
| a. Single Family | 2,439 | 2,370 | 2,756 | 3,599 | 4,286 |
| b. Multi-Family | 5,029 | 8,033 | 7,950 | 12,631 | 14,595 |
| Total Residential Building Permits | 7,468 | 10,403 | 10,706 | 16,230 | 18,881 |
| Building Valuations | | | | | |
| 2. Residential Building Valuations (in millions of $) | | | | | |
| a. Single Family | $ 922 | $ 1,032 | $ 1,128 | $ 1,507 | $ 1,740 |
| b. Multi-Family | 811 | 1,222 | 1,416 | 1,921 | 2,310 |
| c. Alterations and Additions | 1,110 | 1,122 | 674 | 1,193 | 1,429 |
| Residential Building Valuations Subtotal | $ 2,843 | $ 3,376 | $ 3,218 | $ 4,621 | $ 5,479 |
| 3. Non-Residential Building Valuations (in millions of $) | | | | | |
| a. Office Buildings | $ 133 | $ 156 | $ 38 | $ 246 | $ 269 |
| b. Retail Buildings | 263 | 223 | 115 | 385 | 829 |
| c. Hotels and Motels | 28 | 24 | 5 | 145 | 359 |
| d. Industrial Buildings | 56 | 136 | 169 | 128 | 122 |
| e. Alterations and Additions | 1,662 | 1,774 | 1,095 | 2,012 | 3,155 |
| f. Other | 535 | 806 | 381 | 669 | 1,507 |
| Non-Residential Building Valuations Subtotal | $ 2,677 | $ 3,119 | $ 1,803 | $ 3,585 | $ 6,241 |
| Total Building Valuations (in millions) | $ 5,519 | $ 6,495 | $ 5,021 | $ 8,207 | $ 11,721 |

*Source: Real Estate Research Council of Southern California - 4th Quarter 2014*

**TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY**

| | Company (in order of 2014 Ranking) | Industry | Headquarters | No. of Employees L.A. County | No. of Employees Total |
|---|---|---|---|---|---|
| 1 | Kaiser Permanente | Health Care Provider | Oakland, CA | 35,991 | 173,952 |
| 2 | Northrop Grumman Corp. | Aerospace/Defense Contractor | Falls Church, VA | 17,000 | 65,300 |
| 3 | Target Corp. | Retailer | Minneapolis, MN | 15,000 | 366,000 |
| 4 | Providence Health & Services | Health Care | Renton, WA | 15,000 | 70,357 |
| 5 | University of Southern California | Education-Private University | Los Angeles, CA | 14,722 | 14,722 |
| 6 | Bank of America Corp. | Banking and Financial Services | Charlotte, NC | 13,500 | 233,000 |
| 7 | Ralphs/Food 4 Less (Kroger Co.) | Grocery Retailer | Cincinnati, OH | 13,500 | 375,000 |
| 8 | Home Depot | Home Improvement Specialty Retailer | Atlanta, GA | 10,600 | 300,000 |
| 9 | Boeing Co. | Aerospace/Defense Contractor | Chicago, IL | 10,500 | 168,693 |
| 10 | Cedars-Sinai Medical Center | Medical Center | Los Angeles, CA | 10,243 | 10,243 |
| 11 | Walt Disney Co. | Entertainment | Burbank, CA | 10,200 | 175,000 |
| 12 | Wells Fargo | Diversified Financial Services | San Francisco, CA | 10,000 | 221,000 |
| 13 | UPS | Transportation and Freight | Atlanta, GA | 8,984 | 395,000 |
| 14 | AT&T Inc. | Telecommunications | Dallas, TX | 8,900 | 248,170 |
| 15 | ABM Industries, Inc. | Facility Services, Janitorial, Parking | San Francisco, CA | 8,400 | 110,000 |
| 16 | California Institute of Technology | Private University and Jet Propulsion Lab | Pasadena, CA | 8,094 | 9,062 |
| 17 | Vons | Grocery Retailer | Pleasanton, CA | 7,781 | 25,000 |
| 18 | Edison International | Electric Utility | Rosemead, CA | 7,700 | 13,677 |
| 19 | FedEx Corp. | Shipping and Logistics | Memphis, TN | 7,600 | 231,500 |
| 20 | Warner Bros. Entertainment Inc. | Entertainment | Burbank, CA | 7,400 | N/A |
| 21 | Raytheon Co. | Aerospace/Defense Contractor | Waltham, MA | 6,117 | 63,000 |
| 22 | Dignity Health | Hospitals | San Francisco, CA | 6,100 | 53,000 |
| 23 | American Apparel, Inc. | Apparel Manufacturer and Retailer | Los Angeles, CA | 6,000 | 10,000 |
| 24 | Amgen Inc. | Biotechnology | Thousand Oaks, CA | 6,000 | 20,000 |
| 25 | Universal Services of America | Security Systems | Santa Ana, CA | 5,960 | 40,000 |

*N/A - Not Available*
*Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, September 2014*

**APPENDIX B**

# COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS

MGO Certified Public Accountants.

Los Angeles
777 S. Figueroa Street, Suite 2500
Los Angeles, CA 90017
213.408.8700

Sacramento

Walnut Creek

Oakland

Century City

Newport Beach

San Diego

Seattle

# Independent Auditor's Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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) (discretely presented component unit), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) (discretely presented component unit) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units:

| Opinion Unit | Assets | Net Position/ Fund Balances | Revenues/Additions |
|---|---|---|---|
| Discretely presented component units | 100% | 100% | 100% |
| Aggregate remaining fund information | 74% | 75% | 17% |

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CDC, First 5 LA, and LACERA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District Fund, Flood Control District Fund, Public Library Fund, and Regional Park and Open Space District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, effective July 1, 2013, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24 and the schedules of funding progress on pages 124 and 125 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Macias Gini & O'Connell LLP

Los Angeles, California
December 16, 2014

# COUNTY OF LOS ANGELES
# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
# FOR THE YEAR ENDED JUNE 30, 2014

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2014. 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 position (total assets and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was positive $9.735 billion. However, net position is classified into three categories and the unrestricted component is negative $10.130 billion. See further discussion on page 9.

During the current year, the County's net position decreased by a total of $1.221 billion. Net position related to governmental activities decreased by $1.074 billion, while net position related to business-type activities decreased by $147 million. Growth in liabilities associated with postemployment health insurance benefits was $1.694 billion during the current year and represented the single largest factor in reducing the County's net position. See further discussion on page 8.

At the end of the current year, the County's General Fund reported a total fund balance of $3.103 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $272 million, restricted fund balance of $41 million, committed fund balance of $483 million, assigned fund balance of $538 million, and $1.769 billion of unassigned fund balance.

The County's capital asset balances were $19.093 billion at year-end and increased by $425 million during the year.

During the current year, the County's total long-term debt increased by $7 million, after restatement of prior year balances in long-term debt due to the implementation of Government Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities." Newly issued and accreted long-term debt of $472 million exceeded long-term debt maturities of $465 million.

## 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 Position presents information on all County assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources which represent net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

- 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, and the Aviation Fund represent the County's business activities.

- Discretely Presented Component Units - Component units are separate entities for which the County is financially accountable. The Community Development Commission and First 5 LA are displayed as discretely presented in the financial statements.

## 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 into the following three categories:

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

- Proprietary Funds - These funds are used to account for functions that were classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds) and it is displayed with the other major enterprise funds.

- 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 and Other Postemployment Benefit Trust Funds, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

## REQUIRED SUPPLEMENTARY INFORMATION

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $9.735 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2014 and 2013 (in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | $ 8,509,325 | $ 7,947,075 | $ 1,302,031 | $ 1,423,547 | $ 9,811,356 | $ 9,370,622 |
| Capital assets | 16,091,301 | 15,838,545 | 3,002,176 | 2,829,716 | 19,093,477 | 18,668,261 |
| Total assets | 24,600,626 | 23,785,620 | 4,304,207 | 4,253,263 | 28,904,833 | 28,038,883 |
| Deferred outflows of resources (1) | 20,243 | | | | 20,243 | |
| Current and other liabilities | 1,732,192 | 1,326,042 | 384,084 | 401,345 | 2,116,276 | 1,727,387 |
| Long-term liabilities | 13,474,871 | 11,966,513 | 3,501,717 | 3,286,521 | 16,976,588 | 15,253,034 |
| Total liabilities | 15,207,063 | 13,292,555 | 3,885,801 | 3,687,866 | 19,092,864 | 16,980,421 |
| Deferred inflows of resources | 97,031 | 102,089 | | | 97,031 | 102,089 |
| Net position: | | | | | | |
| Net investment in capital assets | 14,789,236 | 14,654,785 | 2,271,730 | 2,218,647 | 17,060,966 | 16,873,432 |
| Restricted | 2,727,379 | 2,655,717 | 76,908 | 68,169 | 2,804,287 | 2,723,886 |
| Unrestricted (deficit) | (8,199,840) | (6,919,526) | (1,930,232) | (1,721,419) | (10,130,072) | (8,640,945) |
| Total net position | $ 9,316,775 | $ 10,390,976 | $ 418,406 | $ 565,397 | $ 9,735,181 | $ 10,956,373 |

(1) Deferred outflows of resources for the previous year were not restated for GASB 65.

Significant changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources included the following:

Current and Other Assets

Current and other assets increased by $562 million for governmental activities and decreased by $122 million for business-type activities. For governmental activities, there was an increase of $274 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund, which grew by $296 million over the prior year. Other receivables increased by $212 million and were primarily attributable to higher receivables associated with the administration of the managed care program. For business-type activities, current and other assets decreased by $122 million largely due to reductions in restricted assets of $123 million associated with the use of restricted bond proceeds for hospital construction projects that were completed in the current year.

Deferred Outflows of Resources

Pursuant to the County's implementation of GASB 65, a new financial statement element for deferred outflows of resources has been added to the Summary of Net Position, representing a consumption of net position that applies to future periods and is not recognized as an outflow of resources until then. The County has deferred outflows of resources of $20 million related to unamortized losses on refunding of debt, resulting from the difference in the carrying value of refunded debt and its reacquisition price. In the prior year, this amount was reported in a manner which reduced overall long-term liabilities.

Liabilities

Current and other liabilities increased by $406 million for governmental activities. The largest component of this increase is $198 million for accounts payable associated with managed care services pursuant to the County's implementation of the federal Affordable Care Act (ACA). The County organization known as Managed Care Services is the medical services organization for the Department of Health Services (DHS), and coordinates the delivery of health care in a managed care environment with the objectives of improving outcomes and reducing costs. An additional $171 million of the increase is related to advances payable from the State for public social services and children and family programs that have yet to be earned. For business-type activities, a net decrease of $17 million in current and other liabilities was primarily due to an $18 million decrease in accounts payable for intergovernmental transfer expenses associated with the hospitals.

Long-term liabilities increased by $1.508 billion for governmental activities and by $215 million for business-type activities. Liabilities for other postemployment benefits (OPEB) increased for both governmental and business-type activities by $1.408 billion and $286 million, respectively. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 9 and 11 to the basic financial statements.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and are not recognized as revenue until then. The County has deferred inflows of resources totaling $97 million. The $97 million is the present value of installment payments due to service concession arrangements with private operators of sixteen County golf courses as discussed in Note 7.

The County's total net position consists of the following three components:

Net Investment in Capital Assets

The largest portion of the County's net position ($17.061 billion) represents its investment in capital assets (i.e., land, buildings and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was $2.804 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

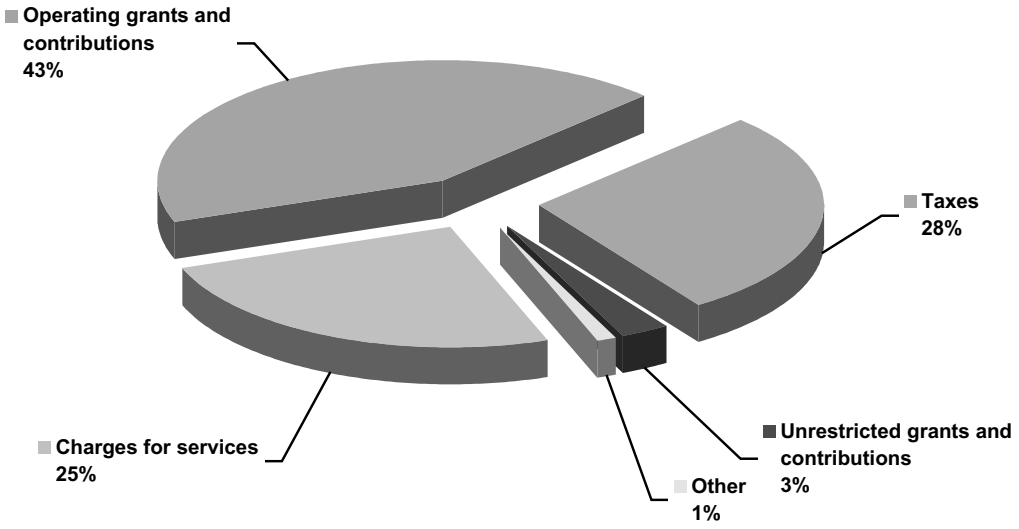
The County's total unrestricted net position is negative $10.130 billion. Both governmental and business-type activities reported deficits in this category of $8.200 billion and $1.930 billion, respectively. The deficits closely parallel the OPEB related liabilities of $8.220 billion for governmental activities and $1.627 billion for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, compensated absences, and litigation and self-insurance claims.

The following table details identifies changes in net position for governmental and business-type activities:

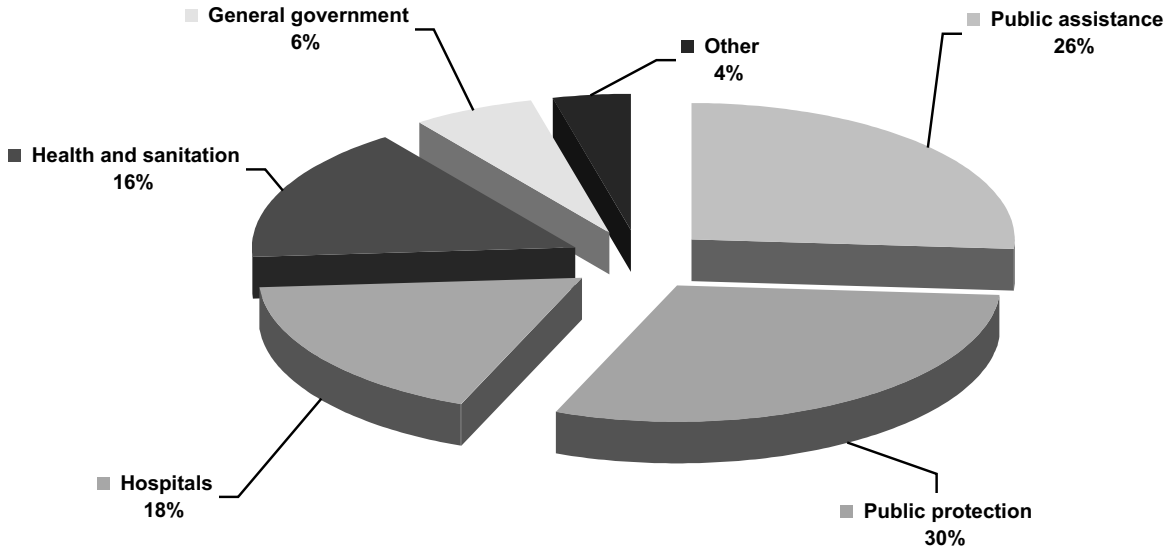
Summary of Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Revenues:** | | | | | | |
| **Program revenues:** | | | | | | |
| Charges for services | $ 2,751,505 | $ 2,589,542 | $ 2,534,565 | $ 2,446,892 | $ 5,286,070 | $ 5,036,434 |
| Operating grants and contributions | 8,579,502 | 8,186,681 | 485,888 | 522,112 | 9,065,390 | 8,708,793 |
| Capital grants and contributions | 12,850 | 104,486 | 3,156 | 47 | 16,006 | 104,533 |
| **General revenues:** | | | | | | |
| Taxes | 5,840,175 | 5,570,043 | 4,681 | 4,347 | 5,844,856 | 5,574,390 |
| Unrestricted grants and contributions | 513,458 | 745,406 | 33 | 37 | 513,491 | 745,443 |
| Investment earnings (loss) | 64,354 | (920) | 3,908 | (171) | 68,262 | (1,091) |
| Miscellaneous | 134,611 | 150,957 | 19,101 | 13,171 | 153,712 | 164,128 |
| Total revenues | 17,896,455 | 17,346,195 | 3,051,332 | 2,986,435 | 20,947,787 | 20,332,630 |
| **Expenses:** | | | | | | |
| General government | 1,307,001 | 1,274,689 | | | 1,307,001 | 1,274,689 |
| Public protection | 6,682,960 | 6,309,193 | | | 6,682,960 | 6,309,193 |
| Public ways and facilities | 366,582 | 381,211 | | | 366,582 | 381,211 |
| Health and sanitation | 3,557,523 | 3,066,172 | | | 3,557,523 | 3,066,172 |
| Public assistance | 5,830,165 | 5,538,106 | | | 5,830,165 | 5,538,106 |
| Education | 119,037 | 119,680 | | | 119,037 | 119,680 |
| Recreation and cultural services | 278,459 | 316,372 | | | 278,459 | 316,372 |
| Interest on long-term debt | 97,777 | 105,491 | | | 97,777 | 105,491 |
| Hospitals | | | 3,838,574 | 3,889,206 | 3,838,574 | 3,889,206 |
| Waterworks | | | 84,499 | 84,824 | 84,499 | 84,824 |
| Aviation | | | 6,402 | 5,332 | 6,402 | 5,332 |
| Total expenses | 18,239,504 | 17,110,914 | 3,929,475 | 3,979,362 | 22,168,979 | 21,090,276 |
| Excess (deficiency) before transfers | (343,049) | 235,281 | (878,143) | (992,927) | (1,221,192) | (757,646) |
| Transfers | (731,152) | (913,686) | 731,152 | 913,686 | | |
| Changes in net position | (1,074,201) | (678,405) | (146,991) | (79,241) | (1,221,192) | (757,646) |
| Net position – beginning | 10,390,976 | 11,069,381 | 565,397 | 644,638 | 10,956,373 | 11,714,019 |
| Net position – ending | $ 9,316,775 | $ 10,390,976 | $ 418,406 | $ 565,397 | $ 9,735,181 | $ 10,956,373 |

## REVENUES BY SOURCE – ALL ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2014




## EXPENSES BY TYPE – ALL ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2014



Governmental Activities

Revenues from governmental activities increased by $550 million (3.2%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $393 million. Of this total, $236 million was attributable to higher reimbursable costs in public assistance programs, $59 million was from health and sanitation programs related to the implementation of managed care, $56 million was for public protection related to State Assembly Bill 109 public safety realignment, and $49 million was due to increased revenues for public ways and facilities. Revenue associated with the State Mental Health Services Act (Proposition 63) declined by $64 million, primarily because the prior year amount included a one-time distribution of excess State funds.

- Taxes, the County's largest general revenue source, were $270 million higher than the prior year due almost entirely to increased property taxes which grew by $268 million. The County's assessed property tax roll grew for the third consecutive year and was 4.66% higher in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments primarily from redevelopment dissolution were $202 million, and declined by $39 million from the prior year. Redevelopment dissolution also shifted residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was $160 million, an increase of $35 million compared to the prior year.

- Charges for services increased by a total of $162 million, primarily attributable to a $230 million increase in revenues associated with clients who were enrolled in managed care pursuant to the County's implementation of the ACA. That increase was partially offset by a $61 million reduction in revenues for Public Health's Substance Abuse Prevention and Control program, due to lower reimbursable costs.

- Unrestricted grants and contributions declined by $232 million due primarily to a $134 million reduction in one-time revenues from redevelopment agencies to the County. In the prior year, State law required former redevelopment agencies to transfer excess funds to local government agencies, including the County. In addition, the County's share of tobacco settlement revenues declined by $33 million in the current year.

Additionally, pursuant to Assembly Bill 85 (AB85), the State withheld $88 million of current year 1991 County Health Realignment Funds based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up at the end of FY 2015-16. Although the County anticipates that the final amount withheld will be less than or equal to $88 million, it is subject to the State's review and approval, and the financial impact of the potential redirection of realignment funding in future years is not yet known. Accordingly, the revenues associated with the amount withheld have not been recorded in the financial statements.

Governmental Activities-Continued

Expenses related to governmental activities increased by $1.129 billion (6.6%) during the current year. Of that increase, OPEB grew by $373 million compared to the prior year, in which the County prefunded OPEB contributions with LACERA Credit Reserves by $449 million. OPEB is discussed in more detail in Note 9 to the basic financial statements. Expenses for services and supplies costs increased by $289 million and were attributable to higher costs in the health and sanitation programs. Overall, salaries and employee benefits expense increased by $367 million. This increase was attributable to higher pension costs of $136 million, growth in employee salaries of $124 million due primarily to a negotiated 2% general cost of living increase, and other employee benefit costs which were $107 million higher.

Business-type Activities

Revenues from business-type activities saw a net increase in comparison to the prior year of $65 million (2.1%). The most significant change was in the area of charges for services, which increased by $88 million. This was partially offset by a decrease of $36 million in operating grants and contributions. As discussed in Note 14 to the basic financial statements, County Hospital revenues are derived from a wide range of federal and State funding sources. The implementation of the ACA had the effect of changing the amounts of individual program revenues in the current year. The most significant changes were primarily attributable to supplemental revenue increases of $355 million associated with the expansion of Medicaid/Medi-Cal coverage, partially offset by reductions in revenues for Seniors and Persons with Disabilities (SPD), Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Pool (DSRIP) totaling $255 million.

Expenses related to business-type activities decreased from the previous year by a net total of $50 million (1.2%), primarily related to the operation of the County's hospitals. Specifically, intergovernmental transfer expenses associated with various hospital funding sources declined by $238 million. These decreases were partially offset by increased hospital costs for salaries and employee benefits of $168 million, and services and supplies costs of $46 million. For all Hospital facilities, the average patient census during the current year was 1,213 patients per day, which was lower in comparison with 1,234 for the prior year.

## Financial Analysis of the County's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.277 billion, an increase of $170 million in comparison with the prior year. Of the total fund balances, $284 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $2.897 billion is classified as restricted, $598 million as committed, and $729 million as assigned. The remaining balance of $1.769 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $17.868 billion, an increase of $617 million (3.6%) from the previous year. Expenditures for all governmental funds in the current year were $17.329 billion, an increase of $920 million (5.6%) from the previous year. In addition, other financing uses exceeded other financing sources by $369 million as compared to $613 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $223 million (7.7%). At the end of the current fiscal year, the General Fund's total fund balance was $3.103 billion. Of this amount, $272 million is classified as nonspendable, $41 million as restricted, $483 million as committed, $538 million as assigned and the remaining $1.769 billion is classified as unassigned.

General Fund revenues during the current year were $15.208 billion, an increase of $601 million (4.1%) from the previous year. General Fund expenditures during the current year were $14.790 billion, an increase of $777 million (5.5%) from the previous year. Other financing sources/uses-net was negative $195 million in the current year as compared to negative $356 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $253 million and property taxes comprised $246 million of this increase. Property tax revenues associated with higher assessed property values and increased supplemental property taxes grew by $251 million. Residual property tax revenues, which are associated with redevelopment dissolution, were $134 million in the current year, or $30 million higher than the prior year. This growth in property taxes was offset by "pass through" property tax revenues, which were $35 million lower in current year.

- Governmental Funds-Continued

  - Intergovernmental revenues increased overall by $213 million, attributable primarily to increases in State revenues of $253 million and federal revenues of $60 million, partially offset by a decrease in "other" intergovernmental revenues of $100 million. State revenue growth of $155 million was attributable to higher levels of reimbursable program and administrative costs for public assistance and children and family services programs. There was also growth of $50 million associated with the State's Assembly Bill 109 public safety realignment initiative as the program continues to expand, especially in the Sheriff's and Probation Departments, which recognized increased revenues of $36 million and $7 million, respectively. There were also year-over-year increases in State Proposition 172 revenues of $38 million. The decrease in "other" intergovernmental revenues of $100 million is due to a decline in one-time transfers from former redevelopment agencies of excess funds associated with the State's Assembly Bill 1484 redevelopment dissolution initiative.
  - Charges for services increased by a total of $178 million. As previously mentioned, there was a $230 million increase in revenues associated with clients who were enrolled in managed care pursuant to the County's implementation of the ACA. This was partially offset by a $61 million reduction in revenues for Public Health's Substance Abuse Prevention and Control program, due to lower reimbursable costs.
  - General fund expenditures increased by a total of $777 million, or 5.5%. Within this total, current expenditures increased by $785 million, and debt service and capital outlay expenditures decreased by $2 million and $6 million, respectively. The most significant increase in current expenditures was in salaries, employee benefits and pension costs, which were higher by a total of $300 million, partially due to the negotiated salary increases as previously discussed. Health and sanitation program expenditures were higher by $273 million, consisting of $168 million in services and supplies costs associated with managed care and implementation of the ACA, $95 million related to mental health programs, and County financial assistance to the Martin Luther King (MLK) Community Hospital of $33 million. These increases were partially offset by a $33 million reduction in expenditures for public health programs. Current expenditures were also higher by $117 million in the public assistance category related to administering a variety of assistance programs. Finally, $70 million of expenditure growth was related to the County's development of a new electronic health record system known as the Online Realtime Centralized Health Information Database.

The Fire Protection District reported a year-end fund balance of $224 million, which represented a decrease of $13 million from the previous year. Revenues increased by $8 million. However, expenditures were higher by $50 million, nearly all of which was related to salaries and benefits.

Governmental Funds-Continued

The Flood Control District reported a year-end fund balance of $305 million, which was $62 million higher than the previous year. Pooled cash and investments improved by $82 million in the current year. Revenues of $256 million and expenditures of $187 million were nearly unchanged from the previous year.

The Public Library Fund reported a year-end fund balance of $61 million, which was $2 million higher than the previous year. Revenues were unchanged, at $81 million in the current and prior year. Expenditures increased in the current year by $5 million and there was a net increase of $9 million for "transfers in."

The Regional Park and Open Space District reported a year-end fund balance of $323 million, which was $7 million lower than the previous year. Current year revenues were lower by $31 million with a related decrease in "transfers out" of $35 million. In the current year, comparable revenues were recognized directly in the Regional Park and Open District Debt Service Fund and are now more appropriately aligned with their related expenditures, thereby eliminating the use of "transfers" between the two funds. Expenditures were $55 million in the current year versus $35 million in the prior year, due to an increase of $20 million in park, recreation, and open space capital projects.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from $16 million for Rancho Los Amigos National Rehabilitation Center to $227 million for the Harbor-UCLA Medical Center. The total subsidy amount was $522 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was $718 million.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($111 million), Harbor-UCLA Medical Center ($56 million), and Olive-View UCLA Medical Center ($42 million). The total amount of current year Measure B transfers ($209 million) was lower than the prior year amount of $215 million.

Proprietary Funds-Continued

Waterworks Funds reported year-end net position of $816 million, a $4 million reduction from the previous year. Current year operating revenues of $75 million were $3 million higher than the previous year's amount of $72 million. Current year operating expenses of $84 million were nearly the same as the previous year's amount of $85 million.

## General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - 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 16 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 $69 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

| Category | Increase From Original Budget | Final Budget Amount | Actual Amount | Variance-Positive (Negative) |
|---|---|---|---|---|
| Taxes | $ 144,756 | $ 4,515,896 | $ 4,518,193 | $ 2,297 |
| Intergovernmental revenues | 215,296 | 9,114,808 | 8,416,611 | (698,197) |
| Charges for services | 121,917 | 1,882,315 | 1,751,008 | (131,307) |
| All other revenues | 10,767 | 544,171 | 537,831 | (6,340) |
| Other sources and transfers in | 4,229 | 687,475 | 457,580 | (229,895) |
| Total | $ 496,965 | $ 16,744,665 | $ 15,681,223 | $ (1,063,442) |

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately $497 million. The most significant changes occurred in the following areas:

Changes from Amounts Originally Budgeted-Continued

- Estimated intergovernmental revenues increased by $215 million. Of this amount, $63 million was used to augment federal and State funds budgeted for a variety of health and mental health programs. Federal revenues of $57 million were added to the budget to more accurately reflect the General Fund's share of health care reform revenues. There was also an increase of $35 million for public assistance programs due to higher levels of reimbursable costs. Net additions of $35 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution revenues. Budgeted federal revenues for emergency and disaster recovery were increased by $11 million to reflect additional grant funding. There were other net additions to budgeted intergovernmental revenues of $14 million.

- The budget for tax revenues increased by $145 million. Of this increase, $116 million was associated 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. In addition, $29 million was added to the budget for unanticipated property tax revenues recognized in conjunction with redevelopment dissolution.

- The budget for charges for services increased by $122 million. This increase was associated with the General Fund's managed care program and services, which expanded in conjunction with implementing the ACA.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $15.681 billion. The amount was $1.063 billion, or 6.4%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, charges for services, and "other sources and transfers in."

- Actual intergovernmental revenues were $698 million lower than the amount budgeted. Budgeted intergovernmental revenues of $263 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Approximately $165 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Mental health programs accounted for approximately $117 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. The Probation and Sheriff's Departments under-realized revenues of $40 million due to lower than expected reimbursement of salaries, services and supplies. Public health related programs experienced budgeted revenue shortfalls of $37 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Registrar-Recorder did not realize $24 million of federal funds (Help America Vote Act) due to lower than anticipated eligible costs. The remaining variance of $52 million was related to a variety of other programs.

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

- The actual amount of "other sources and transfers in" was $230 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were $132 million lower than budgeted. In addition, "transfers in" totaling $64 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. Costs associated with Sheriff's Department programs funded by the Other Public Protection Special Revenue Funds were $19 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $15 million.

- Actual charges for services were $131 million lower than the amount budgeted, primarily due to an unanticipated reduction of $112 million in public health program revenues which were largely associated with lower reimbursement for substance abuse prevention and control services. The remaining variance of $19 million was related to a variety of other charges for services.

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, and changes in fund balance components (in thousands):

| Category | Increase (Decrease) From Original Budget | Final Budget Amount | Actual Amount | Variance-Positive |
|---|---|---|---|---|
| General government | $ (168,572) | $ 1,626,295 | $ 1,011,090 | $ (615,205) |
| Public protection | 72,772 | 5,173,234 | 4,911,255 | (261,979) |
| Health and sanitation | 267,730 | 3,713,484 | 3,335,840 | (377,644) |
| Public assistance | 57,417 | 5,835,422 | 5,495,558 | (339,864) |
| All other expenditures | 22,422 | 1,196,061 | 365,006 | (831,055) |
| Transfers out | 20,856 | 530,254 | 522,231 | (8,023) |
| Contingencies | 115,797 | 115,797 | | (115,797) |
| Fund balance changes-net | 108,543 | 51,699 | (28,439) | (80,138) |
| Total | $ 496,965 | $ 18,242,246 | $15,612,541 | $ (2,629,705) |

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately $497 million. The most significant increases occurred in the following areas:

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations were increased by $268 million. As previously mentioned, estimated revenues of $242 million were added to the budget to augment appropriations to implement the Medi-Cal Expansion and the Low Income Health Plan. The difference was attributable to a net increase in health and sanitation appropriations of $26 million.

- General government appropriations decreased by $169 million. Of this amount, appropriations not associated with specific County departments, such as provisional appropriations, decreased by $202 million and transferred to other functional categories to fund the financial assistance to the Martin Luther King, Jr.-Los Angeles (MLK-LA) Healthcare Corporation, various capital improvements, deferred maintenance projects, and increased salaries and employee benefits expenditures. This was offset by an increase of appropriations of $48 million for project and facility development expenditures and various decreases to general government expenditures by $15 million.

- After the original budget was established, appropriations for contingencies were increased by $116 million. As previously mentioned, there was a $116 million increase to budgeted tax revenues at the end of the fiscal year, which was accompanied by an increase in appropriations for contingencies to comply with statutory requirements.

- Net budgetary changes of $109 million had the effect of increasing various fund balance components. There was $82 million of financial assistance provided to the Martin Luther King, Jr.-Los Angeles (MLK-LA) Healthcare Corporation and $30 million was committed for programs in the incorporated areas. These changes were offset by $3 million of reductions to other fund balance categories.

- Public Protection appropriations were increased by $73 million. Of this amount, $47 million was for negotiated increases in salaries and employee benefits expenditures, and $17 million was appropriated to implement the Citizen's Commission on Jail Violence recommendations. Various increases in public protection programs appropriations comprised the remaining $9 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.630 billion lower (14.4%) than the final total budget of $15.613 billion. There were budgetary savings in all functional expenditure 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 $831 million less than the budgeted amount. Of this variance, $812 million was in the capital outlay category, related to numerous capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

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

- The general government function reported actual expenditures that were $615 million less than the amount budgeted. Of this amount, $430 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The remaining $185 million was spread across County departments comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

- Overall expenditures for the health and sanitation category were $378 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $222 million, primarily due to lower than anticipated costs for contracted services and some salary savings. The public health program recognized budgetary savings of $141 million, with $101 million due to lower than expected contract service costs and approximately $44 million in salaries and benefits savings. The remaining variance of $15 million was associated with other health programs.

- Actual public assistance expenditures were $340 million lower than the final budget. Of this amount, $282 million was concentrated in social service and children and family programs. Administrative costs in these areas were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in implementing new technology initiatives. There were also direct program savings associated with lower than anticipated caseloads. There were $32 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $26 million was related to other public assistance programs.

- Expenditures in the public protection category were $262 million less than the budgeted amount. Appropriations for Sheriff's and Probation services exceeded actual expenditures by $199 million primarily due to lower than anticipated costs for contracted services and salary savings. The balance was primarily concentrated in the area of federal and State emergency grant funded programs, where actual expenditures were $63 million less than anticipated due to delays in carrying out various projects.

## Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2014 were $19.093 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $425 million, as shown in the following table.

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

| | Current Year | Prior Year | Increase (Decrease) |
|---|---|---|---|
| Land and easements | $ 7,542,257 | $ 7,533,653 | $ 8,604 |
| Buildings and improvements | 4,649,013 | 3,934,494 | 714,519 |
| Infrastructure | 4,925,897 | 5,037,495 | (111,598) |
| Equipment | 524,218 | 510,535 | 13,683 |
| Software | 294,937 | 319,782 | (24,845) |
| Capital assets, in progress | 1,157,155 | 1,332,302 | (175,147) |
| Total | $ 19,093,477 | $ 18,668,261 | $ 425,216 |

The County's major capital asset initiatives during the current year continued to focus on new medical facilities and major improvements for the Hospitals. Three significant hospital projects were completed toward the end of the current year and reclassified from construction-in-progress to buildings and improvements for the following facilities: $384 million for Harbor/UCLA Medical Center surgical facility, $174 million for the Martin Luther King, Jr. Outpatient Center, and $124 million for the High Desert Regional Health Center. As of June 30, 2014, there were $527 million of capital asset commitments outstanding.

## Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by $7 million, as newly issued debt and accretions of $472 million exceeded debt maturities of $465 million. Specific changes related to governmental and business-type activities are presented in Note 11 (Long-Term Obligations) to the basic financial statements.

During the current year, significant long-term debt transactions were as follows:

- Lease revenue obligation notes of $418 million were issued for governmental and business-type activities in the amounts of $367 million and $51 million, respectively. For governmental activities, debt was issued to finance a new hospital facility that will be operated by a non-profit organization (see Note 14 to the basic financial statements) and fire department facilities. For business-type activities, debt was issued to finance hospital improvements.

- New debt of $54 million was issued to finance the acquisition of equipment. Equipment debt totaling $61 million was redeemed during the year in accordance with maturity schedules.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $1 billion in tax and revenue anticipation notes, with maturities of $300 million on February 28, 2014 and $700 million on June 30, 2014. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

The County's debt is rated by Moody's, Standard & Poor's, and Fitch. The following is a schedule of ratings assigned by the respective rating agencies:

| | Moody's | Standard & Poor's | Fitch |
|---|---|---|---|
| General Obligation Bonds | Aa2 | AA+ | AA- |
| Facilities | A1 | AA | A+ |
| Equipment/Non-Essential Leases | A2 | AA | A+ |
| Operating/Non-Essential Leases | A2 | AA | A |
| Short-Term | MIG1 | SP-1+ | F1+ |
| Flood Control District Revenue Bonds | Aaa | AA | AAA |
| Regional Park and Open Space District Bonds | Aa1 | AA | AAA |

Since the previous year, the County's bond ratings remained the same except for the following changes:

- Standard & Poor's upgraded the following ratings: General Obligation Bonds from AA to AA+, Facilities from AA- to AA, Equipment/Non-Essential Leases from AA- to AA, and Operating/Non-Essential Leases from AA- to AA.

## Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2014-2015 Budget on June 23, 2014. The Budget was adopted based on estimated fund balances that would be available at the end of 2013-2014. The Board updated the Budget on September 30, 2014 to reflect final 2013-2014 fund balances and other pertinent financial information. For the County's General Fund, the 2014-2015 Budget utilized $1.566 billion of fund balance, which exceeded the previously estimated fund balance of $1.198 billion. Of the additional fund balance of $368 million, $213 million was used to carryover lapsed appropriations and the remaining $155 million was used to fund one-time projects and programs.

The County's 2014-2015 Budget anticipates the continuation of moderate growth that began in 2012-2013. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. Among the fiscal challenges facing the County are the impact that health care reform and ongoing implementation of the ACA will have on the County's health care system, the implementation of the Department of Justice recommendations on mental health issues in the County jail system, unfunded liabilities for retiree healthcare benefits, and addressing significant deferred maintenance and capital improvement needs. The County will continue to strategically address restoring previous curtailments and addressing structural deficits as locally generated revenues increase.

The County's budget outlook may also be impacted by the October 31, 2015 expiration of the Centers for Medicare and Medicaid Services Medi-Cal Demonstration Project, called "California's Bridge to Reform" (Waiver), which affects Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The waiver provides funding sources for the County to implement healthcare delivery system and quality of care reforms, and DHS has indicated that renewal is necessary to support the ongoing implementation of the ACA. The State Department of Health Care Services has begun the stakeholder process to renew the Waiver.

The County's budget outlook, while favorable, continues to depend on the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) forecasts continued moderate State revenue growth through 2019-2020. The LAO also projects that the State will begin to fund a Budget Stabilization Account and to pay down specified debts, pursuant to the November 4, 2014 passage of the Rainy Day Budget Stabilization Fund Act (Proposition 2), which may moderate the impact of future volatility in State revenues. This forecast for the State should enable the County to more reliably develop its own financial forecast and spending plans for the near future.

## 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.

COUNTY OF LOS ANGELES

CALIFORNIA

# BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2014 (in thousands)

| | PRIMARY GOVERNMENT | | | DISCRETELY |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | PRESENTED COMPONENT UNITS |
| ASSETS | | | | |
| Pooled cash and investments: (Notes 1 and 5) | | | | |
| Operating | $ 4,148,453 | 74,964 | $ 4,223,417 | $ 735,741 |
| Other | 991,820 | 38,953 | 1,030,773 | |
| Total pooled cash and investments | 5,140,273 | 113,917 | 5,254,190 | 735,741 |
| Other investments (Note 5) | 64,556 | | 64,556 | 213,246 |
| Taxes receivable | 242,652 | 750 | 243,402 | |
| Accounts receivable - net (Note 14) | | 1,522,648 | 1,522,648 | 35,008 |
| Interest receivable | 18,185 | 335 | 18,520 | 650 |
| Other receivables | 2,193,884 | 257,577 | 2,451,461 | 68,803 |
| Internal balances (Note 15) | 768,135 | (768,135) | | |
| Inventories | 77,197 | 23,695 | 100,892 | 21,527 |
| Restricted assets (Note 5) | 4,443 | 151,244 | 155,687 | |
| Net pension obligation | | | | 131 |
| Capital assets: (Notes 6 and 10) | | | | |
| Capital assets, not being depreciated | 8,425,066 | 274,346 | 8,699,412 | 96,752 |
| Capital assets, net of accumulated depreciation | 7,666,235 | 2,727,830 | 10,394,065 | 92,988 |
| Total capital assets | 16,091,301 | 3,002,176 | 19,093,477 | 189,740 |
| TOTAL ASSETS | 24,600,626 | 4,304,207 | 28,904,833 | 1,264,846 |
| DEFERRED OUTFLOWS OF RESOURCES (Note 20) | 20,243 | | 20,243 | |
| LIABILITIES | | | | |
| Accounts payable | 573,706 | 272,318 | 846,024 | 63,484 |
| Accrued payroll | 384,709 | 80,259 | 464,968 | |
| Other payables | 95,230 | 10,685 | 105,915 | 1,063 |
| Accrued interest payable | 19,554 | 20,192 | 39,746 | |
| Unearned revenue | 76,329 | 315 | 76,644 | 190 |
| Advances payable | 582,664 | 315 | 582,979 | |
| Long-term liabilities: (Note 11) | | | | |
| Due within one year | 1,064,609 | 177,421 | 1,242,030 | 5,440 |
| Due in more than one year | 12,410,262 | 3,324,296 | 15,734,558 | 66,577 |
| TOTAL LIABILITIES | 15,207,063 | 3,885,801 | 19,092,864 | 136,754 |
| DEFERRED INFLOWS OF RESOURCES (Note 20) | 97,031 | | 97,031 | |
| NET POSITION | | | | |
| Net investment in capital assets (Notes 6 and 11) | 14,789,236 | 2,271,730 | 17,060,966 | 149,662 |
| Restricted for: | | | | |
| Capital projects | 58,218 | | 58,218 | |
| Debt service | 59,740 | 4,847 | 64,587 | |
| Permanent funds - nonspendable | 2,195 | | 2,195 | |
| Permanent funds - spendable | 222 | | 222 | |
| General government | 551,800 | | 551,800 | |
| Public protection | 604,749 | | 604,749 | |
| Public ways and facilities | 465,933 | 72,061 | 537,994 | |
| Health and sanitation | 648,068 | | 648,068 | |
| Recreation | 328,429 | | 328,429 | |
| Community development | | | | 281,516 |
| First 5 LA | | | | 632,680 |
| Other | 8,025 | | 8,025 | |
| Unrestricted (deficit) | (8,199,840) | (1,930,232) | (10,130,072) | 64,234 |
| TOTAL NET POSITION | $ 9,316,775 | 418,406 | $ 9,735,181 | $ 1,128,092 |

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, 2014 (in thousands)

| | | PROGRAM REVENUES | | |
|---|---|---|---|---|
| FUNCTIONS<br>PRIMARY GOVERNMENT: | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| Governmental activities: | | | | |
| General government | $ 1,307,001 | 488,685 | 40,325 | 7,356 |
| Public protection | 6,682,960 | 1,222,157 | 1,477,727 | 4,573 |
| Public ways and facilities | 366,582 | 37,937 | 234,784 | 812 |
| Health and sanitation | 3,557,523 | 784,997 | 2,018,269 | 109 |
| Public assistance | 5,830,165 | 13,712 | 4,805,553 | |
| Education | 119,037 | 3,378 | 222 | |
| Recreation and cultural services | 278,459 | 200,639 | 2,622 | |
| Interest on long-term debt | 97,777 | | | |
| Total governmental activities | 18,239,504 | 2,751,505 | 8,579,502 | 12,850 |
| Business-type activities: | | | | |
| Hospitals | 3,838,574 | 2,455,940 | 485,755 | |
| Waterworks | 84,499 | 74,598 | 131 | 326 |
| Aviation | 6,402 | 4,027 | 2 | 2,830 |
| Total business-type activities | 3,929,475 | 2,534,565 | 485,888 | 3,156 |
| Total primary government | $ 22,168,979 | 5,286,070 | 9,065,390 | 16,006 |
| DISCRETELY PRESENTED COMPONENT UNITS | $ 648,226 | 63,475 | 498,376 | |

GENERAL REVENUES:
- Taxes:
  - Property taxes
  - Utility users taxes
  - Voter approved taxes
  - Documentary transfer taxes
  - Other taxes
- Sales and use taxes, levied by the State
- Grants and contributions not restricted to special programs
- Investment income
- Miscellaneous

TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET POSITION
NET POSITION, JULY 1, 2013
NET POSITION, JUNE 30, 2014

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

| NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION | | | | |
|---|---|---|---|---|
| PRIMARY GOVERNMENT | | | DISCRETELY PRESENTED COMPONENT UNITS | |
| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | | FUNCTIONS |
| | | | | PRIMARY GOVERNMENT: |
| | | | | Governmental activities: |
| $ (770,635) | | $ (770,635) | | General government |
| (3,978,503) | | (3,978,503) | | Public protection |
| (93,049) | | (93,049) | | Public ways and facilities |
| (754,148) | | (754,148) | | Health and sanitation |
| (1,010,900) | | (1,010,900) | | Public assistance |
| (115,437) | | (115,437) | | Education |
| (75,198) | | (75,198) | | Recreation and cultural services |
| (97,777) | | (97,777) | | Interest on long-term debt |
| (6,895,647) | | (6,895,647) | | Total governmental activities |
| | | | | Business-type activities: |
| | (896,879) | (896,879) | | Hospitals |
| | (9,444) | (9,444) | | Waterworks |
| | 457 | 457 | | Aviation |
| | (905,866) | (905,866) | | Total business-type activities |
| (6,895,647) | (905,866) | (7,801,513) | | Total primary government |
| | | | $ (86,375) | DISCRETELY PRESENTED COMPONENT UNITS |
| | | | | GENERAL REVENUES: |
| | | | | Taxes: |
| 5,231,117 | 4,681 | 5,235,798 | | Property taxes |
| 56,524 | | 56,524 | | Utility users taxes |
| 357,620 | | 357,620 | | Voter approved taxes |
| 71,762 | | 71,762 | | Documentary transfer taxes |
| 29,968 | | 29,968 | | Other taxes |
| 93,184 | | 93,184 | | Sales and use taxes, levied by the State |
| 513,458 | 33 | 513,491 | | Grants and contributions not restricted to special programs |
| 64,354 | 3,908 | 68,262 | 10,690 | Investment income |
| 134,611 | 19,101 | 153,712 | 5,887 | Miscellaneous |
| (731,152) | 731,152 | | | TRANSFERS - NET |
| 5,821,446 | 758,875 | 6,580,321 | 16,577 | Total general revenues and transfers |
| (1,074,201) | (146,991) | (1,221,192) | (69,798) | CHANGE IN NET POSITION |
| 10,390,976 | 565,397 | 10,956,373 | 1,197,890 | NET POSITION, JULY 1, 2013 |
| $ 9,316,775 | 418,406 | $ 9,735,181 | $ 1,128,092 | NET POSITION, JUNE 30, 2014 |

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014 (in thousands)

| | GENERAL FUND | FIRE PROTECTION DISTRICT | FLOOD CONTROL DISTRICT | PUBLIC LIBRARY |
|---|---|---|---|---|
| ASSETS | | | | |
| Pooled cash and investments: (Notes 1 and 5) | | | | |
| Operating | $ 1,011,366 | 207,399 | 334,752 | 60,420 |
| Other | 922,428 | 12,690 | 10,229 | 1,191 |
| Total pooled cash and investments | 1,933,794 | 220,089 | 344,981 | 61,611 |
| Other investments (Notes 4 and 5) | 4,810 | | | 119 |
| Taxes receivable | 169,141 | 39,041 | 12,196 | 5,906 |
| Interest receivable | 10,851 | 470 | 816 | 169 |
| Other receivables | 1,985,832 | 40,094 | 4,103 | 1,505 |
| Due from other funds (Note 15) | 283,255 | 2,604 | 12,696 | 4,297 |
| Advances to other funds (Note 15) | 885,314 | | 6,307 | |
| Inventories | 56,790 | 8,542 | | 1,216 |
| TOTAL ASSETS | 5,329,787 | 310,840 | 381,099 | 74,823 |
| DEFERRED OUTFLOWS OF RESOURCES (Note 20) | | | | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | $ 5,329,787 | 310,840 | 381,099 | 74,823 |
| LIABILITIES | | | | |
| Accounts payable | $ 516,410 | 5,351 | 2,502 | 1,174 |
| Accrued payroll | 331,045 | 34,328 | | 3,518 |
| Other payables | 111,019 | 2,337 | 40,936 | 434 |
| Due to other funds (Note 15) | 158,626 | 17,294 | 24,116 | 4,573 |
| Advances payable | 575,567 | | | |
| Third party payor (Notes 11 and 14) | 26,207 | | | |
| TOTAL LIABILITIES | 1,718,874 | 59,310 | 67,554 | 9,699 |
| DEFERRED INFLOWS OF RESOURCES (Note 20) | 508,105 | 27,287 | 8,071 | 4,221 |
| FUND BALANCES (Note 21) | | | | |
| Nonspendable | 272,007 | 8,542 | | 1,216 |
| Restricted | 40,577 | 215,701 | 305,375 | 9,814 |
| Committed | 482,740 | | | |
| Assigned | 538,078 | | 99 | 49,873 |
| Unassigned | 1,769,406 | | | |
| TOTAL FUND BALANCES | 3,102,808 | 224,243 | 305,474 | 60,903 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 5,329,787 | 310,840 | 381,099 | 74,823 |

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

| REGIONAL PARK AND OPEN SPACE DISTRICT | NONMAJOR GOVERNMENTAL FUNDS | ELIMINATIONS (NOTE 4) | TOTAL GOVERNMENTAL FUNDS | |
|---|---|---|---|---|
| | | | | ASSETS |
| | | | | Pooled cash and investments: (Notes 1 and 5) |
| $ 325,905 | 2,176,066 | | $ 4,115,908 | Operating |
| 965 | 39,212 | | 986,715 | Other |
| 326,870 | 2,215,278 | | 5,102,623 | Total pooled cash and investments |
| | 173,242 | (113,615) | 64,556 | Other investments (Notes 4 and 5) |
| 2,392 | 13,976 | | 242,652 | Taxes receivable |
| 903 | 4,846 | | 18,055 | Interest receivable |
| 5,320 | 49,848 | | 2,086,702 | Other receivables |
| 398 | 71,924 | | 375,174 | Due from other funds (Note 15) |
| | 12,164 | | 903,785 | Advances to other funds (Note 15) |
| | | | 66,548 | Inventories |
| 335,883 | 2,541,278 | (113,615) | 8,860,095 | TOTAL ASSETS |
| | 241,498 | | 241,498 | DEFERRED OUTFLOWS OF RESOURCES (Note 20) |
| $ 335,883 | 2,782,776 | (113,615) | $ 9,101,593 | TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES |
| | | | | LIABILITIES |
| $ 2,453 | 36,708 | | $ 564,598 | Accounts payable |
| | 92 | | 368,983 | Accrued payroll |
| | 14,438 | | 169,164 | Other payables |
| 5,001 | 339,022 | | 548,632 | Due to other funds (Note 15) |
| | 6,911 | | 582,478 | Advances payable |
| | 538 | | 26,745 | Third party payor (Notes 11 and 14) |
| 7,454 | 397,709 | | 2,260,600 | TOTAL LIABILITIES |
| 5,576 | 11,135 | | 564,395 | DEFERRED INFLOWS OF RESOURCES (Note 20) |
| | | | | FUND BALANCES (Note 21) |
| | 2,195 | | 283,960 | Nonspendable |
| 322,853 | 2,115,934 | (113,615) | 2,896,639 | Restricted |
| | 115,116 | | 597,856 | Committed |
| | 140,687 | | 728,737 | Assigned |
| | | | 1,769,406 | Unassigned |
| 322,853 | 2,373,932 | (113,615) | 6,276,598 | TOTAL FUND BALANCES |
| $ 335,883 | 2,782,776 | (113,615) | $ 9,101,593 | TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES |

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014 (in thousands)

| | | | |
|---|---|---|---|
| Fund balances - total governmental funds (page 29) | | | $ 6,276,598 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not reported in governmental funds: | | | |
| Land and easements | $ | 7,358,289 | |
| Construction-in-progress | | 1,066,777 | |
| Buildings and improvements - net | | 2,758,839 | |
| Equipment - net | | 299,282 | |
| Intangible software - net | | 257,895 | |
| Infrastructure - net | | 4,222,038 | 15,963,120 |
| Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds: | | | |
| Deferred outflows from losses on refunding of debt | $ | 20,243 | |
| Deferred inflows from service concession arrangements | | (97,031) | (76,788) |
| Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues when earned in governmental activities: | | | |
| Deferred inflows from property taxes | $ | 172,695 | |
| Deferred inflows from long-term receivables | | 150,202 | 322,897 |
| Other long-term asset transactions are not available for the current period and are not recognized in governmental funds: | | | |
| Payables and receivables related to capital assets | $ | 479 | |
| Accrued interest on long-term receivables | | 7 | 486 |
| Installment receivables from service concession arrangements. | | | 97,031 |
| Accrued interest payable is not recognized in governmental funds. | | | (19,379) |
| 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 | $ | (1,523,930) | |
| Unamortized premiums on bonds and notes | | (27,908) | |
| Accreted interest on bonds and notes | | (170,583) | |
| Capital lease obligations | | (174,121) | |
| Accrued compensated absences | | (1,190,722) | |
| Workers' compensation | | (1,821,114) | |
| Litigation and self-insurance | | (169,909) | |
| Pollution remediation obligations | | (18,194) | |
| OPEB obligation | | (7,869,209) | (12,965,690) |
| Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position. | | | (281,500) |
| Net position of governmental activities (page 25) | | | $ 9,316,775 |

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

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | GENERAL FUND | FIRE PROTECTION DISTRICT | FLOOD CONTROL DISTRICT | PUBLIC LIBRARY |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 4,520,755 | 709,298 | 116,408 | 74,776 |
| Licenses, permits and franchises | 59,886 | 13,710 | 788 | |
| Fines, forfeitures and penalties | 207,094 | 3,788 | 1,412 | 509 |
| Revenue from use of money and property: | | | | |
| Investment income (Note 5) | 36,447 | 1,593 | 2,370 | 647 |
| Rents and concessions (Note 10) | 91,108 | 104 | 7,862 | 13 |
| Royalties | 946 | | 1,484 | |
| Intergovernmental revenues: | | | | |
| Federal | 3,227,981 | 8,676 | 281 | 6 |
| State | 5,104,864 | 12,774 | 5,013 | 645 |
| Other | 62,827 | 1,934 | 1,768 | 1,109 |
| Charges for services | 1,743,447 | 178,607 | 115,560 | 2,603 |
| Miscellaneous | 152,663 | 482 | 2,915 | 324 |
| TOTAL REVENUES | 15,208,018 | 930,966 | 255,861 | 80,632 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 998,438 | | | |
| Public protection | 4,843,148 | 933,937 | 186,723 | |
| Public ways and facilities | | | | |
| Health and sanitation | 3,204,177 | | | |
| Public assistance | 5,430,398 | | | |
| Education | | | | 121,124 |
| Recreation and cultural services | 282,660 | | | |
| Debt service: | | | | |
| Principal | 10,633 | 802 | | |
| Interest and other charges | 18,295 | 72 | | |
| Capital outlay | 2,398 | | | |
| TOTAL EXPENDITURES | 14,790,147 | 934,811 | 186,723 | 121,124 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 417,871 | (3,845) | 69,138 | (40,492) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (Note 15) | 466,108 | 3,730 | | 51,562 |
| Transfers out (Note 15) | (663,327) | (12,617) | (6,732) | (9,167) |
| Issuance of debt (Note 11) | | | | |
| Capital leases (Note 10) | 1,736 | | | |
| Sales of capital assets | 770 | 228 | 87 | 4 |
| TOTAL OTHER FINANCING SOURCES (USES) | (194,713) | (8,659) | (6,645) | 42,399 |
| NET CHANGE IN FUND BALANCES | 223,158 | (12,504) | 62,493 | 1,907 |
| FUND BALANCES, JULY 1, 2013 | 2,879,650 | 236,747 | 242,981 | 58,996 |
| FUND BALANCES, JUNE 30, 2014 | $ 3,102,808 | 224,243 | 305,474 | 60,903 |

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

| REGIONAL PARK AND OPEN SPACE DISTRICT | NONMAJOR GOVERNMENTAL FUNDS | ELIMINATIONS (NOTE 4) | TOTAL GOVERNMENTAL FUNDS | |
|---|---|---|---|---|
| | | | | REVENUES |
| $ | 351,352 | | $ 5,772,589 | Taxes |
| | 16,776 | | 91,160 | Licenses, permits and franchises |
| 815 | 70,700 | | 284,318 | Fines, forfeitures and penalties |
| | | | | Revenue from use of money and property: |
| 3,330 | 26,207 | (6,497) | 64,097 | Investment income (Note 5) |
| | 25,577 | | 124,664 | Rents and concessions (Note 10) |
| | 5 | | 2,435 | Royalties |
| | | | | Intergovernmental revenues: |
| | 22,829 | | 3,259,773 | Federal |
| | 577,083 | | 5,700,379 | State |
| | 15,949 | | 83,587 | Other |
| 44,210 | 190,570 | | 2,274,997 | Charges for services |
| | 53,706 | | 210,090 | Miscellaneous |
| 48,355 | 1,350,754 | (6,497) | 17,868,089 | TOTAL REVENUES |
| | | | | EXPENDITURES |
| | | | | Current: |
| | 28,523 | | 1,026,961 | General government |
| | 66,580 | | 6,030,388 | Public protection |
| | 338,953 | | 338,953 | Public ways and facilities |
| | 155,253 | | 3,359,430 | Health and sanitation |
| | 7,330 | | 5,437,728 | Public assistance |
| | 113 | | 121,237 | Education |
| 55,342 | 8,688 | | 346,690 | Recreation and cultural services |
| | | | | Debt service: |
| | 368,213 | (29,255) | 350,393 | Principal |
| | 87,168 | (6,497) | 99,038 | Interest and other charges |
| | 216,100 | | 218,498 | Capital outlay |
| 55,342 | 1,276,921 | (35,752) | 17,329,316 | TOTAL EXPENDITURES |
| (6,987) | 73,833 | 29,255 | 538,773 | EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES |
| | | | | OTHER FINANCING SOURCES (USES) |
| | 143,419 | | 664,819 | Transfers in (Note 15) |
| | (712,468) | | (1,404,311) | Transfers out (Note 15) |
| | 366,957 | | 366,957 | Issuance of debt (Note 11) |
| | | | 1,736 | Capital leases (Note 10) |
| | 497 | | 1,586 | Sales of capital assets |
| | (201,595) | | (369,213) | TOTAL OTHER FINANCING SOURCES (USES) |
| (6,987) | (127,762) | 29,255 | 169,560 | NET CHANGE IN FUND BALANCES |
| 329,840 | 2,501,694 | (142,870) | 6,107,038 | FUND BALANCES, JULY 1, 2013 |
| $ 322,853 | 2,373,932 | (113,615) | $ 6,276,598 | FUND BALANCES, JUNE 30, 2014 |

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, 2014 (in thousands)

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds (page 33) | | $ 169,560 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | | |
| Expenditures for general capital assets, infrastructure and other related capital asset adjustments | $ 631,200 | |
| Less - current year depreciation expense | (374,632) | 256,568 |
| In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance. | | (2,922) |
| Contribution of capital assets is not recognized in the governmental funds. | | 4,905 |
| Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds. | | (2,922) |
| Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities. | | (25,904) |
| Timing differences result in more or less revenues and expenses in the statement of activities. | | |
| Change in accrued interest on long-term receivables | $ 7 | |
| Change in unamortized premiums | 4,199 | 4,206 |
| Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position. | | (368,693) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position: | | |
| Certificates of participation and bonds | $ 53,754 | |
| Notes, loans, and lease revenue obligation notes | 255,949 | |
| Assessment bonds | 29,255 | |
| Other long-term notes, loans and capital leases | 11,435 | 350,393 |
| Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Change in workers' compensation | $ (28,233) | |
| Change in litigation and self-insurance | 7,169 | |
| Change in pollution remediation obligations | (2,308) | |
| Change in accrued compensated absences | (44,406) | |
| Change in OPEB obligation | (1,348,782) | |
| Change in accrued interest payable | 1,134 | |
| Change in accretion of bonds and notes | 4,189 | |
| Change in accretion of tobacco settlement bonds | (2,630) | |
| Transfer of capital assets from governmental fund to enterprise fund | (1,106) | (1,414,973) |
| The portion of internal service funds that is reported with governmental activities. | | (44,419) |
| Change in net position of governmental activities (page 27) | | $ (1,074,201) |

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | GENERAL FUND | | | |
|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL ON BUDGETARY BASIS | VARIANCE FROM FINAL BUDGET OVER (UNDER) |
| REVENUES | | | | |
| Taxes | $ 4,371,140 | 4,515,896 | 4,518,193 | 2,297 |
| Licenses, permits and franchises | 43,614 | 43,655 | 59,886 | 16,231 |
| Fines, forfeitures and penalties | 214,088 | 214,088 | 207,094 | (6,994) |
| Revenue from use of money and property: | | | | |
| Investment income | 28,755 | 29,186 | 28,796 | (390) |
| Rents and concessions | 96,908 | 101,109 | 91,108 | (10,001) |
| Royalties | 225 | 225 | 946 | 721 |
| Intergovernmental revenues: | | | | |
| Federal | 3,867,609 | 4,007,397 | 3,251,164 | (756,233) |
| State | 4,974,708 | 5,014,375 | 5,113,078 | 98,703 |
| Other | 57,195 | 93,036 | 52,369 | (40,667) |
| Charges for services | 1,760,398 | 1,882,315 | 1,751,008 | (131,307) |
| Miscellaneous | 149,814 | 155,908 | 150,001 | (5,907) |
| TOTAL REVENUES | 15,564,454 | 16,057,190 | 15,223,643 | (833,547) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,794,867 | 1,626,295 | 1,011,090 | (615,205) |
| Public protection | 5,100,462 | 5,173,234 | 4,911,255 | (261,979) |
| Health and sanitation | 3,445,754 | 3,713,484 | 3,335,840 | (377,644) |
| Public assistance | 5,778,005 | 5,835,422 | 5,495,558 | (339,864) |
| Recreation and cultural services | 294,336 | 300,947 | 287,630 | (13,317) |
| Debt service- | | | | |
| Interest | 2,801 | 2,801 | 2,801 | |
| Capital outlay | 876,502 | 892,313 | 74,575 | (817,738) |
| TOTAL EXPENDITURES | 17,292,727 | 17,544,496 | 15,118,749 | (2,425,747) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,728,273) | (1,487,306) | 104,894 | 1,592,200 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of capital assets | 304 | 304 | 770 | 466 |
| Transfers in | 682,942 | 687,171 | 456,810 | (230,361) |
| Transfers out | (509,398) | (530,254) | (522,231) | 8,023 |
| Appropriations for contingencies | | (115,797) | | 115,797 |
| Changes in fund balance | 56,844 | (51,699) | 28,439 | 80,138 |
| OTHER FINANCING SOURCES (USES) - NET | 230,692 | (10,275) | (36,212) | (25,937) |
| NET CHANGE IN FUND BALANCE | (1,497,581) | (1,497,581) | 68,682 | 1,566,263 |
| FUND BALANCE, JULY 1, 2013 (Note 16) | 1,497,581 | 1,497,581 | 1,497,581 | |
| FUND BALANCE, JUNE 30, 2014 (Note 16) | $ | | 1,566,263 | 1,566,263 |

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | FIRE PROTECTION DISTRICT | | | |
|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL ON BUDGETARY BASIS | VARIANCE FROM FINAL BUDGET OVER (UNDER) |
| REVENUES | | | | |
| Taxes | $ 691,385 | 704,635 | 707,000 | 2,365 |
| Licenses, permits and franchises | 13,473 | 13,473 | 13,710 | 237 |
| Fines, forfeitures and penalties | 4,013 | 4,013 | 3,788 | (225) |
| Revenue from use of money and property: | | | | |
| Investment income | 901 | 901 | 841 | (60) |
| Rents and concessions | 85 | 85 | 104 | 19 |
| Intergovernmental revenues: | | | | |
| Federal | 13,773 | 14,413 | 8,676 | (5,737) |
| State | 20,831 | 20,831 | 12,774 | (8,057) |
| Other | | | 1,934 | 1,934 |
| Charges for services | 172,119 | 172,282 | 178,607 | 6,325 |
| Miscellaneous | 1,043 | 1,043 | 482 | (561) |
| TOTAL REVENUES | 917,623 | 931,676 | 927,916 | (3,760) |
| EXPENDITURES | | | | |
| Current-Public protection: | | | | |
| Salaries and employee benefits | 804,316 | 828,354 | 810,433 | (17,921) |
| Services and supplies | 137,141 | 131,027 | 114,595 | (16,432) |
| Other charges | 11,971 | 11,971 | 5,055 | (6,916) |
| Capital assets | 22,556 | 16,825 | 9,744 | (7,081) |
| TOTAL EXPENDITURES | 975,984 | 988,177 | 939,827 | (48,350) |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (58,361) | (56,501) | (11,911) | 44,590 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of capital assets | 297 | 297 | 228 | (69) |
| Transfers in | 3,731 | 3,731 | 3,730 | (1) |
| Transfers out | (7,835) | (10,645) | (10,645) | |
| Changes in fund balance | (42,208) | (41,258) | (36,991) | 4,267 |
| OTHER FINANCING SOURCES (USES) - NET | (46,015) | (47,875) | (43,678) | 4,197 |
| NET CHANGE IN FUND BALANCE | (104,376) | (104,376) | (55,589) | 48,787 |
| FUND BALANCE, JULY 1, 2013 (Note 16) | 104,376 | 104,376 | 104,376 | |
| FUND BALANCE, JUNE 30, 2014 (Note 16) | $ | | 48,787 | 48,787 |

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | FLOOD CONTROL DISTRICT | | | |
|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL ON BUDGETARY BASIS | VARIANCE FROM FINAL BUDGET OVER (UNDER) |
| REVENUES | | | | |
| Taxes | $ 98,590 | 113,839 | 117,197 | 3,358 |
| Licenses, permits and franchises | 707 | 707 | 788 | 81 |
| Fines, forfeitures and penalties | 1,503 | 1,503 | 1,412 | (91) |
| Revenue from use of money and property: | | | | |
| Investment income | 1,417 | 1,537 | 1,828 | 291 |
| Rents and concessions | 7,180 | 7,180 | 7,862 | 682 |
| Royalties | 600 | 600 | 1,484 | 884 |
| Intergovernmental revenues: | | | | |
| Federal | | | 281 | 281 |
| State | 5,833 | 5,833 | 5,013 | (820) |
| Other | 4,155 | 4,155 | 1,768 | (2,387) |
| Charges for services | 125,642 | 125,642 | 115,045 | (10,597) |
| Miscellaneous | 1,128 | 1,128 | 2,915 | 1,787 |
| TOTAL REVENUES | 246,755 | 262,124 | 255,593 | (6,531) |
| EXPENDITURES | | | | |
| Current-Public protection: | | | | |
| Services and supplies | 230,039 | 228,139 | 171,129 | (57,010) |
| Other charges | 5,910 | 5,910 | 4,204 | (1,706) |
| Capital assets | 469 | 709 | 316 | (393) |
| Capital outlay | 75,368 | 77,028 | 22,425 | (54,603) |
| TOTAL EXPENDITURES | 311,786 | 311,786 | 198,074 | (113,712) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (65,031) | (49,662) | 57,519 | 107,181 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of capital assets | 68 | 68 | 87 | 19 |
| Transfers out | (5,836) | (5,836) | (3,642) | 2,194 |
| Appropriations for contingencies | | (15,369) | | 15,369 |
| Changes in fund balance | (5,775) | (5,775) | (1,121) | 4,654 |
| OTHER FINANCING SOURCES (USES) - NET | (11,543) | (26,912) | (4,676) | 22,236 |
| NET CHANGE IN FUND BALANCE | (76,574) | (76,574) | 52,843 | 129,417 |
| FUND BALANCE, JULY 1, 2013 (Note 16) | 76,574 | 76,574 | 76,574 | |
| FUND BALANCE, JUNE 30, 2014 (Note 16) | $ | | 129,417 | 129,417 |

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | PUBLIC LIBRARY | | | |
|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL ON BUDGETARY BASIS | VARIANCE FROM FINAL BUDGET OVER (UNDER) |
| REVENUES | | | | |
| Taxes | $ 73,497 | 73,497 | 74,928 | 1,431 |
| Fines, forfeitures and penalties | | | 509 | 509 |
| Revenue from use of money and property: | | | | |
| Investment income | 400 | 400 | 437 | 37 |
| Rents and concessions | 15 | 15 | 13 | (2) |
| Intergovernmental revenues: | | | | |
| Federal | | | 6 | 6 |
| State | 531 | 531 | 645 | 114 |
| Other | 988 | 988 | 1,109 | 121 |
| Charges for services | 2,880 | 2,880 | 2,603 | (277) |
| Miscellaneous | 927 | 957 | 324 | (633) |
| TOTAL REVENUES | 79,238 | 79,268 | 80,574 | 1,306 |
| EXPENDITURES | | | | |
| Current-Education: | | | | |
| Salaries and employee benefits | 84,708 | 84,708 | 76,334 | (8,374) |
| Services and supplies | 66,598 | 79,062 | 46,062 | (33,000) |
| Other charges | 114 | 114 | 83 | (31) |
| Capital assets | 600 | 833 | 361 | (472) |
| TOTAL EXPENDITURES | 152,020 | 164,717 | 122,840 | (41,877) |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (72,782) | (85,449) | (42,266) | 43,183 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of capital assets | 13 | 13 | 4 | (9) |
| Transfers in | 46,102 | 57,606 | 51,562 | (6,044) |
| Transfers out | (4,939) | (9,581) | (9,167) | 414 |
| Changes in fund balance | (5,682) | 123 | 3,754 | 3,631 |
| OTHER FINANCING SOURCES (USES) - NET | 35,494 | 48,161 | 46,153 | (2,008) |
| NET CHANGE IN FUND BALANCE | (37,288) | (37,288) | 3,887 | 41,175 |
| FUND BALANCE, JULY 1, 2013 (Note 16) | 37,288 | 37,288 | 37,288 | |
| FUND BALANCE, JUNE 30, 2014 (Note 16) | $ | | 41,175 | 41,175 |

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014 (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 | $ 823 | 823 | 815 | (8) |
| Revenue from use of money and property- | | | | |
| Investment income | 2,007 | 2,007 | 2,072 | 65 |
| Charges for services | 80,248 | 80,248 | 80,167 | (81) |
| TOTAL REVENUES | 83,078 | 83,078 | 83,054 | (24) |
| EXPENDITURES | | | | |
| Current-Recreation and cultural services: | | | | |
| Services and supplies | 5,857 | 7,427 | 6,105 | (1,322) |
| Other charges | 288,531 | 289,217 | 63,238 | (225,979) |
| TOTAL EXPENDITURES | 294,388 | 296,644 | 69,343 | (227,301) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (211,310) | (213,566) | 13,711 | 227,277 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 82,667 | 85,027 | 83,140 | (1,887) |
| Transfers out | (118,712) | (121,072) | (119,385) | 1,687 |
| Appropriations for contingencies | (4,359) | (2,103) | | 2,103 |
| Changes in fund balance | 59,027 | 59,027 | 65,949 | 6,922 |
| OTHER FINANCING SOURCES (USES) - NET | 18,623 | 20,879 | 29,704 | 8,825 |
| NET CHANGE IN FUND BALANCE | (192,687) | (192,687) | 43,415 | 236,102 |
| FUND BALANCE, JULY 1, 2013 (Note 16) | 192,857 | 192,857 | 192,857 | |
| FUND BALANCE, JUNE 30, 2014 (Note 16) | $ 170 | 170 | 236,272 | 236,102 |

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014 (in thousands)

| | BUSINESS-TYPE ACTIVITIES - | | | |
|---|---|---|---|---|
| | Harbor UCLA Medical Center | Olive View UCLA Medical Center | LAC+USC Medical Center | Rancho Los Amigos National Rehab Center |
| ASSETS | | | | |
| Current assets: | | | | |
| Pooled cash and investments: (Notes 1 and 5) | | | | |
| Operating | $ 1,596 | 650 | 1,537 | 268 |
| Other | 10,588 | 7,734 | 16,978 | 2,180 |
| Total pooled cash and investments | 12,184 | 8,384 | 18,515 | 2,448 |
| Taxes receivable | | | | |
| Accounts receivable - net (Note 14) | 468,090 | 246,979 | 613,414 | 179,336 |
| Interest receivable | 83 | 35 | 19 | 9 |
| Other receivables | 15,377 | 13,000 | 26,801 | 5,758 |
| Due from other funds (Note 15) | 63,115 | 37,907 | 122,161 | 6,129 |
| Advances to other funds (Note 15) | | | | |
| Inventories | 8,058 | 4,544 | 9,866 | 1,224 |
| Total current assets | 566,907 | 310,849 | 790,776 | 194,904 |
| Noncurrent assets: | | | | |
| Restricted assets (Note 5) | 98,889 | 41,623 | 4,832 | 4,257 |
| Other receivables (Note 14 and 15) | 51,123 | 36,696 | 76,605 | 32,217 |
| Capital assets: (Notes 6 and 10) | | | | |
| Land and easements | 3,276 | 16,426 | 18,183 | 217 |
| Buildings and improvements | 831,716 | 332,727 | 1,080,000 | 187,179 |
| Equipment | 87,392 | 55,399 | 90,579 | 18,329 |
| Intangible - software | 16,921 | 14,359 | 20,704 | 5,616 |
| Infrastructure | | | | |
| Construction in progress | 41,390 | 7,685 | | 16,665 |
| Less accumulated depreciation | (229,146) | (135,006) | (292,342) | (118,964) |
| Total capital assets - net | 751,549 | 291,590 | 917,124 | 109,042 |
| Total noncurrent assets | 901,561 | 369,909 | 998,561 | 145,516 |
| TOTAL ASSETS | 1,468,468 | 680,758 | 1,789,337 | 340,420 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 102,147 | 40,199 | 99,334 | 26,322 |
| Accrued payroll | 24,675 | 15,197 | 33,843 | 6,544 |
| Other payables | 4,073 | 1,947 | 3,459 | 1,077 |
| Accrued interest payable | 14,989 | 4,969 | 51 | 118 |
| Due to other funds (Note 15) | 34,305 | 38,243 | 26,884 | 12,222 |
| Advances from other funds (Note 15) | 264,115 | 150,820 | 344,676 | 123,492 |
| Advances payable | | | 315 | |
| Unearned revenue | | | 222 | 23 |
| Current portion of long-term liabilities (Note 11) | 49,715 | 12,666 | 88,229 | 22,957 |
| Total current liabilities | 494,019 | 264,041 | 597,013 | 192,755 |
| Noncurrent liabilities: | | | | |
| Accrued compensated absences (Note 11) | 56,156 | 30,606 | 71,102 | 13,861 |
| Bonds and notes (Note 11) | 561,691 | 212,337 | 2,005 | 4,662 |
| Premiums on bonds and notes payable (Note 11) | 18,793 | 14,917 | 143 | 333 |
| Workers' compensation (Notes 11 and 18) | 63,586 | 22,732 | 103,532 | 20,445 |
| Litigation and self-insurance (Notes 11 and 18) | 29,445 | 2,503 | 43,887 | 62 |
| OPEB obligation (Notes 9 and 11) | 455,536 | 320,799 | 700,140 | 150,750 |
| Third party payor (Notes 11 and 14) | 81,456 | 49,943 | 237,083 | 36,103 |
| Total noncurrent liabilities | 1,266,663 | 653,837 | 1,157,892 | 226,216 |
| TOTAL LIABILITIES | 1,760,682 | 917,878 | 1,754,905 | 418,971 |
| NET POSITION | | | | |
| Net investment in capital assets (Notes 6 and 11) | 275,243 | 119,398 | 874,972 | 91,092 |
| Restricted: | | | | |
| Debt service | | | 4,832 | |
| Public ways and facilities | | | | |
| Unrestricted (deficit) | (567,457) | (356,518) | (845,372) | (169,643) |
| TOTAL NET POSITION (Note 3) | $ (292,214) | (237,120) | 34,432 | (78,551) |

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

| ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | |
|---|---|---|---|---|
| Waterworks Funds | Nonmajor Aviation Funds | Total | Internal Service Funds | |
| | | | | ASSETS |
| | | | | Current assets: |
| | | | | Pooled cash and investments: (Notes 1 and 5) |
| $ 62,177 | 8,522 | $ 74,750 | $ 32,759 | Operating |
| 1,458 | 10 | 38,948 | 5,110 | Other |
| 63,635 | 8,532 | 113,698 | 37,869 | Total pooled cash and investments |
| 750 | | 750 | | Taxes receivable |
| 13,290 | 1,539 | 1,522,648 | | Accounts receivable - net (Note 14) |
| 157 | 23 | 326 | 132 | Interest receivable |
| | | 60,936 | 9,486 | Other receivables |
| 1,087 | 1 | 230,400 | 84,545 | Due from other funds (Note 15) |
| 1,318 | | 1,318 | | Advances to other funds (Note 15) |
| 3 | | 23,695 | 10,649 | Inventories |
| 80,240 | 10,095 | 1,953,771 | 142,681 | Total current assets |
| | | | | Noncurrent assets: |
| | | 149,601 | 6,086 | Restricted assets (Note 5) |
| | | 196,641 | | Other receivables (Note 14 and 15) |
| | | | | Capital assets: (Notes 6 and 10) |
| 11,654 | 134,212 | 183,968 | | Land and easements |
| 119,091 | 34,437 | 2,585,150 | | Buildings and improvements |
| 1,086 | 1,308 | 254,093 | 276,107 | Equipment |
| 1,322 | | 58,922 | | Intangible - software |
| 1,184,429 | 53,771 | 1,238,200 | | Infrastructure |
| 23,514 | 1,124 | 90,378 | | Construction in progress |
| (589,199) | (60,841) | (1,425,498) | (130,963) | Less accumulated depreciation |
| 751,897 | 164,011 | 2,985,213 | 145,144 | Total capital assets - net |
| 751,897 | 164,011 | 3,331,455 | 151,230 | Total noncurrent assets |
| 832,137 | 174,106 | 5,285,226 | 293,911 | TOTAL ASSETS |
| | | | | LIABILITIES |
| | | | | Current liabilities: |
| 3,187 | 111 | 271,300 | 10,126 | Accounts payable |
| | | 80,259 | 15,726 | Accrued payroll |
| | 129 | 10,685 | 2,055 | Other payables |
| | | 20,127 | 240 | Accrued interest payable |
| 4,789 | 431 | 116,874 | 24,613 | Due to other funds (Note 15) |
| | | 883,103 | 22,000 | Advances from other funds (Note 15) |
| | | 315 | | Advances payable |
| 70 | | 315 | 340 | Unearned revenue |
| 219 | | 173,786 | 28,123 | Current portion of long-term liabilities (Note 11) |
| 8,265 | 671 | 1,556,764 | 103,223 | Total current liabilities |
| | | | | Noncurrent liabilities: |
| | | 171,725 | 45,600 | Accrued compensated absences (Note 11) |
| 7,787 | | 788,482 | 38,430 | Bonds and notes (Note 11) |
| | | 34,186 | | Premiums on bonds and notes payable (Note 11) |
| | | 210,295 | 34,258 | Workers' compensation (Notes 11 and 18) |
| 133 | | 76,030 | 250 | Litigation and self-insurance (Notes 11 and 18) |
| | | 1,627,225 | 351,178 | OPEB obligation (Notes 9 and 11) |
| | | 404,585 | | Third party payor (Notes 11 and 14) |
| 7,920 | | 3,312,528 | 469,716 | Total noncurrent liabilities |
| 16,185 | 671 | 4,869,292 | 572,939 | TOTAL LIABILITIES |
| | | | | NET POSITION |
| 743,891 | 164,011 | 2,268,607 | 93,885 | Net investment in capital assets (Notes 6 and 11) |
| | | | | Restricted: |
| | | 4,832 | 55 | Debt service |
| 72,061 | | 72,061 | | Public ways and facilities |
| | 9,424 | (1,929,566) | (372,968) | Unrestricted (deficit) |
| $ 815,952 | 173,435 | 415,934 | $ (279,028) | TOTAL NET POSITION (Note 3) |
| | | 2,472 | | Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds |
| | | $ 418,406 | | NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 25) |

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | BUSINESS-TYPE ACTIVITIES - | | | |
|---|---|---|---|---|
| | Harbor UCLA Medical Center | Olive View UCLA Medical Center | LAC+USC Medical Center | Rancho Los Amigos National Rehab Center |
| OPERATING REVENUES: | | | | |
| Net patient service revenues (Note 14) | $ 749,955 | 488,328 | 1,051,217 | 165,009 |
| Rentals | | | | |
| Charges for services | | | | |
| Other (Note 14) | 164,045 | 73,151 | 204,354 | 64,305 |
| TOTAL OPERATING REVENUES | 914,000 | 561,479 | 1,255,571 | 229,314 |
| OPERATING EXPENSES: | | | | |
| Salaries and employee benefits | 634,712 | 401,028 | 887,365 | 175,075 |
| Services and supplies | 150,251 | 79,424 | 232,395 | 28,580 |
| Other professional services | 188,927 | 123,203 | 348,865 | 38,042 |
| Depreciation and amortization (Note 6) | 10,431 | 6,798 | 24,740 | 3,138 |
| Medical malpractice | 5,796 | 1,572 | 9,040 | |
| Rent | 10,040 | 5,109 | 4,538 | 1,766 |
| TOTAL OPERATING EXPENSES | 1,000,157 | 617,134 | 1,506,943 | 246,601 |
| OPERATING LOSS | (86,157) | (55,655) | (251,372) | (17,287) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Taxes | | | | |
| Investment income | 3,168 | 4 | 68 | 20 |
| Interest expense | (7,211) | (8,195) | (1,684) | (1,544) |
| Intergovernmental transfers expense (Note 14) | (167,128) | (88,795) | (165,716) | (28,623) |
| Intergovernmental revenues: | | | | |
| State | | | | |
| Federal | | | | |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (171,171) | (96,986) | (167,332) | (30,147) |
| LOSS BEFORE CONTRIBUTIONS AND TRANSFERS | (257,328) | (152,641) | (418,704) | (47,434) |
| Capital contributions | 1,106 | | | |
| Transfers in (Note 15) | 284,310 | 128,619 | 316,472 | 16,390 |
| Transfers out (Note 15) | (6,542) | (5,314) | | (2,925) |
| CHANGE IN NET POSITION | 21,546 | (29,336) | (102,232) | (33,969) |
| NET POSITION, JULY 1, 2013 | (313,760) | (207,784) | 136,664 | (44,582) |
| NET POSITION, JUNE 30, 2014 | $ (292,214) | (237,120) | 34,432 | (78,551) |

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

| ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | |
|---|---|---|---|---|
| Waterworks Funds | Nonmajor Aviation Funds | Total | Internal Service Funds | |
| | | | | OPERATING REVENUES: |
| $ | | $ 2,454,509 | $ | Net patient service revenues (Note 14) |
| | 3,657 | 3,657 | 24,677 | Rentals |
| 74,597 | 370 | 74,967 | 457,805 | Charges for services |
| 432 | 1 | 506,288 | | Other (Note 14) |
| 75,029 | 4,028 | 3,039,421 | 482,482 | TOTAL OPERATING REVENUES |
| | | | | OPERATING EXPENSES: |
| | | 2,098,180 | 418,195 | Salaries and employee benefits |
| 59,570 | 3,753 | 553,973 | 45,693 | Services and supplies |
| 2,645 | 790 | 702,472 | 38,627 | Other professional services |
| 22,099 | 1,859 | 69,065 | 32,043 | Depreciation and amortization (Note 6) |
| | | 16,408 | | Medical malpractice |
| | | 21,453 | | Rent |
| 84,314 | 6,402 | 3,461,551 | 534,558 | TOTAL OPERATING EXPENSES |
| (9,285) | (2,374) | (422,130) | (52,076) | OPERATING LOSS |
| | | | | NONOPERATING REVENUES (EXPENSES): |
| 4,681 | | 4,681 | | Taxes |
| 535 | 83 | 3,878 | 281 | Investment income |
| (185) | | (18,819) | (883) | Interest expense |
| | | (450,262) | | Intergovernmental transfers expense (Note 14) |
| | | | | Intergovernmental revenues: |
| 55 | 2 | 57 | | State |
| 109 | | 109 | | Federal |
| 5,195 | 85 | (460,356) | (602) | TOTAL NONOPERATING REVENUES (EXPENSES) |
| (4,090) | (2,289) | (882,486) | (52,678) | LOSS BEFORE CONTRIBUTIONS AND TRANSFERS |
| 326 | 2,830 | 4,262 | | Capital contributions |
| | | 745,791 | 13,123 | Transfers in (Note 15) |
| (531) | | (15,312) | (4,110) | Transfers out (Note 15) |
| (4,295) | 541 | (147,745) | (43,665) | CHANGE IN NET POSITION |
| 820,247 | 172,894 | | (235,363) | NET POSITION, JULY 1, 2013 |
| $ 815,952 | 173,435 | | $ (279,028) | NET POSITION, JUNE 30, 2014 |
| | | 754 | | Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds |
| | | $ (146,991) | | CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 27) |

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | BUSINESS-TYPE ACTIVITIES - | | | |
|---|---|---|---|---|
| | Harbor UCLA Medical Center | Olive View UCLA Medical Center | LAC+USC Medical Center | Rancho Los Amigos National Rehab Center |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from patient services | $ 716,055 | 503,510 | 940,826 | 125,475 |
| Rentals received | | | | |
| Rentals received from other funds | | | | |
| Cash received from (returned for) charges for services | | | | |
| Other operating revenues | 164,050 | 73,151 | 204,357 | 64,334 |
| Cash received for services provided to other funds | 20,654 | 18,347 | 32,011 | 971 |
| Cash paid for salaries and employee benefits | (551,991) | (342,096) | (752,052) | (148,473) |
| Cash paid for services and supplies | (24,227) | (20,980) | (131,694) | (28,064) |
| Other operating expenses | (203,910) | (127,219) | (375,752) | (43,065) |
| Cash paid for services from other funds | (134,586) | (67,235) | (172,629) | (21,400) |
| Net cash provided by (required for) operating activities | (13,955) | 37,478 | (254,933) | (50,222) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Cash advances received/returned from other funds | 725,487 | 453,113 | 1,252,475 | 214,409 |
| Cash advances paid/returned to other funds | (742,914) | (497,079) | (1,136,144) | (138,693) |
| Interest paid on advances | (523) | (385) | (639) | (158) |
| Intergovernmental transfers | (167,128) | (88,795) | (165,716) | (28,623) |
| Intergovernmental receipts | | | | |
| Transfers in | 284,310 | 128,619 | 316,472 | 16,390 |
| Transfers out | (6,542) | (5,314) | | (2,925) |
| Net cash provided by (required for) noncapital financing activities | 92,690 | (9,841) | 266,448 | 60,400 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from taxes | | | | |
| Capital contributions | | | | |
| Proceeds from bonds and notes | | | 38,147 | 12,896 |
| Interest paid on capital borrowing | (9,377) | (9,659) | (1,190) | (1,776) |
| Principal payments on bonds and notes | (6,019) | | (40,149) | (12,984) |
| Acquisition and construction of capital assets | (150,336) | (51,737) | (4,780) | (6,802) |
| Net cash required for capital and related financing activities | (165,732) | (61,396) | (7,972) | (8,666) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | 3,182 | 50 | 74 | 19 |
| Net increase (decrease) in cash and cash equivalents | (83,815) | (33,709) | 3,617 | 1,531 |
| Cash and cash equivalents, July 1, 2013 | 194,888 | 83,716 | 19,730 | 5,174 |
| Cash and cash equivalents, June 30, 2014 | $ 111,073 | 50,007 | 23,347 | 6,705 |

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

| ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | |
|---|---|---|---|---|
| Waterworks Funds | Nonmajor Aviation Funds | Total | Internal Service Funds | |
| | | | | CASH FLOWS FROM OPERATING ACTIVITIES |
| $ | | $ 2,285,866 | $ | Cash received from patient services |
| | 3,657 | 3,657 | 7 | Rentals received |
| | | | 24,229 | Rentals received from other funds |
| 74,981 | (867) | 74,114 | 38,517 | Cash received from (returned for) charges for services |
| 432 | 1 | 506,325 | | Other operating revenues |
| | | 71,983 | 409,433 | Cash received for services provided to other funds |
| | | (1,794,612) | (359,969) | Cash paid for salaries and employee benefits |
| (60,385) | (1,393) | (266,743) | (44,047) | Cash paid for services and supplies |
| (2,783) | (790) | (753,519) | (38,627) | Other operating expenses |
| | | (395,850) | | Cash paid for services from other funds |
| 12,245 | 608 | (268,779) | 29,543 | Net cash provided by (required for) operating activities |
| | | | | CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES |
| 94 | | 2,645,578 | | Cash advances received/returned from other funds |
| (61) | | (2,514,891) | | Cash advances paid/returned to other funds |
| | | (1,705) | | Interest paid on advances |
| | | (450,262) | | Intergovernmental transfers |
| 164 | 2 | 166 | | Intergovernmental receipts |
| | | 745,791 | 13,123 | Transfers in |
| (531) | | (15,312) | (4,110) | Transfers out |
| (334) | 2 | 409,365 | 9,013 | Net cash provided by (required for) noncapital financing activities |
| | | | | CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES |
| 4,718 | | 4,718 | | Proceeds from taxes |
| | 2,830 | 2,830 | | Capital contributions |
| | | 51,043 | 53,800 | Proceeds from bonds and notes |
| (185) | | (22,187) | (840) | Interest paid on capital borrowing |
| (105) | | (59,257) | (60,810) | Principal payments on bonds and notes |
| (7,361) | (3,102) | (224,118) | (36,525) | Acquisition and construction of capital assets |
| (2,933) | (272) | (246,971) | (44,375) | Net cash required for capital and related financing activities |
| | | | | CASH FLOWS FROM INVESTING ACTIVITIES |
| 533 | 84 | 3,942 | 274 | Investment income |
| 9,511 | 422 | (102,443) | (5,545) | Net increase (decrease) in cash and cash equivalents |
| 54,124 | 8,110 | 365,742 | 49,500 | Cash and cash equivalents, July 1, 2013 |
| $ 63,635 | 8,532 | $ 263,299 | $ 43,955 | Cash and cash equivalents, June 30, 2014 |

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | BUSINESS-TYPE ACTIVITIES - | | | |
|---|---|---|---|---|
| | Harbor UCLA Medical Center | Olive View UCLA Medical Center | LAC+USC Medical Center | Rancho Los Amigos National Rehab Center |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES: | | | | |
| Operating loss | $ (86,157) | (55,655) | (251,372) | (17,287) |
| Adjustments to reconcile operating loss to net cash provided by (required for) operating activities: | | | | |
| Depreciation and amortization | 10,431 | 6,798 | 24,740 | 3,138 |
| Other revenues (expenses) - net | (4,318) | (7,794) | 1,663 | 96 |
| (Increase) decrease in: | | | | |
| Accounts receivable - net | (14,062) | 36,159 | (24,449) | (60,476) |
| Other receivables | (1,241) | (2,543) | 2,196 | 8,615 |
| Due from other funds | 6,930 | 1,390 | (7,340) | 24,666 |
| Inventories | (1,558) | (382) | (1,558) | (79) |
| Increase (decrease) in: | | | | |
| Accounts payable | 6,582 | (3,011) | (21,443) | 128 |
| Accrued payroll | 1,870 | 1,148 | 2,356 | 302 |
| Other payables | (163) | (70) | (117) | |
| Accrued compensated absences | 2,679 | 1,425 | 3,539 | 452 |
| Due to other funds | (9,263) | 2,396 | (50,587) | (21,000) |
| Unearned revenue | | | 14 | (22) |
| Workers' compensation | (2,550) | 2,330 | (3,925) | 251 |
| Litigation and self-insurance | 5,185 | 1,463 | (3,212) | (3,257) |
| OPEB obligation | 77,899 | 56,279 | 125,555 | 26,049 |
| Third party payor | (6,219) | (2,455) | (50,993) | (11,798) |
| TOTAL ADJUSTMENTS | 72,202 | 93,133 | (3,561) | (32,935) |
| NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES | $ (13,955) | 37,478 | (254,933) | (50,222) |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES- | | | | |
| Capital contributions | $ 1,106 | | | |
| TOTAL | $ 1,106 | | | |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION: | | | | |
| Pooled cash and investments | $ 12,184 | 8,384 | 18,515 | 2,448 |
| Restricted assets | 98,889 | 41,623 | 4,832 | 4,257 |
| TOTAL | $ 111,073 | 50,007 | 23,347 | 6,705 |

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

| ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES | |
|---|---|---|---|---|
| Waterworks Funds | Nonmajor Aviation Funds | Total | Internal Service Funds | |
| | | | | RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES: |
| $ (9,285) | (2,374) | $ (422,130) | $ (52,076) | Operating loss |
| | | | | Adjustments to reconcile operating loss to net cash provided by (required for) operating activities: |
| 22,099 | 1,859 | 69,065 | 32,043 | Depreciation and amortization |
| 28 | 2,327 | (7,998) | 1,006 | Other revenues (expenses) - net |
| | | | | (Increase) decrease in: |
| 360 | (1,243) | (63,711) | | Accounts receivable - net |
| | | 7,027 | 578 | Other receivables |
| 21 | 6 | 25,673 | (10,678) | Due from other funds |
| | | (3,577) | (745) | Inventories |
| | | | | Increase (decrease) in: |
| (848) | 44 | (18,548) | 503 | Accounts payable |
| | | 5,676 | 733 | Accrued payroll |
| | (231) | (581) | 10 | Other payables |
| | | 8,095 | 1,144 | Accrued compensated absences |
| 5 | 220 | (78,229) | 882 | Due to other funds |
| 3 | | (5) | (1,219) | Unearned revenue |
| | | (3,894) | (2,191) | Workers' compensation |
| (138) | | 41 | 250 | Litigation and self-insurance |
| | | 285,782 | 59,303 | OPEB obligation |
| | | (71,465) | | Third party payor |
| 21,530 | 2,982 | 153,351 | 81,619 | TOTAL ADJUSTMENTS |
| $ 12,245 | 608 | $ (268,779) | $ 29,543 | NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES |
| | | | | NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES- |
| $ 326 | | $ 1,432 | $ | Capital contributions |
| $ 326 | | $ 1,432 | $ | TOTAL |
| | | | | RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION: |
| $ 63,635 | 8,532 | $ 113,698 | $ 37,869 | Pooled cash and investments |
| | | 149,601 | 6,086 | Restricted assets |
| $ 63,635 | 8,532 | $ 263,299 | $ 43,955 | TOTAL |

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014 (in thousands)

| | PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS | INVESTMENT TRUST FUNDS | AGENCY FUNDS |
|---|---|---|---|
| ASSETS | | | |
| Pooled cash and investments (Note 5) | $ 77,972 | $ 13,362,313 | $ 1,608,397 |
| Other investments: (Note 5) | | 96,551 | 30,810 |
| Stocks | 25,796,587 | | |
| Bonds | 10,261,720 | | |
| Short-term investments | 1,877,033 | | |
| Commodities | 2,169,289 | | |
| Real estate | 4,995,446 | | |
| Mortgages | 82,601 | | |
| Alternative assets | 4,562,066 | | |
| Cash collateral on loaned securities | 998,216 | | |
| Taxes receivable | | | 272,899 |
| Interest receivable | 120,442 | 35,301 | 45,590 |
| Other receivables | 610,719 | | |
| TOTAL ASSETS | 51,552,091 | 13,494,165 | 1,957,696 |
| LIABILITIES | | | |
| Accounts payable | 2,284,914 | | |
| Other payables (Note 5) | 1,061,076 | | |
| Due to other governments | | | 1,957,696 |
| TOTAL LIABILITIES | 3,345,990 | | 1,957,696 |
| NET POSITION | | | |
| Net position held in trust for pension benefits and other purposes | $ 48,206,101 | $ 13,494,165 | $ |

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS | INVESTMENT TRUST FUNDS |
|---|---|---|
| ADDITIONS | | |
| Contributions: | | |
| Pension and OPEB trust contributions: | | |
| Employer | $ 1,767,421 | $ |
| Member | 439,001 | |
| Contributions to investment trust funds | | 42,115,048 |
| Total contributions | 2,206,422 | 42,115,048 |
| Investment earnings: | | |
| Investment income | 2,305,467 | 167,104 |
| Net increase in the fair value of investments | 4,734,961 | |
| Securities lending income (Note 5) | 4,447 | |
| Total investment earnings | 7,044,875 | 167,104 |
| Less - Investment expenses- | | |
| Expense from investing activities | 101,350 | |
| Net investment earnings | 6,943,525 | 167,104 |
| Miscellaneous | 2,256 | |
| TOTAL ADDITIONS | 9,152,203 | 42,282,152 |
| DEDUCTIONS | | |
| Salaries and employee benefits | 42,848 | |
| Services and supplies | 16,019 | |
| Benefit payments | 3,085,852 | |
| Distributions from investment trust funds | | 44,151,964 |
| Miscellaneous | 23,757 | |
| TOTAL DEDUCTIONS | 3,168,476 | 44,151,964 |
| CHANGE IN NET POSITION | 5,983,727 | (1,869,812) |
| NET POSITION, JULY 1, 2013 | 42,222,374 | 15,363,977 |
| NET POSITION, JUNE 30, 2014 | $ 48,206,101 | $ 13,494,165 |

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2014 (in thousands)

| | COMMUNITY DEVELOPMENT COMMISSION | FIRST 5 LA | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Pooled cash and investments- (Notes 1 and 5) | | | |
| Operating | $ 123,971 | 611,770 | $ 735,741 |
| Total pooled cash and investments | 123,971 | 611,770 | 735,741 |
| Other investments (Note 5) | 213,246 | | 213,246 |
| Accounts receivable - net | 35,008 | | 35,008 |
| Interest receivable | | 650 | 650 |
| Other receivables | 9,229 | 59,574 | 68,803 |
| Inventories | 21,527 | | 21,527 |
| Net pension obligation | 131 | | 131 |
| Capital assets: (Notes 6 and 10) | | | |
| Capital assets, not being depreciated | 94,713 | 2,039 | 96,752 |
| Capital assets, net of accumulated depreciation | 82,945 | 10,043 | 92,988 |
| Total capital assets | 177,658 | 12,082 | 189,740 |
| TOTAL ASSETS | 580,770 | 684,076 | 1,264,846 |
| LIABILITIES | | | |
| Accounts payable | 24,755 | 38,729 | 63,484 |
| Other payables | 1,047 | 16 | 1,063 |
| Unearned revenue | 190 | | 190 |
| Long-term liabilities: (Note 11) | | | |
| Due within one year | 5,370 | 70 | 5,440 |
| Due in more than one year | 66,079 | 498 | 66,577 |
| TOTAL LIABILITIES | 97,441 | 39,313 | 136,754 |
| NET POSITION | | | |
| Net investment in capital assets | 137,579 | 12,083 | 149,662 |
| Restricted for: | | | |
| Community development | 281,516 | | 281,516 |
| First 5 LA | | 632,680 | 632,680 |
| Unrestricted | 64,234 | | 64,234 |
| TOTAL NET POSITION | $ 483,329 | 644,763 | $ 1,128,092 |

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

| | COMMUNITY DEVELOPMENT COMMISSION | FIRST 5 LA | TOTAL |
|---|---|---|---|
| PROGRAM (EXPENSES) REVENUES: | | | |
| Expense | $ (442,389) | (205,837) | $ (648,226) |
| Program revenues: | | | |
| Charges for services | 63,475 | | 63,475 |
| Operating grants and contributions | 389,853 | 108,523 | 498,376 |
| Net program (expenses) revenues | 10,939 | (97,314) | (86,375) |
| GENERAL REVENUES: | | | |
| Investment income | 4,321 | 6,369 | 10,690 |
| Miscellaneous | 5,787 | 100 | 5,887 |
| Total general revenues | 10,108 | 6,469 | 16,577 |
| CHANGE IN NET POSITION | 21,047 | (90,845) | (69,798) |
| NET POSITION, JULY 1, 2013 | 462,282 | 735,608 | 1,197,890 |
| NET POSITION, JUNE 30, 2014 | $ 483,329 | 644,763 | $ 1,128,092 |

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

COUNTY OF LOS ANGELES

CALIFORNIA

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP), these basic financial statements include both those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations. The data from these units are combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements.

### Blended Component Units

While each of the component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as the governing board for each of the component units and its ability to impose its will or an existence of a financial benefit/burden relationship. County management has determined that the following related entities should be included in the basic financial statements as blended component units:

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

The various districts 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. LACERA is reported in the Pension and Other Postemployment Benefit (OPEB) Trust Funds on the Statement of Net Position - Fiduciary Funds 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. Separate financial statements are issued by LACERA.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

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

Discretely Presented Component Units

Community Development Commission (CDC) of the County of Los Angeles

CDC, established on July 1, 1982 by ordinance of the Board of Supervisors, is responsible for:

- Directing the County's housing programs, including planning, housing finance, production and conservation, and management of the County's public housing developments;
- Financing community improvements such as resurfacing streets, rehabilitating homes and businesses, and removing graffiti;
- Providing economic development and business revitalization services;
- Redeveloping housing, business, and industry in designated areas; and
- Providing comprehensive planning systems for housing and economic development.

While its Board members are the same as the County Board of Supervisors, CDC does not meet the criteria for blending due to the following: 1) there is no financial burden or benefit relationship with the County nor does management of the County have operational responsibilities over it; 2) the CDC does not provide services entirely or almost entirely to the County; and 3) the CDC total debt outstanding is not expected to be repaid with resources of the County. The financial activity of the CDC is reported on the Statement of Net Position - Discretely Presented Component Units of the basic financial statements. Separate financial statements are issued by CDC.

Los Angeles County Children and Families First – Proposition 10 Commission

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Children and Families First – Proposition 10 Commission-Continued

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a discretely presented 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. First 5 hires its own employees, including an Executive Director and functions independent of the County. 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. The financial activity of First 5 is reported on the Statement of Net Position - Discretely Presented Component units of the basic financial statements. Separate financial statements are issued by First 5.

Related Organization

Los Angeles County Office of Education (LACOE) is a legally separate entity from the County. LACOE is governed by a seven-member Board of Education appointed by the County Board of Supervisors. However, the County's accountability for LACOE does not extend beyond making appointments and no financial benefit/burden relationship exists between the County and LACOE. LACOE is deemed to be a related organization. Separate financial statements are issued by LACOE.

Component Units 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.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) 34, the basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the County, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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 position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the restricted net position balances were $2.727 billion and $76.91 million for governmental activities and business-type activities, respectively. For governmental activities, $704.72 million was restricted by enabling legislation.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Flood Control District Fund

The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

Public Library Fund

The Public Library Fund is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

Aviation Funds

The Aviation Enterprise Funds are used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

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 and Other Postemployment Benefit Trust Funds

The Pension Trust Fund is used to account for financial activities of the County's Pension Plan administered by LACERA.

The Other Postemployment Benefit (OPEB) Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program administered by LACERA.

Investment Trust Funds

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

The Specific Investment Trust Fund is used to account for the net position 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types-Continued

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including property taxes and departmental funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefit, and investment trust funds 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. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, ad valorem property taxes (except for redevelopment agency dissolution), sales taxes, investment income (loss), 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. When all eligibility requirements are met, except for the timing requirements, a deferred inflow of resources is reported until the time requirements have passed. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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 four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation 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 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do however, use the accrual basis of accounting to recognize receivables and payables.

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting, which is different from GAAP. Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $28.271 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2014. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at http://ceo.lacounty.gov/budget.htm, or can be obtained from the Auditor-Controller's office.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data-Continued

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2013-2014 assessed valuation of the County of Los Angeles approximated $1.145 trillion.

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

The County is divided into 12,728 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x126, also referred to as the "Redevelopment Dissolution Act" was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes," are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2014, the County's share of residual property tax revenues was $159.88 million, of which $134.10 million was recognized in the County's General Fund.

Deposits and Investments

In accordance with GASB 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 5.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2014 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 34.

"Other Investments" represent Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LACCAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in GASB 62. The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

Capital outlay is recorded as expenditures in the fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds from tax-exempt debt over the same period. For taxable debt, interest is capitalized and not netted with interest earnings.

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements, $1 million for software intangible assets, $100,000 for non-software intangible assets, and $25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

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

| | |
|---|---|
| Buildings and Improvements | 10 to 50 years |
| Equipment | 2 to 35 years |
| Software | 5 to 25 years |
| Infrastructure | 15 to 100 years |

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB 65 "Items Previously Reported as Assets and Liabilities," the County recognized deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position and governmental fund balance sheets.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources-Continued

Previous financial reporting standards do not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. Refer to Note 20 for a detailed listing of the deferred outflows and inflows of resources the County has recognized.

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” because the amounts represent unearned revenue.

Compensated Absences

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

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

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 21.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

Committed Fund Balance - amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the County's Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County's Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

Unassigned Fund Balance - the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Cash Flows

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. NEW PRONOUNCEMENTS

The County implemented GASB 65 “Items Previously Reported as Assets and Liabilities” in the current basic financial statements for the year ended June 30, 2014. GASB 65 provides additional financial reporting guidance for deferred outflows of resources and deferred inflows of resources (Notes 1 and 20).

In addition, LACERA implemented GASB 67 “Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25.” Implementation of GASB 67 required changes and additions in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information in LACERA’s financial report (Note 8).

3. DEFICIT NET POSITION

The following funds had a deficit net position at June 30, 2014 (in thousands):

| | Accumulated Deficit |
|---|---|
| Enterprise Funds: | |
| Harbor-UCLA Medical Center | $ 292,214 |
| Olive View-UCLA Medical Center | 237,120 |
| Rancho Los Amigos National Rehab Center | 78,551 |
| Internal Service Fund- | |
| Public Works | 288,920 |

The Enterprise and Internal Service Funds’ deficits result primarily from the recognition of certain liabilities including accrued compensated absences, Other Postemployment Benefits (OPEB) obligation, workers’ compensation, self-insurance and, for the enterprise funds, medical malpractice, and third party payors, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

## 4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in 2004-2005 and the remaining 1997 bonds were fully refunded in 2007-2008. The transactions between the two component units have been accounted for as follows:

### Fund Financial Statements

At June 30, 2014, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $113,615,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($113,615,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the Nonmajor Governmental Funds.

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

### Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($113,615,000) and investment income and interest expense ($6,497,000 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 $113,615,000, 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 11 and are captioned "Assessment Bonds."

## 5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2014 (in thousands):

| | | | Restricted Assets | | |
|---|---|---|---|---|---|
| | Pooled Cash and Investments | Other Investments | Pooled Cash and Investments | Other Investments | Total |
| Governmental Funds | $ 5,102,623 | $ 64,556 | $ | $ | $ 5,167,179 |
| Proprietary Funds | 151,567 | | 153,039 | 2,648 | 307,254 |
| Fiduciary Funds (excluding Pension and OPEB) | 14,970,710 | 127,361 | | | 15,098,071 |
| Pension and OPEB Trust Funds | 77,972 | 50,742,958 | | | 50,820,930 |
| Discretely Presented Component Units | 735,741 | 213,246 | | | 948,987 |
| Total | $ 21,038,613 | $ 51,148,121 | $ 153,039 | $ 2,648 | $ 72,342,421 |

### 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, 2014, the carrying amount of the County's deposits was $219,549,000 and the balance per various financial institutions was $214,774,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2014, the carrying amount of Pension and OPEB Trust Funds' deposits was $232,979,000. Pension and OPEB Trust Funds' deposits are held in the custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

### Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Ratings Services or P-1 by Moody's Investors Service, negotiable certificates of deposits, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, floating rate notes, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission, State and local agency investment funds, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|---|---|---|---|
| U.S. Treasury Notes, Bills and Bonds | None | None | None |
| U.S. Agency Securities | None | None | None |
| Local Agency Obligations | 5 years | 10%* | 10%* |
| Bankers' Acceptances | 180 days | 40% | $750 million* |
| Commercial Paper | 270 days | 40% | $1.5 billion* |
| Certificates of Deposit | 3 years* | 30% | $750 million* |
| Corporate Medium-Term Notes | 3 years* | 30% | $750 million* |
| Repurchase Agreements | 30 days* | $1 billion* | $500 million* |
| Reverse Repurchase Agreements | 92 days | $500 million* | $250 million* |
| Securities Lending Agreements | 92 days | 20%* | None |
| Money Market Mutual Funds | N/A | 15%* | 10% |
| State of California's Local Agency Fund (LAIF) | N/A | $50 million** | None |
| Asset-Backed Securities | 5 years | 20% | $750 million* |

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

**The maximum percentage of portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates such as repurchase agreements, mortgage trust deeds, Los Angeles County securities and guaranteed investment contracts. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2014, the County had no open trade commitments with various brokers to purchase investments with settlement dates subsequent to year-end.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension and OPEB Trust Funds are managed by LACERA. Pension and OPEB Trust Funds 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 Funds’ investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. LACERA’s investment policy also allows the limited use of derivatives by certain investment managers. The classes of derivatives that are permitted are futures contracts, currency forward contracts, options, and swaps.

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA’s Report on Audited Financial Statements for the year ended June 30, 2014.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-five percent (85%) 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 Pooled Investment Trust Fund. Certain Specific Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund in the amount of $97,044,000. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension and OPEB Trust Funds other investments) at June 30, 2014 (in thousands) are as follows:

| | Fair Value |
|---|---|
| U.S. Agency securities | $ 11,187,271 |
| U.S. Treasury securities | 948,033 |
| Negotiable certificates of deposit | 3,009,313 |
| Commercial paper | 5,790,367 |
| Corporate and deposit notes | 267,493 |
| Municipal bonds | 85,696 |
| Los Angeles County securities | 7,000 |
| Money market mutual funds | 24,084 |
| Local Agency Investment Fund | 49,483 |
| Other - Investment in JPA | 11,174 |
| Total | $ 21,379,914 |

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Pension and OPEB Trust Funds investments are reported in the basic financial statements at fair value at June 30, 2014 (in thousands) and are as follows:

| | Fair Value |
|---|---|
| Cash Collateral on Loaned Securities | $ 998,216 |
| Domestic and international equity | 25,796,587 |
| Fixed income | 11,988,375 |
| Real estate | 4,995,446 |
| Private equity | 4,015,799 |
| Commodities | 2,169,289 |
| Hedge Funds | 546,267 |
| Total | $ 50,509,979 |

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Treasury Pool at June 30, 2014 totaling $77,972,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2014 to support the value of shares in the Treasurer's investment pool.

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

A summary of deposits and investments held by the Treasury Pool at June 30, 2014 is as follows (in thousands):

| | Fair Value | Principal | Interest Rate % Range | Maturity Range | Weighted Average Maturity (Years) |
|---|---|---|---|---|---|
| U.S. Agency securities | $ 11,058,726 | $ 11,151,284 | 0.13% - 6.50% | 07/23/14-12/17/19 | 3.63 |
| U.S. Treasury bills | 599,863 | 599,686 | 0.11% - 0.13% | 11/13/14-03/05/15 | 0.44 |
| U.S. Treasury notes | 347,772 | 347,634 | 0.63% - 2.38% | 08/31/14-04/30/18 | 2.34 |
| Negotiable certificates of deposit | 2,996,383 | 2,996,584 | 0.11% - 1.18% | 07/01/14-04/18/16 | 0.22 |
| Commercial paper | 5,790,367 | 5,790,408 | 0.11% - 0.22% | 07/01/14-09/22/14 | 0.05 |
| Corporate and deposit notes | 185,056 | 185,057 | 0.21% - 2.15% | 12/29/14-10/11/16 | 0.98 |
| Los Angeles County securities | 7,000 | 7,000 | 0.55% | 06/30/16 | 2.00 |
| Deposits | 206,485 | 206,485 | | | |
| | $ 21,191,652 | $ 21,284,138 | | | |

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of other (non-pooled) deposits and investments at June 30, 2014, excluding the Pension and OPEB Trust Funds, is as follows (in thousands):

| | Fair Value | Principal | Interest Rate % Range | Maturity Range | Weighted Average Maturity (Years) |
|---|---|---|---|---|---|
| Local Agency Investment Fund | $ 49,482 | $ 49,468 | 0.00% - 6.00% | 07/01/14-06/25/39 | 0.64 |
| Corporate and deposit notes | 82,437 | 82,427 | 3.75% | 10/01/14-01/18/18 | 1.86 |
| Municipal bonds | 85,696 | 85,696 | 5.00% | 08/01/14-09/02/21 | 2.22 |
| U.S. Agency securities | 128,546 | 130,056 | 0.07% - 3.24% | 11/21/14-05/30/28 | 4.49 |
| U.S. Treasury bonds | 96 | 85 | 7.25% | 05/15/16 | 1.88 |
| U.S. Treasury bills | 302 | 302 | 0.05% | 12/04/14 | 0.43 |
| Money market mutual funds | 24,084 | 24,084 | 0.01% - 0.03% | 07/01/14 | 0.00 |
| Negotiable Certificates of Deposit | 12,930 | 12,930 | | | 0.93 |
| Other - Investment in JPA | 11,174 | 11,174 | | | 0.00 |
| Deposits | 13,064 | 13,064 | | | |
| | $ 407,811 | $ 409,286 | | | |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than three years, with the exception of commercial paper and bankers' acceptances, which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. The County Treasurer manages the Treasury Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to range between 1.0 and 2.0 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2014, 46.91% have a maturity of six months or less, 2.63% have a maturity of between six and twelve months, and 50.46% have a maturity of more than one year.

As of June 30, 2014, variable-rate notes comprised 2.32% of the Treasury Pool. 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.

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds, which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2014, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's Investment Policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, bankers' acceptance, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2014, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund, which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's NRSRO ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $750 million, approximately 3.57% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $1.5 billion, or 7.15% of the investment pool's daily investment balance.

The Treasury Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2014 (in thousands):

| Issuer | Pool | SPI |
|---|---|---|
| Federal Farm Credit Bank | $ 2,313,376 | $ 30,830 |
| Federal Home Loan Bank | 3,494,686 | 14,092 |
| Federal Home Loan Mortgage Corp | 2,364,580 | 23,414 |
| Federal National Mortgage Association | 2,886,094 | 8,005 |

5. 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, 2014:

| | S & P | Moody's | % of Portfolio |
|---|---|---|---|
| Pooled Cash and Investments: | | | |
| Commercial paper | Not Rated | Not Rated | 27.59% |
| Corporate and deposit notes | | | |
| | AA- | Aa3 | 0.35% |
| | AA | Aa3 | 0.12% |
| | AA+ | A1 | 0.41% |
| Los Angeles County securities | Not Rated | Not Rated | 0.03% |
| Negotiable certificates of deposit | | | |
| | AA- | Aa3 | 0.48% |
| | Not Rated | Aa2 | 0.71% |
| | Not Rated | Not Rated | 13.09% |
| U.S. Agency securities | AA + | Aaa | 48.50% |
| | Not Rated | Aaa | 0.24% |
| | AA+ | Not Rated | 0.62% |
| | Not Rated | Not Rated | 3.34% |
| U.S. Treasury notes | Not Rated | Aaa | 1.66% |
| U.S. Treasury bills | Not Rated | Not Rated | 2.86% |
| | | | 100.00% |
| Other Investments: | | | |
| Local Agency Investment Fund | Not Rated | Not Rated | 12.53% |
| Corporate and deposit notes | AA+ | A1 | 0.38% |
| | Not Rated | Not Rated | 20.50% |
| Municipal bonds | Not Rated | Not Rated | 21.70% |
| U.S. Agency securities | AA+ | Aaa | 13.43% |
| | AA+ | Not Rated | 5.90% |
| | Not Rated | Not Rated | 13.22% |
| U.S. Treasury bonds | Not Rated | Aaa | 0.02% |
| U.S. Treasury bills | Not Rated | Not Rated | 0.08% |
| Negotiable Certificates of Deposit | Not Rated | Not Rated | 3.28% |
| Non-negotiable Certificates of Deposit | Not Rated | Not Rated | 0.03% |
| Money market mutual funds | Not Rated | Not Rated | 6.10% |
| Other-Investment in JPA | Not Rated | Not Rated | 2.83% |
| | | | 100.00% |

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2014 relative to the County Treasury Pool balances. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year. The unrealized loss on investments held in the Treasury Pool was $92,486,000 as of June 30, 2014. A separate financial report is issued for the Treasury Pool as of June 30, 2014.

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.

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2014, there were approximately $487,450,000 in floating rate notes.

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2014, forward currency contracts receivable and payable totaled $9,068,793,000 and $9,121,357,000, respectively. All investment derivative positions are included as part of investments at fair value on LACERA's statement of plan net position. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the statement of changes in plan net position.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2014.

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions

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

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

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

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2014, 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, 2014.

As of June 30, 2014, the fair value of securities on loan was $1.665 billion. The value of the cash collateral received for those securities was $998.22 million and non-cash collateral of $706.98 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $998.22 million are recorded in the Pension and OPEB Trust Funds. Pension and OPEB Trust Funds income, net of expenses, from securities lending was $4.45 million for the year ended June 30, 2014.

For the year ended June 30, 2014, 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, 2014 (in thousands):

| | County | Pension and OPEB Trust Funds | Total |
|---|---|---|---|
| Deposits | $ 219,549 | $ 232,979 | $ 452,528 |
| Investments | 21,379,914 | 50,509,979 | 71,889,893 |
| | $ 21,599,463 | $ 50,742,958 | $ 72,342,421 |

## 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows (in thousands):

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 2,388,257 | 6,965 | (1,180) | $ 2,394,042 |
| Easements | 4,961,754 | 2,582 | (89) | 4,964,247 |
| Software in progress | 43,123 | 82,247 | (8,783) | 116,587 |
| Construction in progress-buildings and improvements | 435,483 | 288,129 | (62,553) | 661,059 |
| Construction in progress-infrastructure | 271,749 | 120,001 | (102,619) | 289,131 |
| Subtotal | 8,100,366 | 499,924 | (175,224) | 8,425,066 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 4,256,114 | 139,858 | (12,325) | 4,383,647 |
| Equipment | 1,486,520 | 92,226 | (39,334) | 1,539,412 |
| Software | 529,018 | 40,009 | | 569,027 |
| Infrastructure | 7,674,311 | 69,523 | (1,724) | 7,742,110 |
| Subtotal | 13,945,963 | 341,616 | (53,383) | 14,234,196 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,551,741) | (75,910) | 2,843 | (1,624,808) |
| Equipment | (1,049,400) | (100,520) | 37,971 | (1,111,949) |
| Software | (249,624) | (61,508) | | (311,132) |
| Infrastructure | (3,357,019) | (163,514) | 461 | (3,520,072) |
| Subtotal | (6,207,784) | (401,452) | 41,275 | (6,567,961) |
| Total capital assets, being depreciated, net | 7,738,179 | (59,836) | (12,108) | 7,666,235 |
| Governmental activities capital assets, net | $ 15,838,545 | 440,088 | (187,332) | $ 16,091,301 |
| **Business-type Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 152,578 | | | $ 152,578 |
| Easements | 31,064 | 326 | | 31,390 |
| Software in progress | 1,467 | | (1,467) | |
| Construction in progress-buildings and improvements | 558,572 | 121,616 | (614,448) | 65,740 |
| Construction in progress-infrastructure | 21,908 | 11,756 | (9,026) | 24,638 |
| Subtotal | 765,589 | 133,698 | (624,941) | 274,346 |

6. CAPITAL ASSETS-Continued

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| Business-type Activities-Continued | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,896,891 | 689,266 | (1,007) | 2,585,150 |
| Equipment | 256,099 | 45,239 | (18,946) | 282,392 |
| Software | 57,355 | 1,567 | | 58,922 |
| Infrastructure | 1,233,652 | 5,234 | (686) | 1,238,200 |
| Subtotal | 3,443,997 | 741,306 | (20,639) | 4,164,664 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (666,770) | (28,438) | 232 | (694,976) |
| Equipment | (182,684) | (19,371) | 16,418 | (185,637) |
| Software | (16,967) | (4,913) | | (21,880) |
| Infrastructure | (513,449) | (21,566) | 674 | (534,341) |
| Subtotal | (1,379,870) | (74,288) | 17,324 | (1,436,834) |
| Total capital assets, being depreciated, net | 2,064,127 | 667,018 | (3,315) | 2,727,830 |
| Business-type activities capital assets, net | $ 2,829,716 | 800,716 | (628,256) | 3,002,176 |
| Total capital assets, net | $ 18,668,261 | 1,240,804 | (815,588) | $ 19,093,477 |

Depreciation Expense

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 22,328 |
| Public protection | 159,704 |
| Public ways and facilities | 92,343 |
| Health and sanitation | 19,764 |
| Public assistance | 57,426 |
| Education | 2,907 |
| Recreation and cultural services | 20,160 |
| Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets | 26,820 |
| Total depreciation expense, governmental activities | $ 401,452 |
| Business-type activities: | |
| Hospitals | $ 45,107 |
| Waterworks | 22,099 |
| Aviation | 1,859 |
| Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets | 5,223 |
| Total depreciation expense, business-type activities | $ 74,288 |

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2014 was as follows (in thousands):

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 93,240 | 584 | (1,111) | $ 92,713 |
| Construction in progress-buildings and improvements | 8,148 | 943 | (7,091) | 2,000 |
| Subtotal | 101,388 | 1,527 | (8,202) | 94,713 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 208,499 | 11,077 | (1,159) | 218,417 |
| Equipment | 9,609 | 334 | (611) | 9,332 |
| Subtotal | 218,108 | 11,411 | (1,770) | 227,749 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (136,571) | (3,945) | 1,045 | (139,471) |
| Equipment | (4,543) | (1,341) | 551 | (5,333) |
| Subtotal | (141,114) | (5,286) | 1,596 | (144,804) |
| Total capital assets being depreciated, net | 76,994 | 6,125 | (174) | 82,945 |
| CDC capital assets, net | $ 178,382 | 7,652 | (8,376) | $ 177,658 |

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2014 was as follows (in thousands):

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| Capital assets, not being depreciated- | | | | |
| Land | $ 2,039 | | | $ 2,039 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 12,076 | | | 12,076 |
| Equipment | 2,509 | 80 | | 2,589 |
| Subtotal | 14,585 | 80 | | 14,665 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,950) | (243) | | (2,193) |
| Equipment | (2,319) | (110) | | (2,429) |
| Subtotal | (4,269) | (353) | | (4,622) |
| Total capital assets being depreciated, net | 10,316 | (273) | | 10,043 |
| First 5 LA capital assets, net | $ 12,355 | (273) | | $ 12,082 |

## 7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60 "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that sixteen golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included theses SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

### Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2014, the present value of the installment payments under contract is estimated to be $97.03 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using a discount rate of 5.12% for the term of the agreement for each SCA. The lease terms for the sixteen golf courses cover remaining periods ranging from three to 25 years as of June 30, 2014. The FY 2013-2014 total monthly installment payments are approximately $735,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The carrying value of the golf courses, including buildings and land, is reported at $12.38 million as of June 30, 2014.

## 8. 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.

8. PENSION PLAN-Continued

Plan Description-Continued

LACERA is technically a cost-sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

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

Funding Policy

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. 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 FY 2013-2014:

| July 1, 2013 - September 30, 2013 | A | B | C | D | E | G |
|---|---|---|---|---|---|---|
| General Members | 22.65% | 15.55% | 15.35% | 16.00% | 16.77% | 15.61% |
| Safety Members | 31.55% | 25.37% | 20.98% | | | |

| October 1, 2013 - June 30, 2014 | A | B | C | D | E | G |
|---|---|---|---|---|---|---|
| General Members | 25.08% | 17.95% | 17.54% | 18.24% | 19.09% | 17.81% |
| Safety Members | 34.63% | 27.92% | 23.18% | | | |

The rates were determined by the actuarial valuation performed as of June 30, 2011 and June 30, 2012, respectively. The rates for plan G and Safety plan C were based on a PEPRA study completed by the actuaries since no employees were in these plans as of June 30, 2012. The preceding actuarial valuations and study were used for purposes of calculating the annual required contribution (ARC) for FY 2013-2014.

8. PENSION PLAN-Continued

Funding Policy-Continued

Employee rates vary by option and employee entry age from 5% to 13% of their annual covered salary.

During FY 2013-2014, the County contributed the full amount of the ARC, in the form of semi-monthly cash payments in the amount of $1.320 billion.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for FY 2013-2014, computed in accordance with GASB 27, were as follows (in thousands):

| | |
|---|---|
| Annual required contribution (ARC): | |
| County | $ 1,320,318 |
| Non-County entities | 124 |
| Total ARC/Annual pension cost | 1,320,442 |
| Contributions made: | |
| County cash | 1,320,318 |
| Transfer from CCCR | 0 |
| Non-County entities | 124 |
| Total contributions | 1,320,442 |
| Change in net pension obligation (asset) | 0 |
| Net pension obligation (asset), July 1, 2013 | 0 |
| Net pension obligation (asset), June 30, 2014 | $ 0 |

Trend Information (in thousands)

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| June 30, 2012 | $ 1,078,929 | 100.00% | $ 0 |
| June 30, 2013 | 1,172,014 | 100.00% | 0 |
| June 30, 2014 | 1,320,442 | 100.00% | 0 |

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the funded ratio was determined to be 75.0%. The actuarial value of assets was $39.932 billion, and the actuarial accrued liability (AAL) was $53.248 billion, resulting in an unfunded AAL of $13.316 billion. The covered payroll was $6.596 billion and the ratio of the unfunded AAL to the covered payroll was 201.9%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. PENSION PLAN-Continued

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The June 30, 2013 actuarial valuation also assumed an annual investment rate of return of 7.50%, and projected salary increases ranging from 3.76% to 9.71%, with both assumptions including a 3.00% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2.00% and 3.00%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a five-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The County contribution rate to finance the unfunded AAL increased from 19.82% to 21.34% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2012 and 2013 actuarial valuations, respectively.

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.

For the year ended June 30, 2014, LACERA implemented GASB 67 "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25." Implementation of GASB 67 required changes and additions in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information in LACERA's financial report. Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 8-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691, which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Plan Description-Continued

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014 into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

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

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances, years of service.

The County's contribution during FY 2013-2014 is on a pay-as-you-go basis. During FY 2013-2014, the County made payments to LACERA totaling $446.98 million for retiree health care benefits. Included in this amount was $45.2 million for Medicare Part B reimbursements and $7.4 million in death benefits. Additionally, $40.5 million was paid by member participants. The County also made payments of $37.32 million for long-term disability benefits.

OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Postemployment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2013-2014, the County did not make any contributions to the OPEB Trust. As of June 30, 2014, the Net Position of the OPEB Trust fund was $483.82 million.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

OPEB Trust-Continued

The OPEB Trust does not modify the County's benefit programs.

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2012, and the OPEB long-term disability actuarial valuation as of July 1, 2013. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

| | Retiree Health Care | LTD | Total |
|---|---|---|---|
| Annual OPEB required contribution (ARC) | $ 2,036,300 | $ 78,321 | $2,114,621 |
| Interest on Net OPEB obligation | 346,463 | 8,225 | 354,688 |
| Adjustment to ARC | (284,392) | (6,751) | (291,143) |
| Annual OPEB cost (expense) | 2,098,371 | 79,795 | 2,178,166 |
| Less: Contributions made | 446,979 | 37,320 | 484,299 |
| Increase in Net OPEB obligation | 1,651,392 | 42,475 | 1,693,867 |
| Net OPEB obligation, July 1, 2013 | 7,964,673 | 189,072 | 8,153,745 |
| Net OPEB obligation, June 30, 2014 | $ 9,616,065 | $ 231,547 | $9,847,612 |

Retiree Health Care Trend Information (in thousands)

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2012 | $ 1,915,501 | 19.8% | $ 6,765,519 |
| June 30, 2013 | 2,089,025 | 42.6% | 7,964,673 |
| June 30, 2014 | 2,098,370 | 21.3% | 9,616,064 |

LTD Trend Information (in thousands)

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2012 | $ 72,473 | 50.6% | $ 153,601 |
| June 30, 2013 | 73,069 | 51.5% | 189,072 |
| June 30, 2014 | 79,795 | 46.8% | 231,547 |

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $25.733 billion, resulting in an unfunded AAL of $25.733 billion. The covered payroll was $6.620 billion and the ratio of the unfunded AAL to the covered payroll was 388.73%.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

As of July 1, 2013, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The AAL was $945.69 million, resulting in an unfunded AAL of $945.69 million. The covered payroll was $6.596 billion and the ratio of the unfunded AAL to the covered payroll was 14.34%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms; however, the methods and assumptions used were the same. In both valuations, the projected unit credit cost method was used. The valuation for OPEB health care and OPEB long-term disability benefits assumed an annual investment rate of return of 4.35% and projected general wage increase of 3.85% per annum. Both valuations factored in an annual inflation rate of 3.35%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, both the OPEB health care and the OPEB long-term disability valuation reports used the level percentage of projected payroll over a rolling (open) 30-year amortization period.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2012 OPEB actuarial valuation, are as follows:

| | Initial Year | Ultimate |
|---|---|---|
| LACERA Medical Under 65 | 9.05% | 5.10% |
| LACERA Medical Over 65 | 9.75% | 5.10% |
| Firefighters Local 1014 (all) | 9.05% | 5.10% |
| Part B Premiums | 6.85% | 5.10% |
| Dental (all) | 4.40% | 3.40% |

10. 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, 2014 (in thousands):

| Year Ending June 30 | Governmental Activities |
|---|---|
| 2015 | $ 87,765 |
| 2016 | 60,046 |
| 2017 | 46,002 |
| 2018 | 31,079 |
| 2019 | 24,405 |
| 2020-2024 | 63,353 |
| 2025-2029 | 53,984 |
| 2030-2034 | 36,312 |
| 2035-2039 | 13,655 |
| 2040-2044 | 13,655 |
| 2045-2049 | 11,606 |
| Total | $ 441,862 |

Rent expenses related to operating leases were $92,049,000 for the year ended June 30, 2014.

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2014 (in thousands):

| Year Ending June 30 | Governmental Activities |
|---|---|
| 2015 | $ 23,964 |
| 2016 | 23,285 |
| 2017 | 21,222 |
| 2018 | 20,544 |
| 2019 | 20,498 |
| 2020-2024 | 99,805 |
| 2025-2029 | 77,926 |
| 2030-2034 | 58,670 |
| 2035-2039 | 27,180 |
| Total | 373,094 |
| Less: Amount representing interest | 198,973 |
| Present value of future minimum lease payments | $ 174,121 |

The following is a schedule of property under capital leases by major classes at June 30, 2014 (in thousands):

| | Governmental Activities |
|---|---|
| Land | $ 18,695 |
| Buildings and improvements | 141,441 |
| Equipment | 68,524 |
| Accumulated depreciation | (45,823) |
| Total | $ 182,837 |

Future rent revenues to be received from noncancelable subleases are $1,068,000 as of June 30, 2014.

10. LEASES-Continued

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, 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 regional parks are leased under agreements, which provide for activities such as 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 8 to 83 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 21 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 54 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $573,645,000. The carrying value of the capital assets associated with the regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2014 (in thousands):

| Year Ending June 30 | Governmental Activities |
|---|---|
| 2015 | $ 36,494 |
| 2016 | 36,414 |
| 2017 | 36,265 |
| 2018 | 36,166 |
| 2019 | 36,052 |
| Thereafter | 1,380,201 |
| Total | $ 1,561,592 |

The following is a schedule of rental income for these operating leases for the year ended June 30, 2014 (in thousands):

| | Governmental Activities |
|---|---|
| Minimum rentals | $ 36,290 |
| Contingent rentals | 16,008 |
| Total | $ 52,298 |

10. LEASES-Continued

Leases of County-Owned Property-Continued

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the Asset Development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans, OPEB (see Note 9), capital lease obligations (see Note 10) 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 recorded within governmental activities follows (in thousands):

| | Original Par Amount of Debt | Balance June 30, 2014 |
|---|---|---|
| Los Angeles County Flood Control District Refunding Bonds, 2.5% to 5.0% | $ 143,195 | $ 4,390 |
| Los Angeles County Flood Control District Revenue Bonds, 4.0% to 4.12% | 20,540 | 13,090 |
| Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25% | 275,535 | 121,728 |
| NPC Bond Anticipation Notes, 0.551% | 2,073 | 2,073 |
| NPC Bonds, 1.5% to 5.0% | 70,572 | 39,574 |
| Marina del Rey Loans, 4.5% to 4.7% | 23,500 | 16,588 |
| Public Buildings Bonds and Notes, 2.0% to 7.618% | 1,152,658 | 798,120 |
| Lease Revenue Obligation Notes, 0.06% to 0.66% | 366,957 | 366,957 |
| Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65% | 319,827 | 401,548 |
| Total | $ 2,374,857 | $ 1,764,068 |

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

| | Original Par Amount of Debt | Balance June 30, 2014 |
|---|---|---|
| NPC Bond Anticipation Notes, 0.551% | $ 4,927 | $ 4,927 |
| NPC Bonds, 1.5% to 5.0% | 14,703 | 10,476 |
| Public Buildings Bonds and Notes, 2.0% to 7.618% | 914,292 | 837,410 |
| Lease Revenue Obligation Notes, 0.06% to 0.66% | 51,043 | 51,043 |
| Waterworks District Loans, 2.28% | 8,111 | 8,006 |
| Total | $ 993,076 | $ 911,862 |

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in FY 2004-2005 and the remainder in FY 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $127,430,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,752,000 and $80,455,000, respectively.

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

| Year Ending | Governmental Activities | |
|---|---|---|
| June 30 | Principal | Interest |
| 2015 | $ 30,735 | $ 4,997 |
| 2016 | 32,270 | 3,422 |
| 2017 | 11,715 | 2,313 |
| 2018 | 12,320 | 1,692 |
| 2019 | 12,955 | 1,039 |
| 2020-2024 | 13,620 | 352 |
| Subtotal | 113,615 | $ 13,815 |
| Add: Unamortized bond premiums | 8,113 | |
| Total assessment bonds | $ 121,728 | |

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During FY 2013-2014, the Los Angeles County Capital Asset Leasing Corporation (LACCAL) issued lease revenue bonds of $29,800,000 primarily to retire bond anticipation notes. The allocation of debt between Governmental Activities and Business-type Activities was $21,754,000 and $8,046,000, respectively.

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net available revenues are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid $2,625,000 and credit reserves of $723,000 were used to pay for the current fiscal year debt payment of $3,348,000. Total principal and interest remaining on the bonds is $29,325,000.

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings Bonds and COPs for Governmental Activities and NPC bonds and Public Buildings Bonds and COPs for Business-type Activities) are as follows (in thousands):

| Year Ending | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest |
| 2015 | $ 71,508 | $ 50,213 | $ 25,266 | $ 51,048 |
| 2016 | 55,562 | 48,323 | 29,575 | 49,918 |
| 2017 | 39,732 | 48,070 | 21,777 | 47,815 |
| 2018 | 26,280 | 49,065 | 17,271 | 45,413 |
| 2019 | 24,154 | 48,884 | 16,908 | 44,613 |
| 2020-2024 | 169,336 | 173,192 | 96,940 | 208,484 |
| 2025-2029 | 124,474 | 108,344 | 122,046 | 175,017 |
| 2030-2034 | 118,522 | 69,832 | 155,783 | 129,614 |
| 2035-2039 | 93,473 | 34,843 | 197,592 | 72,459 |
| 2040-2044 | 47,831 | 3,861 | 129,644 | 11,535 |
| Subtotal | 770,872 | $ 634,627 | 812,802 | $ 835,916 |
| Add: Accretions | 64,507 | | | |
| Unamortized bond premiums | 19,795 | | 35,084 | |
| Total certificates of participation and bonds | $ 855,174 | | $ 847,886 | |

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2014 were $131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

| Year Ending | Governmental Activities | |
|---|---|---|
| June 30 | Principal | Interest |
| 2015 | $ | $ 19,918 |
| 2016 | | 19,919 |
| 2017 | | 19,919 |
| 2018 | | 19,919 |
| 2019 | | 19,919 |
| 2020-2024 | 35,925 | 91,246 |
| 2025-2029 | 46,370 | 82,406 |
| 2030-2034 | | 69,311 |
| 2035-2039 | 62,196 | 55,680 |
| 2040-2044 | 53,157 | 34,810 |
| 2045-2049 | 97,824 | 10,782 |
| Subtotal | 295,472 | $ 443,829 |
| Add: Accretions | 106,076 | |
| Total tobacco settlement asset-backed bonds | $ 401,548 | |

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Asset Leasing Corporation (LACCAL) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2013 - 2014, LACCAL issued additional BANS in the amount of $14,483,000, as reflected in Governmental Activities and $9,517,000 as reflected in Business-type Activities.

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

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of $3,410,400 and $5,472,875 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual principal and interest payments of the loans are expected to require less than 47% of the annual surcharge revenues. During FY 2013-2014, the County did not obtain any additional loans. As of June 30, 2014, total loans drawn are $2,838,000 on the Sepulveda Feeder Interconnection project and $5,273,000 on the Marina del Rey Waterline Replacement project.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by three irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON and a revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by twenty-four County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 18, 2016. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

The aggregate maximum principal amount of the three LOCs is $450,000,000, which consists of $150,000,000 of callable Series A (JP Morgan), $100,000,000 of Series B (U.S. Bank), $200,000,000 of Series C (Wells Fargo) and $150,000,000 direct placement revolving credit facility of Series D (Bank of America). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody's, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.54% of the maximum, principal amount of the LOC. For Series B and C, the letter of credit fee is equal to 0.6% of the maximum principal amount of the LOC. The commitment fee is equal to 0.3% of the $150,000,000 maximum principal amount of the revolving credit facility for Series D (Bank of America). As of June 30, 2014, $ 418,000,000 of LRON issued under the program were outstanding, including $103,000,000 of Series A, $100,000,000 of Series B, $200,000,000 of Series C, and $15,000,000 of direct placement revolving credit facility Series D.

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are reissued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2013-2014, the County redeemed and reissued $255,949,000 for Governmental Activities and $45,951,000 for Business-type Activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional $116,100,000 of new County LRON, $111,008,000 for Governmental Activities and $5,092,000 for Business-type Activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2014 is $418,000,000, which is reported as $366,957,000 for Governmental Activities and $51,043,000 for Business-type Activities. The average interest rate on LRON issued in FY 2013-2014 was 0.108%

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for Governmental Activities and NPC BANS, Waterworks District Loans and LRON for Business-type Activities are as follows (in thousands):

| Year Ending | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest |
| 2015 | $ 367,755 | $ 746 | $ 51,262 | $ 91 |
| 2016 | 2,907 | 711 | 5,259 | 176 |
| 2017 | 871 | 673 | 339 | 168 |
| 2018 | 911 | 634 | 347 | 160 |
| 2019 | 952 | 593 | 355 | 153 |
| 2020-2024 | 5,441 | 2,282 | 1,900 | 637 |
| 2025-2029 | 6,781 | 942 | 2,129 | 408 |
| 2030-2034 | | | 2,385 | 152 |
| Total notes, loans, and LRON | $ 385,618 | $ 6,581 | $ 63,976 | $ 1,945 |

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| Debt Type | Principal | Interest | Principal | Interest |
| Assessment bonds | $ 113,615 | $ 13,815 | $ | $ |
| Certificates of participation and bonds | 770,872 | 634,627 | 812,802 | 835,916 |
| Tobacco settlement asset-backed bonds | 295,472 | 443,829 | | |
| Notes, loans, and LRON | 385,618 | 6,581 | 63,976 | 1,945 |
| Subtotal | 1,565,577 | $1,098,852 | 876,778 | $ 837,861 |
| Add: Accretions | 170,583 | | | |
| Unamortized premiums on bonds payable | 27,908 | | 35,084 | |
| Total bonds and notes | $1,764,068 | | $ 911,862 | |

Long-term liabilities recorded in the Government-wide Statement of Net position include accreted interest on zero coupon bonds and unamortized bond premiums.

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. At June 30, 2014, there were no outstanding bonds and certificates of participation considered defeased.

Changes in Long-term Liabilities

Long-term debt obligations as of July 1, 2013 include the following adjustments (in thousands) as a result of the unamortized refunding loss, now being reported as deferred outflows of resources rather than a component of long-term debt due to the implementation of GASB 65:

| | Long-term Liabilities July 1, 2013, as previously reported | Effect of GASB 65 | Long-term Liabilities July 1, 2013, as restated |
|---|---|---|---|
| Governmental activities: | | | |
| Bonds and notes payable | $ 1,551,146 | | $ 1,551,146 |
| Add: Unamortized premium on bonds payable | 32,107 | | 32,107 |
| Less: Unamortized amount on refunding loss | (23,165) | 23,165 | |
| Total bonds and notes payable | $ 1,560,088 | 23,165 | $ 1,583,253 |

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2014 (in thousands):

| | Balance July 1, 2013 | Additions/ Accretions | Transfers/ Maturities | Balance June 30, 2014 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Bonds and notes payable | $ 1,551,146 | 403,194 | 388,763 | $ 1,565,577 | $ 469,998 |
| Add: Unamortized premium on bonds payable | 32,107 | | 4,199 | 27,908 | 4,177 |
| Total bonds and notes payable | 1,583,253 | 403,194 | 392,962 | 1,593,485 | 474,175 |
| Interest accretion on capital appreciation bonds payable | 172,142 | 2,630 | 4,189 | 170,583 | 10,465 |
| Other long-term liabilities: | | | | | |
| Capital lease obligations (Note 10) | 183,056 | 1,736 | 10,671 | 174,121 | 8,732 |
| Accrued compensated absences | 1,192,964 | 123,214 | 77,664 | 1,238,514 | 65,433 |
| Workers' compensation (Note 18) | 1,836,641 | 336,223 | 310,181 | 1,862,683 | 342,995 |
| Litigation and self-insurance (Note 18) | 177,078 | 23,656 | 30,575 | 170,159 | 132,792 |
| Pollution remediation obligation (Note 19) | 15,886 | 4,292 | 1,984 | 18,194 | 3,272 |
| OPEB obligation (Note 9) | 6,812,302 | 1,408,085 | | 8,220,387 | |
| Third party payor | 16,356 | 15,096 | 4,707 | 26,745 | 26,745 |
| Total governmental activities | $ 11,989,678 | 2,318,126 | 832,933 | $ 13,474,871 | $1,064,609 |
| Business-type activities: | | | | | |
| Bonds and notes payable | $ 879,198 | 68,606 | 71,026 | $ 876,778 | $ 76,528 |
| Add: Unamortized premium on bonds payable | 36,027 | | 943 | 35,084 | 898 |
| Total bonds and note payable | 915,225 | 68,606 | 71,969 | 911,862 | 77,426 |
| Other long-term liabilities: | | | | | |
| Accrued compensated absences | 174,381 | 20,259 | 12,164 | 182,476 | 10,751 |
| Workers' compensation (Note 18) | 259,708 | 34,003 | 37,897 | 255,814 | 45,519 |
| Litigation and self-insurance (Note 18) | 104,942 | 16,024 | 15,983 | 104,983 | 28,953 |
| OPEB obligation (Note 9) | 1,341,443 | 285,782 | | 1,627,225 | |
| Third party payor (Note 14) | 490,822 | 56,032 | 127,497 | 419,357 | 14,772 |
| Total business-type activities | $ 3,286,521 | 480,706 | 265,510 | $ 3,501,717 | $ 177,421 |

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

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 compensated absences and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2013-2014, thereby increasing liabilities for Bonds and Notes by $1,559,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2014 was as follows (in thousands):

| | July 1, 2013 | Additions | Maturities | Balance June 30, 2014 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Bonds and notes payable | $ 28,128 | | 2,739 | $ 25,389 | $ 2,829 |
| Compensated absences | 711 | 889 | 903 | 697 | 627 |
| Capital lease obligations | 2,569 | | 650 | 1,919 | 710 |
| Claims payable | 4,369 | 610 | 610 | 4,369 | 233 |
| Total governmental activities | $ 35,777 | 1,499 | 4,902 | $ 32,374 | $ 4,399 |
| Business-type activities: | | | | | |
| Bonds and notes payable | $ 40,208 | 6 | 1,563 | $ 38,651 | $ 590 |
| Compensated absences | 471 | 690 | 737 | 424 | 381 |
| Total business-type activities | $ 40,679 | 696 | 2,300 | $ 39,075 | $ 971 |
| Total long-term obligations | $ 76,456 | 2,195 | 7,202 | $ 71,449 | $ 5,370 |

12. SHORT-TERM DEBT

On July 1, 2013, the County issued $1,000,000,000 of short-term Tax and Revenue Anticipation Notes Series A and B at an effective interest rate of 0.16% and 0.18%, respectively. 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 2013. The Series A notes, $300,000,000, matured and were redeemed on February 28, 2014 and the Series B notes, $700,000,000, on June 30, 2014.

## 13. CONDUIT DEBT OBLIGATIONS

### Community Facilities and Improvement District Bonds

As of June 30, 2014, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $48,618,000 and limited obligation improvement bonds totaling $6,351,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

### 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, 2014, the amount of industrial development and other conduit bonds outstanding was $164,560,000.

### Redevelopment Refunding Bonds

Redevelopment refunding bonds have been issued to provide financial assistance to successor agencies to former redevelopment agencies within the County to refund tax allocation bonds in order to provide debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues deposited in the Redevelopment Property Tax Trust Fund. 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, 3014, the amount of redevelopment refunding bonds outstanding was $145,012,000.

## 14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Project

In November 2010, the Centers for Medicare and Medicaid Services (CMS) approved, pursuant to Section 1115(a) of the Social Security Act, a Medi-Cal Demonstration Project, called the "California's Bridge to Reform" (Bridge to Reform), which affects many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The Bridge to Reform covers the period November 1, 2010 to October 31, 2015.

Revenues for the public hospitals are comprised of: 1) Fee-For-Service (FFS) cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) Medi-Cal Disproportionate Share Hospital (DSH) payments; and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $311.00 million in FY 2013-2014. The non-federal share of these payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE). For the inpatient hospital FFS cost-based payments, each hospital provides its own CPE. In addition to CPE, for DSH, Intergovernmental Transfers (IGTs) are also made whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

The federal medical assistance percentage (FMAP), which establishes the matching amount (known as federal financial participation or FFP) for the FFS cost-based reimbursement for the traditional Medi-Cal population was 50% for FY 2013-2014. The FMAP for DSH remains at 50%.

For the DSH and SNCP distributions, the CPEs of all the public hospitals in the State are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If, at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not the County's hospital received the federal matching funds.

The County also provides funding for the State's share of the DSH program by transferring funds to the State. These transferred funds, referred to as intergovernmental transfers or "IGTs" are used by the State to draw down federal matching funds. The combined IGTs sent to the State by each Hospital Enterprise Fund, plus the matching federal funds, are utilized by the State to provide supplemental funding for the Demonstration Project.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

The Bridge to Reform restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Bridge to Reform by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net position. The IGT payments are reflected as nonoperating expenses by each hospital in the statement of revenues, expenses, and changes in fund net position.

The IGTs made during FY 2013-2014 are for services provided in FYs 2005-2006, 2011-2012, 2012-2013, and 2013-2014. The amounts reported below also include IGTs returned by the State for overpayment. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2013-2014 as adjusted for over/under-realization of revenues for FY 2005-2006 through FY 2012-2013. The amounts below are in thousands:

| | Program Revenues | | | |
|---|---|---|---|---|
| | Medi-Cal FFS | DSH | SNCP | Intergovernmental Transfers Expense |
| Harbor-UCLA | $ 54,967 | $ 99,810 | $ 50,035 | $ 23,161 |
| Olive View-UCLA | 27,691 | 73,138 | 16,601 | 28,663 |
| LAC+USC | 108,476 | 177,081 | 66,456 | 888 |
| Rancho | 60,415 | 22,448 | 3,680 | (2,163) |
| Total | $ 251,549 | $ 372,477 | $ 136,772 | $ 50,549 |

Besides these revenues, the Demonstration Project provides support for public hospital systems in the following areas:

Delivery System Reform Incentive Pool

The Bridge to Reform establishes the Delivery System Reform Incentive Pool (DSRIP) which ties federal funding to the achievement of milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems submitted a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that were approved by the State and CMS. The amounts below, in thousands, were recorded as "other operating revenues" in FY 2013-2014:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Delivery System Reform Incentive Pool-Continued

| | DSRIP Gross Revenues | Intergovernmental Transfers Expense |
|---|---|---|
| Harbor-UCLA | $ 132,649 | $ 85,216 |
| Olive View-UCLA | 56,762 | 31,854 |
| LAC+USC | 149,431 | 88,608 |
| Rancho | 56,322 | 13,679 |
| Total | $ 395,164 | $ 219,357 |

In addition, the General Fund received $68.61 million for DSRIP. These amounts were recorded as Intergovernmental Revenue-Federal on the governmental fund statements.

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Bridge to Reform, the State of California requires Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) to enroll in managed care plans, rather than using a fee for service system, in an effort to provide more coordinated care and contain costs. In FY 2013-2014, an estimated $243.22 million of SPD gross revenues were recorded.

The Bridge to Reform requires the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population and expenses associated with such IGTs were $98.22 million in FY 2013-2014.

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Demonstration Project, counties had the option to expand coverage by operating a Low Income Health Program (LIHP). Under this plan, the County is able to cover individuals up to 133% of the federal poverty level (FPL), known as the Medicaid Coverage Expansion (MCE) population for a particular group of services, and receive federal matching funds for the amount expended. If a county meets certain federal requirements and has the resources available to do so, it can also cover individuals between 133% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The LIHP or the Healthy Way LA (HWLA) – Matched program in Los Angeles, was in effect through the end of 2013 and effective January 1, 2014, coverage under the federal health care reform or the Patient Protection and Affordable Care Act (ACA) of 2010 went into effect.

Revenues for the HWLA program in FY 2013-2014 are estimated at $157.13 million for patient care services and $10.87 million for administrative services. Estimated IGTs totaling $10.14 million were also recorded in FY 2013-2014 related to the HWLA Out-of-Network payments for FYs 2011-2012 through 2013-2014 services.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Affordable Care Act

The ACA is the new health care reform law in America. The Federal health care reform provided the framework for the Demonstration Project by allowing early implementation of some of the law's coverage expansion provisions. The Demonstration Project's Medicaid Coverage Expansion (MCE) program provided for access, prior to January 1, 2014, to federally funded healthcare for many uninsured patients. This improved the payor mix and enhanced revenues for the County. As of December 2013, there were over 300,000 patients enrolled in HWLA. On January 1, 2014, when ACA became effective, the HWLA enrollees were automatically transitioned to Medi-Cal coverage under the ACA's MCE program. The MCE program provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the FPL. Beginning January 1, 2014, the Hospital Presumptive Eligibility (PE) program also provided individuals with temporary, no cost, Medi-Cal benefits to provide coverage while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

For the MCE program services after December 31, 2013, the FMAP is 100%. In FY 2013-2014, an estimated $291.03 million in MCE revenues and $42.25 million in Medi-Cal Managed Care Rate Supplement revenues related to MCE were recorded for the period from January 1, 2014 through June 30, 2014.

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (as well as non-physician practitioner services) provided by the County were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under a Demonstration Project. The Demonstration Project payment for inpatient and other facility services excluded professional services. California State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

Net revenues of $22.08 million were recognized during FY 2013-2014 and included adjustments for the over/under-realization of revenues associated with FY 2005-2006 through FY 2012-2013.

## 14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

### Other Medi-Cal Programs

#### Cost Based Reimbursement Clinics (CBRC)

CBRC reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). CBRC revenues in FY 2013-2014 were $157.55 million. As of June 30, 2014, the County estimated that approximately $196.64 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital.

#### Medi-Cal Cost Report Settlements

All of the FY 2009-2010 CBRC audit reports during FY 2013-2014 were issued and total audit settlements of $81.19 million were paid to the County. The Department of Health Services (DHS) issued appeal letters to the State Office of Administrative Appeals regarding unresolved audit adjustment issues. The informal level appeal hearing between DHS and the Medi-Cal auditors before a hearing auditor was held during August 2014. Prior to and during that process, a number of the disputes were resolved. The hearing results, known as a Report of Findings, will be issued sometime next year. DHS has formal level appeals pending for FYs 2003-2004, 2006-2007, 2007-2008 and 2008-2009.

The State auditors are in the process of auditing the FY 2010-2011 CBRC audit findings and the anticipated issuance of the audit reports is early April 2015.

#### Medi-Cal Managed Care Rate Supplement

The State anticipates receiving permission from CMS to continue the Medi-Cal Managed Care rate supplements paid to L.A. Care and Health Net for the period October 1, 2012 through September 30, 2013. The supplement is funded by an IGT made by the County. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payment, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State Department of Health Care Services a 20% administrative fee that is assessed on the full amount of the IGT. This amount is also recorded as part of IGT.

For L.A. Care, the total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2013-2014, including prior year over/under realization, are as follows (in thousands):

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

| | Program Revenues | Intergovernmental Transfers Expense |
|---|---|---|
| L.A. Care | $ 120,489 | $ 72,000 |
| Health Net | (2,375) | (6) |
| Totals | $ 118,114 | $ 71,994 |

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, CBRC, AB 915, SB 1732, etc.) represent approximately 71% of the hospitals' patient care revenue for the year ended June 30, 2014.

Managed Care Services-General Fund

The County organization known as Managed Care Services is the medical services organization for DHS, and coordinates the delivery of healthcare in a managed care environment with the objectives of improving outcomes and reducing costs. The General Fund recognized $266.47 million for Managed Care Services and is recorded as Charges for Services on the governmental fund statements.

Medicare Program

Inpatient services to Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

Medicare audits have been ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which required a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process used to calculate the hospital's Medicare Supplemental Security Income (SSI) fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2006-2007.

For FY 2002-2003 and FY 2003-2004, the audits have been completed for all hospitals and NPRs have been issued for the former Martin Luther King Jr./Drew Medical Center (MLK/D MC), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) only. LAC+USC Medical Center (LAC+USC MC) has not received its NPR due to the Medicare SSI fraction issue.

For FY 2004-2005, the audits have been completed and the NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-2005 audits have been completed for LAC+USC MC, H-UCLA MC and RLANRC.

For FY 2005-2006, the audits have been completed and NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-2006 audits has been completed for LAC+USC MC, H-UCLA MC, and RLANRC.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2006-2007, the audits for MLK/D MC, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. Except for the Medicare SSI fraction issue, the FY 2006-2007 audits have been completed for H-UCLA MC and LAC+USC MC.

For FY 2007-2008, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Except for the Medicare SSI fraction issue, the FY 2007-08 audits have been completed for LAC+USC and H-UCLA MC. Effective August 16, 2007, MLK/D MC ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-2008 due to low Medicare utilization.

For FY 2008-2009, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC are in progress.

For FY 2009-2010, the audit has been completed and NPR issued for OV-UCLA MC. RLANRC has been audited and is awaiting the issuance of the NPR. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2010-2011, audits have not been scheduled for LAC+USC MC and H-UCLA MC. The audit is in progress for RLANRC, and OV-UCLA MC received its NPR at the end of October 2014.

For FY 2011-2012 and FY 2012-2013, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 6% of patient care revenue for the year ended June 30, 2014.

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 - net. Claims for these programs are subject to audit by State and/or federal agencies.

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2014 (in thousands):

| | H-UCLA | OV-UCLA | LAC+USC | Rancho | Total |
|---|---|---|---|---|---|
| Accounts receivable | $ 2,496,998 | $1,044,801 | $ 2,423,814 | $ 306,367 | $ 6,271,980 |
| Less: Allowance for uncollectible amounts | 2,028,908 | 797,822 | 1,810,400 | 127,031 | 4,764,161 |
| Accounts receivable - net | $ 468,090 | $ 246,979 | $ 613,414 | $ 179,336 | $ 1,507,819 |

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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 the Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the year ended June 30, 2014 is as follows (in thousands):

| | |
|---|---|
| Estimated cost of charity care | $ 1,212,428 |
| Charity care at established rates | 1,667,215 |
| Charges forgone | 1,364,658 |

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which lays out the process by which a portion of the 1991 County Health Realignment Funds will be redirected to support Social Services programs based on a formula and the assumption that the counties will decrease their net cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio for FY 2013-2014 is 70% State and 30% County. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected. In FY 2013-2014, the State withheld $87.50 million from the County's Health Realignment account.

The withheld amount is expected to be reconciled against actual revenues and expenses for FY 2013-2014 within two years, with the potential final amount being less than or equal to $87.50 million. The withheld amount will be subject to the State's review and approval. The County could potentially recoup all, or a portion, of the $87.50 million withheld amount, subsequent to FY 2015-2016. Due to uncertainties associated with such revenues, they are not reflected in the current year's financial statements.

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation, to operate a new hospital at the MLK-MACC site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010, and is proceeding with efforts to open the new MLK Community Hospital. The new hospital facility is scheduled to open in FY 2014-2015.

## 14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr. Community Hospital-Continued

On December 27, 2013, the County established the Martin Luther King, Jr. Community Hospital Financial Assistance budget to monitor the funds allocated to the MLK-LA Healthcare Corporation for hospital opening activities provided by the County. On April 25, 2014, the County executed a lease agreement with MLK-LA Health Corporation to occupy the Inpatient Tower and related ancillary and support buildings on the MLK Medical Center campus. As part of the lease agreement, the County committed to provide MLK-LA Healthcare Corporation with loans up to the aggregate amount of $82 million for pre- and post-hospital opening activities. The General Fund balance includes the outstanding MLK-LA Health Corporation loan balance of $7.74 million in non-spendable for long-term receivables, and the remaining $74.26 million is assigned for future loans.

Medicaid Demonstration Project Renewal

The State Department of Health Care Services (DHCS) has begun the stakeholder process for the Medi-Cal Demonstration Project renewal under Section 1115(a) of the Social Security Act. The existing Bridge to Reform Demonstration Project expires on October 31, 2015, and DHCS intends to seek a renewal of the Demonstration Project. DHCS is targeting early 2015 to submit the Demonstration Project renewal request to the CMS.

A Medicaid Demonstration Project Renewal is a significant component for the County to continue successfully implementing the ACA beyond the coverage expansion. Current Demonstration Project initiatives, such as the delivery of care for Seniors and Persons with Disabilities through managed care and the State's Coordinated Care Initiative, would continue through the Demonstration Project Renewal.

## 15. 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. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. 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, 2014.

15. 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, 2014 are as follows (in thousands):

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Fire Protection District | $ 15,886 |
| | Flood Control District | 3,260 |
| | Public Library | 4,554 |
| | Regional Park and Open Space District | 5,001 |
| | Nonmajor Governmental Funds | 172,697 |
| | Harbor-UCLA Medical Center | 29,540 |
| | Olive View-UCLA Medical Center | 17,279 |
| | LAC+USC Medical Center | 25,128 |
| | Rancho Los Amigos Nat'l Rehab Center | 3,833 |
| | Waterworks Enterprise Funds | 681 |
| | Nonmajor Aviation Funds | 27 |
| | Internal Service Funds | 5,369 |
| | | 283,255 |
| Fire Protection District | General Fund | 2,079 |
| | Nonmajor Governmental Funds | 525 |
| | | 2,604 |
| Flood Control District | General Fund | 1,333 |
| | Nonmajor Governmental Funds | 3,273 |
| | Waterworks Enterprise Funds | 327 |
| | Nonmajor Aviation Funds | 67 |
| | Internal Service Funds | 7,696 |
| | | 12,696 |
| Public Library | General Fund | 4,181 |
| | Fire Protection District | 3 |
| | Nonmajor Governmental Funds | 113 |
| | | 4,297 |
| Regional Park and Open Space District | General Fund | 398 |

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Nonmajor Governmental Funds | General Fund | $ 40,281 |
| | Fire Protection District | 1,163 |
| | Flood Control District | 855 |
| | Public Library | 19 |
| | Nonmajor Governmental Funds | 18,997 |
| | Rancho Los Amigos Nat'l Rehab Center | 139 |
| | Internal Service Funds | 10,470 |
| | | 71,924 |
| Harbor-UCLA Medical Center | General Fund | 28,868 |
| | Fire Protection District | 43 |
| | Nonmajor Governmental Funds | 29,036 |
| | Olive View-UCLA Medical Center | 659 |
| | LAC+USC Medical Center | 1,530 |
| | Rancho Los Amigos Nat'l Rehab Center | 2,979 |
| | | 63,115 |
| Olive View-UCLA Medical Center | General Fund | 16,911 |
| | Fire Protection District | 116 |
| | Nonmajor Governmental Funds | 20,783 |
| | LAC+USC Medical Center | 75 |
| | Rancho Los Amigos Nat'l Rehab Center | 22 |
| | | 37,907 |
| LAC+USC Medical Center | General Fund | 39,174 |
| | Fire Protection District | 42 |
| | Nonmajor Governmental Funds | 55,038 |
| | Harbor-UCLA Medical Center | 4,731 |
| | Olive View-UCLA Medical Center | 19,771 |
| | Rancho Los Amigos Nat'l Rehab Center | 3,405 |
| | | 122,161 |
| Rancho Los Amigos Nat'l Rehab Center | General Fund | 6,017 |
| | Fire Protection District | 34 |
| | Harbor-UCLA Medical Center | 3 |
| | Olive View-UCLA Medical Center | 27 |
| | LAC+USC Medical Center | 48 |
| | | 6,129 |

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Waterworks Enterprise Funds | General Fund | $ 10 |
| | Internal Service Funds | 1,077 |
| | | 1,087 |
| Nonmajor Aviation Funds | Internal Service Funds | 1 |
| Internal Service Funds | General Fund | 19,374 |
| | Fire Protection District | 7 |
| | Flood Control District | 20,001 |
| | Nonmajor Governmental Funds | 38,560 |
| | Harbor-UCLA Medical Center | 31 |
| | Olive View-UCLA Medical Center | 507 |
| | LAC+USC Medical Center | 103 |
| | Rancho Los Amigos Nat'l Rehab Center | 1,844 |
| | Waterworks Enterprise Funds | 3,781 |
| | Nonmajor Aviation Funds | 337 |
| | | 84,545 |
| Total Interfund Receivables/Payables | | $ 690,119 |

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the four 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.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2014 are as follows (in thousands):

| Transfer From | Transfer To | Amount |
|---|---|---|
| General Fund | Public Library | $ 40,531 |
| | Nonmajor Governmental Funds | 99,982 |
| | Harbor-UCLA Medical Center | 226,722 |
| | Olive View-UCLA Medical Center | 86,108 |
| | LAC+USC Medical Center | 193,949 |
| | Rancho Los Amigos Nat'l Rehab Center | 15,702 |
| | Internal Service Funds | 333 |
| | | 663,327 |
| Fire Protection District | Nonmajor Governmental Funds | 12,617 |
| Flood Control District | Nonmajor Governmental Funds | 3,173 |
| | Internal Service Funds | 3,559 |
| | | 6,732 |
| Public Library | General Fund | 6,380 |
| | Nonmajor Governmental Funds | 2,787 |
| | | 9,167 |
| Nonmajor Governmental Funds | General Fund | 454,280 |
| | Fire Protection District | 3,730 |
| | Public Library | 11,031 |
| | Nonmajor Governmental Funds | 22,764 |
| | Harbor-UCLA Medical Center | 57,588 |
| | Olive View-UCLA Medical Center | 42,511 |
| | LAC+USC Medical Center | 111,176 |
| | Rancho Los Amigos Nat'l Rehab Center | 688 |
| | Internal Service Funds | 8,700 |
| | | 712,468 |
| Harbor-UCLA Medical Center | Nonmajor Governmental Funds | 1,943 |
| | LAC+USC Medical Center | 4,599 |
| | | 6,542 |
| Olive View-UCLA Medical Center | General Fund | 1,347 |
| | Nonmajor Govermental Funds | 144 |
| | LAC+USC Medical Center | 3,823 |
| | | 5,314 |

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

| Transfer From | Transfer To | Amount |
|---|---|---|
| Rancho Los Amigos Nat'l Rehab Center | LAC+USC Medical Center | $ 2,925 |
| Waterworks Enterprise Funds | Internal Service Funds | 531 |
| Internal Service Funds | General Fund | 4,101 |
| | Nonmajor Governmental Funds | 9 |
| | | 4,110 |
| Total Interfund Transfers | | $ 1,423,733 |

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $186.2 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2014 are as follows (in thousands):

| Receivable Fund | Payable Fund | Short-Term | Long-Term | Total |
|---|---|---|---|---|
| General Fund | Harbor-UCLA Medical Center | $ 221,868 | $ 42,247 | $ 264,115 |
| | Olive View-UCLA Medical Center | 114,124 | 36,696 | 150,820 |
| | LAC+USC Medical Center | 269,679 | 74,997 | 344,676 |
| | Rancho Los Amigos Nat'l Rehab Center | 91,275 | 32,217 | 123,492 |
| | Internal Service Funds | 2,211 | | 2,211 |
| | | 699,157 | 186,157 | 885,314 |

15. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

| Receivable Fund | Payable Fund | Short-Term | Long-Term | Total |
|---|---|---|---|---|
| Flood Control District | Internal Service Funds | $ 6,307 | | $ 6,307 |
| Nonmajor Governmental Funds | Internal Service Funds | 12,164 | | 12,164 |
| Waterworks Enterprise Funds | Internal Service Funds | 1,318 | | 1,318 |
| Total Interfund Advances | | $ 718,946 | $ 186,157 | $ 905,103 |

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The 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, nonspendable, restricted, committed and assigned fund balances are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance in other financing sources.

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.

- For the General Fund, obligations for accrued compensated absences 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 6.

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2014.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

| | General Fund | Fire Protection District | Flood Control District | Public Library | Regional Park and Open Space District |
|---|---|---|---|---|---|
| Fund balance - budgetary basis | $ 1,566,263 | $ 48,787 | $ 129,417 | $ 41,175 | $ 236,272 |
| Budgetary fund balances | 1,565,448 | 182,704 | 179,107 | 19,896 | 88,380 |
| Subtotal | 3,131,711 | 231,491 | 308,524 | 61,071 | 324,652 |
| Adjustments: | | | | | |
| Accrual of estimated liability for litigation and self-insurance claims | 139,124 | (298) | 2,697 | 876 | |
| Accrual of compensated absences | 57,602 | | | | |
| Unamortized balance of sale of tobacco settlement revenue | (241,498) | | | | |
| Change in revenue accruals | (133,290) | (15,792) | (5,747) | (2,497) | (1,799) |
| Change in OPEB | 149,159 | 8,842 | | 1,453 | |
| Subtotal | (28,903) | (7,248) | (3,050) | (168) | (1,799) |
| Fund balance - GAAP basis | $ 3,102,808 | $ 224,243 | $ 305,474 | $ 60,903 | $ 322,853 |

## 17. OTHER COMMITMENTS

Constructions and Other Significant Commitments

At June 30, 2014, there were contractual commitments of approximately $478.75 million for various general government construction and software and approximately $48.36 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2014, LACERA had outstanding capital commitments to various investment managers, approximating $3.610 billion. Subsequent to June 30, 2014, LACERA funded $394 million of these capital commitments.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2014, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

| | Restricted | Committed | Assigned | Total |
|---|---|---|---|---|
| General Fund | $ | $ | $ 453,700 | $ 453,700 |
| Fire Protection District | 20,995 | | | 20,995 |
| Flood Control District | 47,895 | | | 47,895 |
| Public Library | | | 8,946 | 8,946 |
| Regional Park and Open Space District | 75,084 | | | 75,084 |
| Nonmajor Governmental Funds | 145,163 | 7,817 | 7,023 | 160,003 |
| Total Encumbrances | $ 289,137 | $ 7,817 | $ 469,669 | $ 766,623 |

## 18. 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 FY 2011-2012, FY 2012-2013 or FY 2013-2014.

18. RISK MANAGEMENT-Continued

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation balance as of June 30, 2014 was approximately $2.118 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2014. Approximately $88,906,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2014, the County's best estimate of these liabilities is $2.394 billion. Changes in the reported liability since July 1, 2012 resulted from the following (in thousands):

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes In Estimates | Claim Payments | Balance At Fiscal Year-End |
|---|---|---|---|---|
| 2012-2013 | | | | |
| Workers' Compensation | $ 2,119,566 | $ 340,249 | $(363,466) | $ 2,096,349 |
| Other | 261,518 | 93,260 | (72,758) | 282,020 |
| Total 2012-2013 | $ 2,381,084 | $ 433,509 | $(436,224) | $ 2,378,369 |
| 2013-2014 | | | | |
| Workers' Compensation | $ 2,096,349 | $ 370,226 | $(348,078) | $ 2,118,497 |
| Other | 282,020 | 39,680 | (46,558) | 275,142 |
| Total 2013-2014 | $ 2,378,369 | $ 409,906 | $(394,636) | $ 2,393,639 |

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $180.4 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

## 19. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligation (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or cleanup activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2014, the County's estimated pollution remediation obligation totaled $18,194,000. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

## 20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide financial statements as of June 30, 2014 are described as follows:

- The deferred outflows of resources, included on the government-wide statement of net position, relates to the unamortized losses on refunding of debt, which was previously reported under bonds payable. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

- The deferred inflows of resources, included on the government-wide statement of net position, relates to the future installment payments of service concession arrangements as discussed in Note 7.

Statement of Net Position (in thousands):

| | |
|---|---|
| Deferred outflows of resources - | |
| Unamortized losses on refunding of debt | $ 20,243 |
| Deferred inflows of resources - | |
| Service concession arrangements | $ 97,031 |

Deferred outflows and inflows of resources balances in the governmental fund financial statements as of June 30, 2014 are described as follows:

- The intra-entity sales of future tobacco settlement revenues, which were previously reported as interfund receivables and payables in the governmental fund financial statements, have been reclassified and are now reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.

- Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. These were previously reported as deferred revenues. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Balance Sheet (in thousands):

| | General Fund | Fire Protection District | Flood Control District | Public Library | Regional Park and Open Space District | Nonmajor Funds | Total |
|---|---|---|---|---|---|---|---|
| Deferred outflows of resources - | | | | | | | |
| Tobacco settlement revenues | $ | | | | | 241,498 | $241,498 |
| Deferred inflows of resources: | | | | | | | |
| Tobacco settlement revenues | $ 241,498 | | | | | | $241,498 |
| Property tax revenues | 117,844 | 26,472 | 8,071 | 4,221 | 5,576 | 10,511 | 172,695 |
| Other long-term receivables | 148,763 | 815 | | | | 624 | 150,202 |
| Total governmental funds deferred inflows of resources | $ 508,105 | 27,287 | 8,071 | 4,221 | 5,576 | 11,135 | $564,395 |

## 21. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2014 (in thousands) are as follows:

| | General Fund | Fire Protection District | Flood Control District | Public Library | Regional Park and Open Space District | Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | $ 56,790 | 8,542 | | 1,216 | | |
| Long-term receivables | 215,217 | | | | | |
| Permanent fund principal | | | | | | 2,195 |
| Total Nonspendable | 272,007 | 8,542 | | 1,216 | | 2,195 |
| Restricted for: | | | | | | |
| Purpose of fund | | 215,701 | 305,375 | 9,814 | 322,853 | 1,404,246 |
| Purpose of utility user tax | 30,771 | | | | | |
| Grand Avenue project | 4,600 | | | | | |
| Sheriff Pitchess landfill | 3,206 | | | | | |
| La Alameda project | 2,000 | | | | | |
| Capital projects | | | | | | 174,581 |
| Debt service | | | | | | 536,885 |
| Endowments and annuities | | | | | | 222 |
| Total Restricted | 40,577 | 215,701 | 305,375 | 9,814 | 322,853 | 2,115,934 |
| Committed to: | | | | | | |
| Purpose of fund | | | | | | 36,148 |
| Capital projects and extraordinary maintenance | 146,056 | | | | | 78,968 |
| Health services-tobacco settlement | 49,900 | | | | | |
| Budget uncertainties | 86,698 | | | | | |
| Low to moderate income housing | 50,072 | | | | | |
| Sheriff budget restoration | 31,174 | | | | | |
| Assessor tax system | 22,062 | | | | | |
| Health services operations | 16,000 | | | | | |
| Interoperable and countywide communication | 8,765 | | | | | |
| Services to unincorporated areas | 14,254 | | | | | |
| Financial system | 16,487 | | | | | |
| Reopening jail beds | 12,147 | | | | | |
| Department of children and family services | 8,840 | | | | | |
| Health services future financial requirements | 6,513 | | | | | |
| Public works-permit tracking system | 5,855 | | | | | |

21. FUND BALANCES-Continued

| | General Fund | Fire Protection District | Flood Control District | Public Library | Regional Park and Open Space District | Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| TTC remittance processing and mailroom equipment | 2,800 | | | | | |
| Information technology enhancements | 2,564 | | | | | |
| Live scan | 2,000 | | | | | |
| TTC unsecured property tax system | 463 | | | | | |
| Sheriff unincorporated patrol | 90 | | | | | |
| Total Committed | 482,740 | | | | | 115,116 |
| Assigned to: | | | | | | |
| Purpose of fund | | | 99 | 49,873 | | 116,480 |
| Future purchases | 453,700 | | | | | |
| Future loans | 82,354 | | | | | |
| Capital projects | | | | | | 24,207 |
| Imprest cash | 2,024 | | | | | |
| Total Assigned | 538,078 | | 99 | 49,873 | | 140,687 |
| Unassigned | 1,769,406 | | | | | |
| Total Fund Balances | $ 3,102,808 | 224,243 | 305,474 | 60,903 | 322,853 | 2,373,932 |

Reserve for “Rainy Day” Fund

On June 22, 2009, the Board established a Reserve for “Rainy Day” fund. The Reserve for “Rainy Day” fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10% of on-going locally generated revenue. Transfers of three percent (3%) should be made into the Reserve each year, if feasible, until the 10% cap is met.

When the Reserve cap of 10% is exceeded, the excess may be available for specified one-time purposes such as capital projects, unfunded retiree health obligations, efficiency measures and information technology initiatives. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County’s “Rainy-Day” fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for “Rainy Day” funds in the amount of $232,045,000 is reported as unassigned fund balance in the General Fund.

## 22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2014, the County issued $900,000,000 in 2014-2015 TRANS which will mature on June 30, 2015. The TRANS are collateralized by taxes and other revenues attributable to the 2014-2015 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rates of 0.12%.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 12, 2014, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.535%. Also, on December 10, 2014, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.596%. The rates are adjustable on January 2 and July 1 of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2017. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

Lease Revenue Obligation Notes

On September 15, 2014, the Los Angeles County Capital Asset Leasing Corporation issued an additional $15,000,000 in lease revenue obligation notes (LRON) with an initial average interest rate of 0.08%. Also, on November 7, 2014, the Corporation issued an additional $17,000,000 in LRON with an initial average interest rate of 0.07%. The proceeds are being used to fund capital requirements of various capital projects. The LRON is secured by a long-term lease of County real estate and letters of credit.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress-Pension Plan
(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| June 30, 2011 | $ 39,193,627 | $ 48,598,166 | $ 9,404,539 | 80.6% | $ 6,650,674 | 141.4% |
| June 30, 2012 | 39,039,364 | 50,809,425 | 11,770,061 | 76.8% | 6,619,816 | 177.8% |
| June 30, 2013 | 39,932,416 | 53,247,776 | 13,315,360 | 75.0% | 6,595,902 | 201.9% |

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| July 1, 2008 | $ 0 | $ 20,901,600 | $ 20,901,600 | 0% | $ 6,123,888 | 341.31% |
| July 1, 2010 | 0 | 22,939,800 | 22,939,800 | 0% | 6,695,439 | 342.62% |
| July 1, 2012 | 0 | 25,733,300 | 25,733,300 | 0% | 6,619,816 | 388.73% |

Long-Term Disability

| | | | | | | |
|---|---|---|---|---|---|---|
| July 1, 2009 | $ 0 | $ 951,797 | $ 951,797 | 0% | $ 6,547,616 | 14.54% |
| July 1, 2011 | 0 | 1,018,898 | 1,018,898 | 0% | 6,650,674 | 15.32% |
| July 1, 2013 | 0 | 945,687 | 945,687 | 0% | 6,595,902 | 14.34% |

COUNTY OF LOS ANGELES

CALIFORNIA

**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

COUNTY OF LOS ANGELES

CALIFORNIA

Upon delivery of the Notes, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, proposes to render its final opinion in substantially the following form:

[Delivery Date]

County of Los Angeles
Los Angeles, California

County of Los Angeles
2015-16 Tax and Revenue Anticipation Notes
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Los Angeles (the "County") in connection with the issuance of $900,000,000 aggregate principal amount of County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes (the "Notes"), issued pursuant to a resolution of the Board of Supervisors of the County adopted on May 12, 2015 (the "Resolution") and the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2015-16 Tax and Revenue Anticipation Notes, dated July 1, 2015, executed by the County (the "Financing Certificate"), and Article 7.6, Chapter 4, Part 1, Division 2 of Title 5 (commencing with Section 53850) of the California Government Code. Capitalized undefined terms used herein have the meanings ascribed thereto in the Financing Certificate.

In such connection, we have reviewed the Resolution, the Financing Certificate, the Tax Certificate, an opinion of County Counsel of the County, certificates of the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Financing Certificate and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution, the Financing Certificate and the Tax Certificate, and their enforceability, may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the

application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes, and express no opinion with respect thereto.

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

1.The Notes constitute the valid and binding obligations of the County.

2.The Financing Certificate has been duly executed and delivered by, and constitutes the valid and binding obligation of, the County.

3.Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

**APPENDIX D**

**BOOK-ENTRY ONLY SYSTEM**

COUNTY OF LOS ANGELES

CALIFORNIA

*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 County and the Underwriters take no responsibility for the completeness or accuracy thereof. The County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 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 Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

3. Purchases of 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. 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 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 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.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and other payments on 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, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

12. The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Notes are not subject to redemption prior to maturity.

NONE OF THE COUNTY OR THE UNDERWRITERS 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 REDEMPTION.

COUNTY OF LOS ANGELES

CALIFORNIA

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com