

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



\$500,000,000
County of Los Angeles
2005-06 Tax and Revenue Anticipation Notes, Series A
4.00% Priced to Yield 2.54%
CUSIP No. 544657GX1

Dated: July 1, 2005

Due: June 30, 2006

The County of Los Angeles 2005-06 Tax and Revenue Anticipation Notes, Series A (the "Notes") will be issued as fixed rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest at a fixed rate per annum from their dated date and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM."

The Notes are being issued to provide monies to help meet Fiscal Year 2005-06 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 17, 2005 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2005-06 Tax and Revenue Anticipation Notes, Series A" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2005-06 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for Issue" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the County by the County Counsel. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 1, 2005.

BANC OF AMERICA SECURITIES LLC
Lehman Brothers
Loop Capital Markets, LLC

Citigroup
Jackson Securities Incorporated



COUNTY OF LOS ANGELES

2005-06 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

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First District, Chair

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Violet Varona-Lukens
*Executive Officer-Clerk
Board of Supervisors*

County Officials

David E. Janssen
Chief Administrative Officer

Raymond G. Fortner, Jr.
County Counsel

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

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

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

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

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

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

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

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OFFICIAL STATEMENT

\$500,000,000

**COUNTY OF LOS ANGELES
2005-06 TAX AND REVENUE ANTICIPATION NOTES, SERIES A**

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery of \$500,000,000 in aggregate principal amount of 2005-06 Tax and Revenue Anticipation Notes, Series A (the “Notes”) of the County of Los Angeles, California (the “County”). The Notes will be issued as fixed rate notes bearing interest as set forth on the cover of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2005-06 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the “Act”), and a resolution adopted by the Board of Supervisors of the County (the “Board of Supervisors”) on May 17, 2005 and entitled “Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2005-06 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed \$1,100,000,000” (the “Resolution”). The Notes are issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the “Treasurer”) entitled “Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2005-06 Tax and Revenue Anticipation Notes, Series A” (the “Financing Certificate”) delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon are general obligations of the County payable from the taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2005-06 and lawfully available therefor. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2005-06 as specified in the Resolution and the Financing Certificate. See “THE NOTES – Security for Issue.” The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The County

The County is located in the southern coastal portion of the State of California (the “State”) and covers 4,083 miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 42 states. The economy of the County is diversified and includes manufacturing, world trade, financial services, motion picture and television production, agriculture and tourism. For certain economic and demographic information with respect to the County, see APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT” and APPENDIX B – “COUNTY OF LOS ANGELES FINANCIAL STATEMENTS.”

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to \$1,850,000,000. The Resolution authorizes the County to issue and sell up to \$1,100,000,000 aggregate principal amount of 2005-06 Tax and Revenue Anticipation Notes in one or more series. Pursuant to the Resolution, the County may issue obligations in addition to the Notes and up to \$600,000,000 of other 2005-06 Tax and Revenue Anticipation Notes (in addition to the Notes), which additional obligations may be secured on parity with the Notes by a pledge of unrestricted taxes, income, revenue, cash receipts or other moneys attributable to Fiscal Year 2005-06. The County presently has no plans to issue such additional obligations. See "THE NOTES – Security For Issue."

The County may issue one or more additional series of 2005-06 Tax and Revenue Anticipation Notes pursuant to the Resolution and the Financing Certificate either on a parity with the Notes or on a subordinate basis. Each monthly set-aside with respect to the Notes must be met before the County sets aside moneys in each such month to repay any such additional series of 2005-06 Tax and Revenue Anticipation Notes. See "THE NOTES – Security for Issue."

In addition to the 2005-06 Tax and Revenue Anticipation Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow." The County reserves the right to undertake such a borrowing under the Resolution. See "THE NOTES – Security for Issue," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

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

The Notes will be dated July 1, 2005, will mature on June 30, 2006, and will be issued in fully registered form. The Notes are not subject to redemption prior to maturity.

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

Authority for Issuance

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

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2005-06 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The proceeds of the Notes will be invested in the Pooled Surplus Investments Fund (the "Treasury Pool") until expended. See "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS."

Security for Issue

The 2005-06 Tax and Revenue Anticipation Notes, Series A issued under and pursuant to the Resolution and the Financing Certificate are ratably secured by a pledge of the first \$174,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after December 20, 2005; the first \$90,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after January 1, 2006; the first \$57,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after February 1, 2006; the first \$61,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after March 1, 2006; and the first \$118,000,000 (plus an amount equal to the interest on the Notes that has accrued and will accrue to maturity) of unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County on and after April 20, 2006.

Pursuant to Section 53856 of the Act, the Notes and the interest thereon are a lien and charge against, and are payable from, such pledged moneys. In addition to such pledged moneys, pursuant to Section 53857 of the Act, the Notes are general obligations of the County, and, to the extent not payable from the taxes, income, revenue, cash receipts and other moneys of the County pledged for Fiscal Year 2005-06 for the payment thereon shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for the repayment of the Notes.

In accordance with the terms of the Resolution, the County Auditor-Controller (the "Auditor-Controller") will deposit with the Treasurer the money pledged for the repayment of the Notes. Each series of 2005-06 Tax and Revenue Anticipation Notes will have its own separate Repayment Fund. In connection with the Notes, there will be established the 2005-06 TRANS, Series A Repayment Fund (the "Series A Repayment Fund"). Moneys pledged for the payment of the Notes will be deposited into the Series A Repayment Fund in the amount and at the times described above. The Treasurer will hold the pledged money until the Notes are paid. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments. Interest on amounts in the Series A Repayment Fund and in each other Repayment Fund established in connection with the issuance of additional series of 2005-06 Tax and Revenue Anticipation Notes will be credited to the General Fund of the County. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

As more particularly described under the heading "THE NOTES - Interfund Borrowing, Intrafund Borrowing and Cash Flow," the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to resort to any such interfund

borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Available Sources of Payment

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

The County estimates that the total moneys to be available for payment of the principal of and interest on the 2005-06 Tax and Revenue Anticipation Notes, including the pledged amounts, will be in excess of approximately \$5 billion as indicated in the table below. Except for pledged amounts, these moneys will be expended during the course of the fiscal year, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the 2005-06 Tax and Revenue Anticipation Notes and the interest thereon.

**COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2005-06
BASED ON PROPOSED BUDGET⁽¹⁾**

<u>Source</u>	<u>Amount</u>
Property Taxes	\$ 2,670,214,000
Other Taxes	186,230,000
Subvention and Grants	
In-Lieu Taxes	470,812,000
Homeowner's Exemptions	20,500,000
Fines, Forfeitures, and Penalties	192,355,000
Licenses, Permits and Franchises	55,133,000
Charges for Services	1,411,474,000
Use of Money and Property	<u>67,414,000</u>
Total	\$ 5,074,132,000
Less amount pledged for payment of the Notes ⁽²⁾	<u>(519,944,000)</u>
Net total in excess of pledged revenues	<u>\$ 4,574,132,000</u>

⁽¹⁾ Reflects revenues set forth in the Proposed Budget adopted by the Board of Supervisors on May 10, 2005. Information subject to change to reflect the impact of the State budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – 2005-06 Proposed General County Budget."

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

State of California Finances

On May 13, 2005, the Governor released the May Revision to the 2005-06 Proposed Budget (the "May Revision"). Certain of the principal features of the May Revision include: (i) proposed \$108 million in increased funding for State mandated reimbursements, (ii) proposed reinstatement of the transfer, eliminated in the 2005-06 Proposed Budget, of gasoline sales tax revenue from the General Fund to transportation purposes pursuant to Proposition 42 in the amount of \$1.3 billion, with \$254 million to be provided to cities and counties for local streets and roads, (iii) total Medi-Cal expenditures of \$33.4 billion (\$11.7 billion General Fund), a decrease of \$480.1 million (\$262.4 million General Fund) from the 2005-06 Proposed Budget (General Fund expenditures for Medi-Cal have increased by \$1.8 billion, a 17.7 percent increase from the expenditures for Fiscal Year 2003-04), (iv) total expenditures of \$6.8 billion for CalWorks and \$2.7 billion for the Temporary Assistance for Needy Families maintenance-of-effort requirement, and (v) restoration of \$18.5 million to provide continued funding for 37 specified county sheriffs' departments to enhance local law enforcement efforts. The County estimates that it will lose approximately \$87.9 million, relative to Fiscal Year 2004-05 levels, as a result of the reductions set forth in the May Revision.

On May 16, 2005, the Legislative Analyst's Office (the "LAO") released an analysis of the May Revision entitled "Overview of the 2005-06 May Revision" (the "LAO Overview"). According to the LAO Overview, the general budgetary approach set forth in the May Revision is reasonable in light of the structural budget shortfall facing the State. The LAO Overview indicates that the May Revision has eliminated some of the risky assumptions set forth in the 2005-06 Proposed Budget, but that the May Revision continues to include significant risks with respect to employee compensation, retirement costs and pension bonds. The LAO concludes that, absent ongoing solutions, the State would face a major budget problem in fiscal year 2006-07 and beyond, when temporary solutions adopted in past budgets

expire, past borrowings come due, the State's borrowing capacity is exhausted and few easy options are available. The LAO further states that it is important for the Legislature to aim at adopting on-going solutions involving either expenditures or revenues that are similar in magnitude to those proposed in the May Revision such that any significant augmentations to ongoing spending should be offset by ongoing spending reductions elsewhere and/or through increased revenues.

The Fiscal Year 2005-06 State Budget is expected to be subject to significant negotiation and revision prior to its ultimate adoption. There can be no assurances that the final Fiscal Year 2005-06 State Budget will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The Fiscal Year 2005-06 State Budget is subject to approval by the State Legislature, and the County cannot predict the ultimate impact of the final approved Fiscal Year 2005-06 State Budget on the County's financial situation. In the event the final Fiscal Year 2005-06 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A - "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. "Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. Because General Fund interfund borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. All notes issued in connection with the County's cash management program, with the exception of \$600,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2004-05 which are due June 30, 2005, have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund held by the County, separate from the General Fund, to repay the 2004-05 Tax and Revenue Anticipation Notes, Series A at maturity.

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

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of April 30, 2005, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$ 7.763
Schools and Community Colleges	9.217
Independent Public Agencies	<u>1.133</u>
Total	\$ 18.113

Of these entities, the involuntary participants accounted for approximately 93.75%, and all discretionary participants accounted for 6.25% of the total treasury pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2005, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report dated May 23, 2005, the April 30, 2005 book value of the Treasury Pool was approximately \$18.113 billion and the corresponding market value was approximately \$18.068 billion.

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

The Treasury Pool is highly liquid. As of April 30, 2005 approximately 56.73% of the pool investments mature within 60 days, with an average of 139.00 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Pool as of April 30, 2005.

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	38.57%
Certificates of Deposit	20.16
Commercial Paper	35.10
Bankers Acceptances	0.00
Municipal Obligations	0.20
Corporate Notes & Deposit Notes	5.97
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00

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

GENERAL FUND CASH FLOW

The Auditor-Controller has prepared the following five-year summary of month-end cash balances in the General Fund. Also shown on the following pages is a detailed analysis of the Fiscal Year 2004-05 General Fund cash flow (which includes actual figures for the first ten months of such fiscal year and projections for the remainder of such fiscal year) and of the projected cash flow for Fiscal Year 2005-06. The cash flow projections are based on the Proposed Budget adopted by the Board of Supervisors on May 10, 2005. Such cash flow projections could change based on the final form of the County's Budget, when adopted.

**COUNTY OF LOS ANGELES
GENERAL FUND
MONTH-END CASH BALANCES⁽¹⁾
FISCAL YEARS 2000-01 THROUGH 2004-05
(In Thousands)**

	<u>2000-01</u> ⁽³⁾	<u>2001-02</u> ⁽⁴⁾	<u>2002-03</u> ⁽⁵⁾	<u>2003-04</u> ⁽⁶⁾	<u>2004-05</u> ⁽⁷⁾
July	\$584,084	\$828,878	\$976,113	\$1,078,529	\$1,495,033
August	507,529	874,428	856,749	667,423	1,033,691
September.....	510,831	690,640	691,326	308,176	720,170
October.....	231,437	447,656	447,121	302,740	436,387
November.....	195,209	410,165	245,917	192,258	184,646
December	564,776	909,138	498,302	689,307	831,138
January	303,782	756,137	614,206	503,898	1,083,012
February	197,390	494,967	573,555	554,452	861,378
March	(102,218) ⁽²⁾	591,024	295,964	303,562	284,599
April	104,410	686,313	(9,302) ⁽²⁾	272,210	412,913
May	(66,265) ⁽²⁾	686,716	607,547	412,805	507,664 ⁽⁸⁾
June	765,785	775,257	918,806	986,202	693,360 ⁽⁸⁾

- (1) Month-end balances include the effects of intrafund borrowing net of deposits to the repayment funds relating to the short-term notes. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow." See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."
- (2) Effective with Fiscal Year 1998-99, intrafund transfers from available borrowable resources to cover month-end cash deficits were discontinued. Accordingly, certain monthly periods may reflect negative cash balances. The borrowable resources that were available to provide coverage for the deficits are set forth in APPENDIX A.
- (3) Includes receipt in July 2000 of proceeds from sale of \$600,000,000 of 2000-01 Tax and Revenue Anticipation Notes, Series A.
- (4) Includes receipt in July 2001 of proceeds from sale of \$600,000,000 of 2001-02 Tax and Revenue Anticipation Notes, Series A.
- (5) Includes receipt in July 2002 of proceeds from sale of \$650,000,000 of 2002-03 Tax and Revenue Anticipation Notes, Series A.
- (6) Includes receipt in July 2003 of proceeds from sale of \$600,000,000 of 2003-04 Tax and Revenue Anticipation Notes, Series A.
- (7) Includes receipt in July 2004 of proceeds of \$600,000,000 of 2004-05 Tax and Revenue Anticipation Notes, Series A.
- (8) Estimated.

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2004-05
(in thousands)
ACTUALS THROUGH APRIL 2005

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

*Detail may not add due to rounding

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	Total 2004-05
\$831,138.0	\$1,083,012.0	\$861,378.0	\$284,599.0	\$412,913.0	\$507,663.9	
\$574,491.0	\$138,650.0	\$32,364.0	\$466,998.0	\$553,703.4	\$2,205.7	\$2,568,501.1
21,433.0	16,494.0	15,030.0	8,958.0	7,464.8	6,141.2	158,000.0
3,643.0	9,237.0	4,987.0	10,303.0	5,251.0	4,289.0	60,000.0
12,171.0	19,685.0	15,658.0	15,972.0	7,440.2	7,401.8	182,000.0
5,159.0	7,448.0	7,838.0	9,624.0	3,092.7	7,121.3	72,750.0
295,864.0	263,383.0	198,456.0	210,863.0	199,054.2	163,523.4	2,963,763.6
61,420.0	91,003.0	137,186.0	149,945.0	77,447.1	101,308.8	1,182,973.9
4,304.0	5,452.0	3,843.0	106,095.0	5,242.8	5,629.2	238,834.0
42,028.0	47,252.0	11,864.0	318,097.0	22,323.3	691,709.2	2,190,854.5
317,700.0	270,393.0	329,078.0	289,761.0	344,222.6	287,042.4	3,717,000.0
32,261.0	4,497.0	11,485.0	8,004.0	19,821.2	24,441.8	200,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	600,000.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
\$1,370,474.0	\$873,494.0	\$767,789.0	\$1,594,620.0	\$1,245,063.2	\$1,918,763.9	\$14,752,627.1
\$100,592.0	\$167,287.0	\$170,670.0	\$203,577.0	\$147,613.3	\$166,835.7	\$2,037,000.0
411,809.0	418,431.0	394,703.0	428,085.0	401,472.6	393,934.5	5,004,227.1
241,143.0	281,187.0	273,042.0	219,184.0	293,588.4	292,756.6	3,311,000.0
256,056.0	160,223.0	433,153.0	456,510.0	307,638.0	261,591.3	3,457,342.3
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$1,118,600.0	\$1,095,128.0	\$1,344,568.0	\$1,466,306.0	\$1,150,312.3	\$1,733,068.1	\$15,045,469.4
\$1,083,012.0	\$861,378.0	\$284,599.0	\$412,913.0	\$507,663.9	\$693,359.7	
\$209,000.0	\$318,000.0	\$386,000.0	\$459,000.0	\$617,950.0	\$617,950.0	\$0.0
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
\$318,000.0	\$386,000.0	\$459,000.0	\$617,950.0	\$617,950.0	\$0.0	\$0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2005-06
(in thousands)
12-MONTHS PROJECTION

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
Beginning Balance	\$693,359.7	\$1,208,312.2	\$710,775.9	\$385,786.7	\$141,382.6	(\$103.5)
Receipts						
Property Taxes	\$28,432.2	\$86,024.7	(\$529.6)	\$5,909.2	\$31,968.1	\$691,164.6
Sales and Other Taxes	10,877.0	10,633.0	21,182.0	15,299.0	14,892.0	15,596.0
Licenses, Permits & Franchises	4,318.0	5,079.0	7,613.0	3,645.0	1,905.0	2,242.0
Fines, Forfeitures & Penalties	23,766.0	22,032.0	10,942.0	15,573.0	19,205.0	12,154.0
Revenue From Use of Money & Property	11,860.6	12,332.7	7,255.1	5,303.1	7,657.0	7,594.5
Intergovernmental Revenue	238,032.0	169,641.0	220,632.0	296,967.0	355,458.0	258,849.0
Charges for Current Services	134,575.4	70,346.8	71,239.0	75,601.5	80,886.3	135,827.8
Other Revenue	18,774.0	9,778.7	10,722.4	7,228.0	7,883.0	5,352.0
Expenditure Transfers & Reimbursements	240,658.0	71,964.5	68,883.1	54,830.3	278,953.8	8,072.0
Welfare Advances	313,001.0	307,179.0	316,718.0	330,473.0	306,619.0	310,835.0
Other Receipts	243,583.0	9,110.0	25,876.0	8,795.0	9,378.0	2,334.0
Intrafund Transfer	0.0	0.0	0.0	0.0	0.0	0.0
TRANS Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANS Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	\$1,767,877.2	\$774,121.4	\$760,533.0	\$819,624.1	\$1,114,805.2	\$1,450,020.9
Disbursements						
Welfare Warrants	\$203,534.0	\$146,850.0	\$177,630.0	\$172,471.0	\$171,564.0	\$174,422.0
Salaries & Employee Benefits	463,870.5	581,120.9	430,647.0	409,957.5	431,365.0	417,559.7
Services & Supplies and Fixed Assets	352,926.0	267,359.0	285,703.0	236,074.0	316,782.0	251,255.0
Interfund Billings	232,594.2	276,327.8	191,542.2	245,525.7	336,580.3	102,423.7
TRANS Pledge Transfer	0.0	0.0	0.0	0.0	0.0	174,000.0
TRANS Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	\$1,252,924.7	\$1,271,657.7	\$1,085,522.2	\$1,064,028.2	\$1,256,291.3	\$1,119,660.4
Ending Balance	\$1,208,312.2	\$710,775.9	\$385,786.7	\$141,382.6	(\$103.5)	\$330,256.9
TRANS Repayment Fund						
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Receipts	0.0	0.0	0.0	0.0	0.0	174,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$174,000.0

*Detail may not add due to rounding

January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	Total 2005-06
\$330,256.9	\$480,685.4	\$390,697.3	\$92,124.8	\$67,089.2	\$556,565.1	
\$588,262.1	\$146,795.8	\$34,425.8	\$507,667.5	\$560,714.8	\$2,855.7	\$2,683,690.9
15,433.0	16,494.0	15,030.0	8,958.0	13,613.0	10,803.0	168,810.0
2,931.0	9,566.0	5,235.0	11,660.0	5,506.0	4,800.0	64,500.0
12,171.0	19,685.0	15,658.0	15,972.0	13,957.0	13,885.0	195,000.0
6,659.5	6,448.5	6,116.1	8,846.7	5,567.2	6,909.0	92,550.0
269,650.0	295,722.0	230,989.0	237,507.0	234,173.5	224,202.5	3,031,823.0
63,553.3	88,131.7	136,363.9	143,914.3	98,932.6	105,627.5	1,205,000.0
5,804.0	5,452.0	5,343.0	105,623.9	10,364.8	10,007.2	202,333.0
34,043.0	3,116.0	11,424.0	9,400.0	119,947.2	10,388.2	911,680.1
329,570.0	322,646.0	329,723.0	312,428.0	327,848.6	319,959.4	3,827,000.0
7,261.0	4,497.0	21,485.0	18,004.0	13,600.9	11,076.1	375,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
\$1,335,337.9	\$918,554.0	\$811,792.8	\$1,379,981.3	\$1,404,225.6	\$1,240,457.6	\$13,777,331.0
\$173,488.0	\$172,933.0	\$176,316.0	\$178,223.0	\$174,989.1	\$176,579.9	\$2,099,000.0
438,886.6	445,473.5	416,620.6	458,088.9	422,835.8	400,773.8	5,317,200.0
241,143.0	281,187.0	273,042.0	219,184.0	243,414.4	242,930.6	3,211,000.0
241,391.7	51,948.6	183,386.7	411,577.1	73,510.3	40,334.0	2,387,142.3
90,000.0	57,000.0	61,000.0	137,944.0	0.0	0.0	519,944.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$1,184,909.3	\$1,008,542.1	\$1,110,365.3	\$1,405,017.0	\$914,749.7	\$1,380,562.2	\$14,054,230.3
\$480,685.4	\$390,697.3	\$92,124.8	\$67,089.2	\$556,565.1	\$416,460.4	
\$174,000.0	\$264,000.0	\$321,000.0	\$382,000.0	\$519,944.0	\$519,944.0	\$0.0
90,000.0	57,000.0	61,000.0	137,944.0	0.0	0.0	519,944.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
\$264,000.0	\$321,000.0	\$382,000.0	\$519,944.0	\$519,944.0	\$0.0	\$0.0

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

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

Resolution to Constitute Contract

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

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2005-06 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

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

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

Paying Agent and Note Registrar

The Treasurer will act as Paying Agent and as Note Registrar for the Notes. The Paying Agent may at any time resign and be discharged of the duties and obligations created by the Financing

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

Negotiability and Transfer of the Notes

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

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

Permitted Investments

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

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

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

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of \$500 million and having "A" or better rating for issuer's debt, other than commercial paper, as provided by Moody's Investors Service, Inc. or

Standard & Poor's. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(4) The Los Angeles County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 270 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with the Financing Certificate. The institution must have a minimum short-term rating of "A-1" and "P-1" by Standard & Poor's and Moody's Investors Service, Inc., respectively, and a long-term rating of no less than "A" by Standard & Poor's and Moody's Investors Service, Inc.

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

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

(8) Repurchase Agreements having a maximum maturity of 30 days and 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 rated with issuers at least "AA-" by Standard & Poor's.

Supplemental Resolutions and Supplemental Financing Certificates

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

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

Events of Default

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

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

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

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes which remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the County

will cause to be published at least twice, at any interval of not less than seven days between publications, in Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

TAX EXEMPTION

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

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

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

Under the Code and the Treasury Regulations promulgated thereunder (the "Regulations"), if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and the Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2005-06. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2005-06, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2005-06 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes.

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

RATINGS

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

circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

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

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. The aggregate amount of the uninsured liabilities of the County which may result from all suits and claims will not, in the opinion of the County Counsel, materially impair the County's ability to repay the Notes. Note 15 of "Notes to Basic Financial Statements" included in APPENDIX B discusses this liability as of June 30, 2004. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

UNDERWRITING

The Notes are being purchased for reoffering by the Underwriters of the Notes. The Underwriters have agreed to purchase the Notes at a purchase price of \$506,867,150 (representing the principal amount of the Notes of \$500,000,000, plus original issue premium of \$7,095,000, less Underwriters' discount of \$227,850). The Contract of Purchase provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

ADDITIONAL INFORMATION

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

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

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, in a timely manner, notice of the occurrence of the events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of

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

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

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

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



APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT



THE COUNTY OF LOS ANGELES

Information Statement

GENERAL INFORMATION

The County of Los Angeles was established by an act of the 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 4,083 square miles. With an estimated population of 10.2 million in 2005, the County is larger than 42 states. As required by the County Charter, County ordinances, and State or federal mandate, the County is responsible at the local level for activities involving public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

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

COUNTY GOVERNMENT

A five-member Board of Supervisors governs the County. Supervisors are elected by district to serve four-year alternating terms at elections held every two years. The Assessor, District Attorney and Sheriff are also elected officers. All other departments are headed by appointed officials. On March 5, 2002, County voters approved two charter amendments providing for term limits of its Supervisors and its Sheriff, District Attorney, and Assessor of three consecutive terms commencing December, 2002.

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

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

County Services

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

Health and Welfare

Under State law, the County is required to administer federal and State health and welfare programs, and to provide for a portion

of their costs with local revenues, such as sales and property taxes. Over one million people in the County receive benefits from these programs. Health services have been provided through a network of County hospitals and comprehensive health centers. Each year these health facilities provide over 8,000 trauma patient visits in the County, provide services to nearly 3.0 million outpatient visits, and provide over 300,000 immunizations, tuberculosis tests, and communicable disease tests.

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

While many of the patients served at County facilities are indigent or covered by Medi-Cal (a state health insurance program), the County health care delivery system provides quality health care to the entire community. Through affiliations with three medical schools and by operating its own school of nursing, the County Department of Health Services is a major supplier of health care personnel in California.

Disaster Services

The County coordinates an entire network of disaster services to respond to floods, fires, storms, earthquakes, and hazardous waste incidents. Command centers can be established centrally at any Sheriff station throughout the County or in mobile trailers. To prevent floods and conserve water, the County maintain and operates a system of 15 major dams, 131 debris basins, 86,500 catch basins, 42 sediment placement sites, and over 2,825 miles of storm drains and channels. County lifeguards monitor 31 miles of coastline and make over 9,000 rescues a year. County rescue boats patrol 70 miles of coastline and the Catalina Channel.

Public Safety

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

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of taxes to cities, community redevelopment agencies, special districts, local school districts, and the County. A second major government service is the

County's voter registration and election system, which provides 5,000 polling places throughout the County for over 4.1 million registered voters.

Culture and Recreation

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

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

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

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

As of May 17, 2005, the Board of Supervisors had approved agreements with forty-five (45) collective bargaining units, which are represented by Local 660 and either the Coalition of County Unions or an independent association. The County also reached tentative agreement with three (3) bargaining units and is only awaiting ratification elections and/or final processing for submission to the Board for approval. With the four (4) remaining bargaining units, the County is in protracted negotiations and/or mediation.

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

Litigation by Contract Workers

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

Litigation by County Safety Police Officers

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

Final judgment was entered June 6, 2003. Both the County and the plaintiffs have filed notices of appeal. Briefing schedules have been set. Briefing is expected to continue through the Spring of 2005, with oral argument to be held a few months thereafter. The County's special counsel advises that there are significant meritorious grounds to overturn the judgment on appeal.

RETIREMENT PROGRAM

General

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

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

LACERA's membership as of June 30, 2004 was 141,391. This membership consisted of 59,278 active vested members, 26,959 nonvested active members, 48,595 retired members and 6,559 terminated vested (deferred) members.

Actuarial Valuation

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

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement ("2002 Agreement") to enhance certain retirement benefits in a manner that is consistent with changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. The 2002 Agreement, which expires in July 2010, provides for a 30-year rolling amortization period for any unfunded actuarial accrued

liability ("UAAL"). UAAL is defined as the actuarial accrued liability minus the actuarial value of the assets of LACERA at a particular valuation date. Each year, contributions to fund the UAAL are amortized as a level percentage of the projected salaries of present and future members of LACERA over a 30-year period from the valuation date. Utilizing a level percentage of projected salaries methodology, this rolling 30-year amortization may cause the UAAL amount to increase over time. The amortization method, however, is only one of multiple factors that affect the UAAL, and other factors such as investment returns, changes in actuarial assumptions and benefit increases may cause an increase or decrease in the UAAL.

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

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

UAAL and Deferred Investment Returns

On April 13, 2005, the Board of Investments approved an annual valuation dated as of June 30, 2004. This valuation reported that the actuarial accrued liability ("AAL") increased by 7.3% to \$32.7 billion. As a result, the funded ratio decreased, falling from 87.2% as of June 30, 2003 to 82.8% as of June 30, 2004. The UAAL itself was calculated to be \$5.6 billion at the close of the 2003-04 actuarial year. The increase from \$3.9 billion as of June 30, 2003 is primarily due to lower than assumed investment returns, which occurred in two of the three years used to calculate the investment return on Plan assets. A five-year history of the County's UAAL is provided in Table A ("Retirement Plan UAAL and Funded Ratio") on page A-6.

The actuary's recommended contribution rate for the County to fund its portion of the UAAL for fiscal year 2005-06 is 6.41% of covered payroll. This rate represents the amount necessary to finance the UAAL over the 30 years beginning July 1, 2004 and is in addition to the County's normal cost contribution rate of 9.60% of covered payroll. The total County contribution rate of 16.01% has been included in the proposed budget for Fiscal Year 2005-06, and is forecasted to be \$822 million.

The valuation as of June 30, 2004 also identified \$1.0 billion in deferred investment gains that will be "smoothed" into the UAAL calculation over the next two actuarial years. These gains are attributable to a 16.5% return on Plan investments for the year ending June 30, 2004 and a 3.6% investment gain for the fiscal year 2002-03. A summary of investment returns for the prior five

years is presented in Table B ("Investment Return on Retirement Plan Assets") on page A-6.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement (the "Statement"). The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants. Currently, the actual asset allocation percentages for LACERA's assets as of June 30, 2004 are 33% domestic equity, 23% international equity, 25% fixed income, 11% real estate, 5% alternative investments and 3% cash.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal Method) and adopted by the Board of Investments and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates.

The County has funded 100% or more of its employer contributions to LACERA in each of the last seven years. In Fiscal Year 2003-04, the County's total contribution to the Retirement Fund was \$520.3 million. Of this amount, approximately \$127 million was funded from excess earnings. A summary of employer contributions for the five years ending on June 30, 2004 is presented in Table C ("County Pension Related Payments") on page A-6.

In Fiscal Year 2004-05, The County's total contribution is estimated to be approximately \$742 million. Total contributions of the County for Fiscal Year 2005-06 are forecasted to be \$822 million. Towards this latter amount, the County expects to apply approximately \$223 million of excess earnings to help fund its employer contribution to LACERA for retirement costs.

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

Pension Obligations

A number of California public agencies, including the County, have issued pension obligations and transferred the proceeds to their respective pension plans so as to reduce their UAAL. In California, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by State law. The effect of issuing pension related debt is to refinance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds or certificates, which are sold to the public. As of April 1, 2005, the County had outstanding pension

obligations in the aggregate principal amount of approximately \$1.05 billion. The final payment on these pension bonds and certificates will be in fiscal year 2010-11. A more complete summary of the County's pension obligations can be found in the "Debt Summary" portion of this Appendix A; a 5-year history of the County's debt service payments on its pension obligations is presented in Table C on page A-6.

STAR Program

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

Post Retirement Health Care Benefits

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP includes medical, dental and vision plans for over 69,000 retirees or survivors and their eligible dependents. Retirement plan net assets are not held in trust for post employment health care benefits and the Board of Retirement reserves the right to amend or revise the medical plans and programs under the HBP at any time. The County has included \$282.3 million in its Fiscal Year 2005-06 Proposed County Budget for HBP related payments. In fiscal year 2004-05, the County has estimated a total HBP related payment of \$232.8 million, which represents an increase of approximately \$30 million over the 2003-04 amount of \$201.4 million.

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

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

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

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

Retirement System Litigation

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

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

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

On December 7, 2004, the Board of Supervisors authorized the County to enter into an agreement with all parties to the litigation for joint submission of a proposed judgment to the trial court which, if adopted by the court, would establish the County's actuarial liability at \$176.9 million, amortized over thirty years. Objections to the terms of the proposed settlement will be heard by the San Francisco Superior Court on May 31, 2005. Shortly after this hearing, the Court is expected to rule on the proposed settlement and issue a final judgment in the Cases.

Litigation Regarding Pension Contributions

In *Los Angeles County Fire Department Association of Chiefs, et al., v. Board of Retirement, et al.* ("Chiefs"), the petitioners sought to invalidate limits placed by the County on the pensionability of County contributions made on behalf of employees to various IRC Section 125 cafeteria for flexible benefits plans, and to make the full contributions pensionable retroactive to the dates the limits were imposed. In 2004, the Superior Court in San Francisco rejected petitioners' claims, and entered judgment for the respondents.

In *Cecil E. Bugh v. Board of Retirement, Los Angeles County Employees' Retirement Association, et al.* ("Bugh"), the petitioners, who retired prior to January of 1991, sought to require LACERA to include County cafeteria plan contributions within the calculations of their final pensionable compensation. These cases were coordinated in the County of San Francisco Superior Court with similar cases involving other counties and

retirement systems throughout the state. In 2004, the Superior Court in San Francisco agreed, in part, with petitioners in the *Bugh* case, and entered judgment requiring those cafeteria contributions actually received by petitioners in cash prior to 1991 (as opposed to being spent on benefits) be included within the calculations of their final compensation. The Board of Supervisors authorized an appeal, which has been filed.

At present, it is uncertain whether petitioners in *Chiefs* will file an appeal, or whether the petitioners in *Bugh* will file a cross-appeal.

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

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

As a consequence of these transfers, the County has received \$2.8 billion as an offset against retirement fund payments. The County projects that as of June 30, 2005, approximately \$700 million of this amount still remains to be offset against future retirement fund payments.

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

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

LACERA v. Local 1014 and the *Talbot* cases have since been consolidated by the trial court and certified as a class action. The class has about 580 members. Independent of the County, LACERA has been negotiating a possible settlement with the firefighters' legal counsel to terminate the lawsuits. The essence of the settlement is that LACERA will recognize the firefighters' hired date when they became temporary employees or one year thereafter. LACERA's actuary estimates that the net increase in annual cost to the County would be about \$1.6 million if the hire

date is the initial hire as a temporary employee or about \$1.2 million if one year thereafter. The County Board of Supervisors is currently scheduled to consider this proposed settlement in a closed session on May 24, 2005.

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

GENERAL LITIGATION

Litigation Regarding Reductions in Health Services

In March 2003, two lawsuits were filed in federal District Court against the County challenging health care reductions approved by the Board. Specifically, *Rodde, et al. v. Bonta, et al.* challenges the closure of *Rancho Los Amigos National Rehabilitation Center* ("Rancho"). *Harris, et al. v. County of Los Angeles, et al.* challenges the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC"). In both cases, plaintiffs have filed a motion for preliminary injunction. On May 6, 2003, the court issued a preliminary injunction in the *Rodde* case, enjoining the County from closing Rancho or making reductions at Rancho to any services that are covered by Medicaid. In the *Harris* case, the court issued a preliminary injunction precluding the closure of Rancho and the reduction of beds at LAC+USC. The County filed a notice of appeal in both cases. On February 5, 2004, the United States Court of Appeals for the Ninth Circuit issued a ruling in the *Rodde* case, affirming the preliminary injunction based on a finding that closure of Rancho would violate the Americans with Disabilities Act. The County requested rehearing in that case which was denied. On April 27, 2004, the Ninth Circuit issued a ruling in the *Harris* case affirming the preliminary injunction. The Ninth Circuit found that the District Court did not abuse its discretion in concluding that the closure of Rancho and reduction of beds at LAC+USC would violate the County's obligation to provide indigent health care under Welfare and Institutions Code Section 17000. The cases are set for trial in early 2006.

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

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

Other Litigation

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

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

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2000	\$31,565,348	\$25,426,507	\$24,720,380	(\$706,127)	102.86%
06/30/2001	28,353,262	26,490,000	26,489,976	(24)	100.00%
06/30/2002	26,047,240	28,262,129	28,437,493	175,364	99.38%
06/30/2003	26,247,806	26,564,328	30,474,025	3,909,697	87.17%
06/30/2004	29,481,183	27,089,440	32,700,505	5,611,065	82.84%

Source: Milliman Actuarial Valuation (of LACERA), June 30, 2004.

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

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

Source: Milliman Actuarial Valuation (of LACERA), June 30, 2004.

TABLE C: COUNTY PENSION RELATED PAYMENTS
(in thousands)

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

Source: Milliman Actuarial Valuation (of LACERA), June 30, 2004.

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

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

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

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

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

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

Proposition 13

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

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

July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast on the proposition.

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

Proposition 62

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

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

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

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

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

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

Proposition 218

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

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

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

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

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

PROGRAM FUNDING BY FEDERAL/STATE GOVERNMENTS

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated on the table "Historical Funding Requirements and Revenue Sources" on page A-10 of this Appendix, \$4.0 billion of the \$14.6 billion Proposed 2005-06 General County

Budget is received from the federal government and \$4.3 billion is funded by the State. The balance of \$6.3 billion in County financing is generated from property taxes and a variety of other sources. The fact that 57% of General County financing is provided by the federal and State governments underscores the County's high reliance on those outside funding sources.

As part of the President's 2005-06 budget proposal, restrictions would be imposed on the use of intergovernmental transfers from local governments to help finance the non-federal share of Medicaid costs at public hospitals. If fully implemented as proposed, the County's Medicaid revenue could be reduced by approximately \$240 million. These proposed curtailments, however, would not impact the County's revenue in fiscal year 2005-06. If enacted, the cuts would first take effect in Federal Fiscal Year 2007, which begins on October 1, 2006.

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

Realignment Program

In fiscal year 1991-92, the State and county governments collectively developed a program realignment system that removed State funding for certain health and welfare programs, and provided counties with additional flexibility in the administration of such programs. Under this plan, these programs were funded through a one-half percent increase in sales taxes and increased vehicle license fees. Counties receive these funds under a fixed formula under State law and the flow of these funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will maintain responsibility for the management and cost of these health and welfare programs.

If sales tax and vehicle license fee revenues are not realized as expected, county governments will maintain responsibility for the management and cost of these programs.

Tobacco Settlement

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

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

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

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

The Board of Supervisors ordered that priority be given to certain health related activities, including the expansion of outpatient services, indigent health care, treatment of tobacco related diseases, and tobacco education and prevention programs. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. To date, the County has received \$709.7 million in tobacco settlement proceeds and accrued interest. As of June 30, 2004, it is estimated that \$325.8 million of the collected proceeds have been expended.

STATE BUDGET

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

Property Tax Shift

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

Public Safety/Justice Programs

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

Trial Courts

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

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

Disproportionate Share Hospitals / Health Programs

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

The State is also currently working with the federal Centers for Medicare and Medicaid Services on redesigning the State's Medicaid program for hospital financing. The impact is unknown at this time.

STATE-LOCAL GOVERNMENT FINANCES

Local Government Agreement

The 2004-05 State adopted budget reflects an agreement with local governments to limit the proposed shift in property tax revenues to \$1.3 billion for the two years ending with fiscal year 2005-06. After this period, local governments would relinquish \$4.1 billion of VLF backfill revenue in return for an equal amount of property taxes. The State would be constitutionally precluded from implementing future property tax shifts and the State will begin repayment for unreimbursed State mandates over a five-year period commencing in 2006-07.

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

Proposition 1A

On November 2, 2004, California voters approved the passage of Proposition 1A, which will restrict the State's authority over local government finances. This proposition provided for an amendment to the State Constitution that will limit the State's authority to reduce local sales tax rates or alter their method of allocation, shift property taxes from local governments to

schools or community colleges, or decrease Vehicle License Fee revenues without providing replacement funding.

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

2005-06 STATE BUDGET

On January 10, 2005, the Governor released a \$117.1 billion Proposed Budget for 2005-06. The proposed spending plan for 2005-06 addresses a projected \$9.1 billion shortfall, comprised of a \$1.7 billion operating deficit, a \$5.2 billion gap between expenditures and revenue, the loss of \$2.1 billion in one-time funds from the Economic Recovery Bonds, and \$170.0 million in other adjustments.

The Governor's January budget proposes a net \$171.9 million loss to Los Angeles County. The largest reduction would affect the In-Home Supportive Services (IHSS) program and is estimated at \$74.4 million. Additional reductions include suspension of State mandates (\$33.3 million), elimination of juvenile justice grants (\$27.9 million), suspension of Proposition 42 transportation funds (\$24.7 million) and various other items totaling \$11.6 million. The impact of these reductions is not reflected in the County's Proposed Budget.

On May 13, 2005, the Governor released revisions to the Proposed 2005-06 State Budget. The May Revised Budget has reduced the estimated net loss to Los Angeles County to \$87.9 million. The most significant changes are restored funding for juvenile justice grants (\$27.9 million), reinstated Proposition 42 transportation funds (\$24.7 million) and AB 3632 Program prior-year claims repayment (\$30.0 million).

THE COUNTY BUDGET

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

The General County Budget accounts for approximately 79% of the 2005-06 Proposed County Budget and funds programs which are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 10.5% of the 2005-06 Proposed County Budget and are used to account for the allocation of revenues that are restricted to specific purposes, such as Public Library operations, courthouse construction programs and operations, and specified automation projects.

Special Districts account for approximately 7.6% of the 2005-06 Proposed County Budget and are separate legal entities funded by specific taxes and assessments, which provide public improvements and/or services benefitting targeted properties and residents. These Districts are governed by the Board of

Supervisors and include, among others, the Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts.

Other Enterprises reflect only 0.9% of the 2005-06 Proposed County Budget and are distinct fiscal entities that fund the operations of certain governmental units which, like private businesses, provide specific services to the general public and are primarily funded by user fees. Included in this fund group are the Waterworks Districts and the Transit Fund.

Other Funds include approximately 2.0% of the 2005-06 Proposed County Budget and go towards a number of separate legal entities such as the Community Development Commission and Housing Authority, which are not special districts but are controlled by the Board of Supervisors.

The following table details historical General County appropriations.

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

Fund	Final 2001-02	Final 2002-03	Final 2003-04	Final 2004-05	Proposed 2005-06
General Fund	\$ 11,875,704	\$ 12,129,125	\$ 12,104,810	\$ 12,616,794	\$ 12,796,319
Hospital Enterprise Fund	1,598,811	1,746,353	1,640,514	1,745,137	1,798,535
Debt Service Fund	46,463	44,489	43,521	44,362	44,033
Total General County Budget	\$ 13,520,978	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 14,638,887

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

	Final 2001-02	Final 2002-03	Final 2003-04	Final 2004-05	Proposed 2005-06
Requirements					
Social Services	\$ 4,821,194	\$ 4,647,236	\$ 4,696,224	\$ 4,711,572	\$ 4,661,754
Health	3,852,644	4,253,006	4,216,053	4,318,251	4,435,652
Justice	3,263,325	3,361,320	3,401,501	3,550,049	3,683,245
Other	1,583,815	1,658,405	1,475,067	1,826,421	1,858,236
Total	\$ 13,520,978	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 14,638,887
Revenue Sources					
Property Taxes	\$ 1,512,281	\$ 1,637,300	\$ 1,756,796	\$ 2,532,415	\$ 2,675,883
State Assistance	4,930,784	4,684,729	4,260,158	4,252,927	4,324,891
Federal Assistance	4,537,960	4,284,553	4,510,919	4,070,743	4,040,637
Other	2,539,953	3,313,385	3,260,972	3,550,208	3,597,476
Total	\$ 13,520,978	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 14,638,887

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

	Final 2001-02	Final 2002-03	Final 2003-04	Final 2004-05	Proposed 2005-06
Financing Requirements					
Salaries & Employee Benefits	\$ 5,790,267	\$ 6,091,773	\$ 6,245,540	\$ 6,607,111	\$ 6,966,650
Services & Supplies	4,420,085	4,532,836	4,539,358	4,619,687	4,624,027
Other Charges	3,816,776	3,772,010	3,779,382	3,782,145	3,640,014
Fixed Assets	474,459	444,208	372,395	490,517	559,086
Other Financing Uses	991,533	1,258,244	1,005,172	1,129,523	1,313,385
Residual Equity Transfers Out	343	377	370	299	291
Appropriation for Contingencies	146,071	100,322	22,526	16,221	0
Interfund Transfers	(1,485,337)	(1,715,532)	(1,584,315)	(1,728,744)	(1,935,272)
Gross Appropriation	\$ 14,154,197	\$ 14,484,238	\$ 14,380,428	\$ 14,916,759	\$ 15,168,181
Less: Intrafund Transfers	(749,733)	(738,466)	(697,293)	(708,686)	(721,540)
Net Appropriation	\$ 13,404,464	\$ 13,745,772	\$ 13,683,135	\$ 14,208,073	\$ 14,446,641
Reserves					
General Reserves	\$ 5,029	\$ 4,581	\$ 4,367	\$ 4,007	\$ 3,331
Designations	111,250	169,385	100,987	194,034	188,718
Estimated Delinquencies	235	229	356	179	197
Total Financing Requirements	\$ 13,520,978	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 14,638,887
Available Financing					
Fund Balance	\$ 534,709	\$ 605,949	\$ 681,196	\$ 874,846	\$ 506,811
Cancellation of Reserves/Designations	205,054	447,023	264,763	222,101	554,258
Property Taxes: Regular Roll	1,476,781	1,601,800	1,706,011	2,452,682	1,862,496
Supplemental Roll	35,500	35,500	50,785	79,733	79,733
Revenue	11,268,934	11,229,695	11,086,090	10,776,931	11,635,589
Total Available Financing	\$ 13,520,978	\$ 13,919,967	\$ 13,788,845	\$ 14,406,293	\$ 14,638,887

Source: Chief Administrative Office

RECENT COUNTY BUDGETS

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

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

- the County's initiation of a multi-year plan to lessen its reliance on surplus investment earnings from LACERA to fund ongoing costs of the retirement program. By substantially increasing its Net County Cost (NCC) contribution over the prior seven fiscal years (\$45 million in 2004-05), the County has reduced its use of the surplus investment credit by approximately \$235 million through June 30, 2005;
- the allocation of \$525.3 million in local one-time discretionary funding on deferred maintenance and capital improvement needs;
- increased federal and State revenues for child welfare, adoption, mental health and probation programs;
- the amendment of County ordinances that brought the County's general purpose taxes into conformance with Proposition 218 restrictions and requirements;
- a decrease in welfare assistance payments due to the enactment of the State's Welfare-to-Work Act of 1997 and creation of the California Work Opportunity and Responsibility to Kids Program (CalWORKs) with the intent of assisting recipients in the transition from welfare to employment through increased administrative flexibility and access to certain support services, such as child care, that diminish barriers to employment;
- the approval of a \$110.3 million Security Action Plan for the County, to be funded from State and federal revenue, to augment specialized firefighting, health and law enforcement activities in response to the September 11, 2001 terrorist attacks and the subsequent threat of further terrorist acts;
- an increase in preventative, outpatient care services through the implementation of public-private partnerships with community based health organizations in accordance with the requirements of the 1115 Waiver; and
- the gradual elimination of 1115 Waiver funding over the five-year extension period ending on June 30, 2005.

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

Current and future County budgets are further stabilized due to the passage of Proposition 1A in November 2004, which secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. The State can no longer reallocate local property taxes to reduce the

costs for funding schools. While Proposition 1A guarantees more predictable funding and relief from unfunded mandates, the County is required to contribute \$103.2 million to the State in both 2004-05 and 2005-06 as part of the Local Government Agreement. This agreement also provides for the substitution of vehicle license fee funds with property tax revenues, which gives the County increased reliability as property taxes have historically been one of the least volatile forms of revenue.

Health Services

The expiration of the federal Medicaid 1115 Waiver on June 30, 2005, combined with the structural imbalance in the Department of Health Services' (DHS) budget, represents the County's most difficult budgetary challenge. Following expiration of the Waiver, DHS anticipates an operating deficit of at least \$435.0 million in 2006-07. DHS is expected to complete a revised fiscal report and forecast on June 7, 2005.

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

- transition of Rancho Los Amigos National Rehabilitation Center to a non-County entity for operation or closure of the facility.;
- conversion of High Desert Hospital to an ambulatory care center;
- reduction of 100 inpatient beds at LAC+USC Medical Center;
- achieving efficiency savings of 16 percent over three years at King/Drew Medical Center;
- Closure of 15 health centers and school based clinics;
- Reduction in emergency and inpatient psychiatry service costs; and
- Reduction of administrative costs.

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

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

presented and considered during the 2005-06 budget deliberations, which is scheduled for June 20, 2005.

Property Tax for Emergency Services

The Board of Supervisors approved the placement of Measure B on the County's November 5, 2002 ballot, which proposed a property tax increase of three cents per square foot of structural improvements to fund trauma and emergency medical services at public and private medical facilities throughout the County. It was anticipated that passage of this property tax increase would generate up to \$168.0 million per year.

The County's voters approved Measure B on November 5, 2002 with a 73% majority vote. DHS has developed plans to maximize the benefit of the Measure B funds among private and public hospital trauma programs. The 2005-06 Proposed County Budget includes \$198.6 million in Measure B funds to support trauma and emergency medical services at public and private medical facilities in the County and to fund the DHS bioterrorism preparedness activities.

Additional State and Federal Funding

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

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

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

Rancho Los Amigos Rehabilitation Center

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

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

On January 28, 2003, the Board of Supervisors considered the results of the independent study and following the previously scheduled Beilenson Hearing, approved the closure of Rancho

on June 30, 2003. The Board, however, also instructed DHS work concurrently with the California Community Foundation to determine if the Rancho facility could be successfully operated by a non-profit hospital or health system.

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

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

LAC+USC Medical Center Beds

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

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

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

On May 27, 2003, the court issued a preliminary injunction that barred the County from closing Rancho and eliminating 100 beds at LAC+USC Medical Center. The County has since filed an appeal (See "General Litigation" in the Information Statement section of this Appendix A).

PROPOSED 2005-06 BUDGET

The Proposed 2005-06 Budget, as approved by Board of Supervisors on May 10, 2005, appropriates \$18.5 billion and adds 1,684.1 new budgeted positions. For General County purposes (General Fund, Hospital Enterprise Fund and Debt Service Funds), the Proposed Budget appropriates \$14.6 billion and represents a 1.6% increase from the 2004-05 budget.

The Proposed 2005-06 General County Budget is supported by \$2.7 billion in property taxes, \$3.2 billion in federal contributions, \$4.1 billion in State contributions, \$554 million in reserves and cancelled designations and approximately \$4.0 billion in other funding, and is based, in part, on the following growth assumptions:

- 6.2% increase in property tax
- 2.0% increase in local sales tax
- 7.8% increase in realignment sales tax
- 11.8% increase in public safety augmentation sales tax
- 5.3% increase in realignment vehicle license fees

Overall, the Proposed 2005-06 General County Budget incorporates a \$233.0 million increase, with significant increases in funding focused on two critical areas: public safety/justice systems and enhanced unincorporated area services.

The Board of Supervisors is scheduled to consider recommendations that address these impacts through final deliberations on the 2005-06 County Budget on June 20, 2005. Deliberations will continue on a daily basis until a Final 2005-06 Budget is adopted. Unlike prior years, these deliberations should not be significantly affected by possible changes to the State budget. The passage of Proposition 1A has made the impact of the State budget process far more predictable and far less volatile.

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

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2004-05 BUDGET TO PROPOSED 2005-06 BUDGET

Net Appropriation: By Function
(in thousands)

Function	2004-05 Final Budget (1)	2005-06 Proposed Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	\$ 746,459.0	\$ 789,013.0	\$ 42,554.0	5.70 %
General Services	209,957.0	190,346.0	(19,611.0)	(9.34)
Public Buildings	522,214.0	446,681.0	(75,533.0)	(14.46)
Total General	\$ 1,478,630.0	\$ 1,426,040.0	\$ (52,590.0)	(3.56) %
Public Protection				
Justice	\$ 3,331,108.0	\$ 3,496,618.0	\$ 165,510.0	4.97 %
Other Public Protection	107,363.0	98,498.0	(8,865.0)	(8.26)
Total Public Protection	\$ 3,438,471.0	\$ 3,595,116.0	\$ 156,645.0	4.56 %
Health and Sanitation				
Public Assistance	\$ 4,318,251.0	\$ 4,435,652.0	\$ 117,401.0	2.72 %
Recreation and Cultural Services	4,711,572.0	4,661,754.0	(49,818.0)	(1.06)
Insurance and Loss Reserve	117,855.0	210,677.0	92,822.0	78.76
Reserves/Designations	83,897.0	73,897.0	(10,000.0)	(11.92)
Debt Service	198,220.0	192,246.0	(5,974.0)	(3.01)
Appropriation for Contingencies	43,176.0	43,505.0	329.0	0.76
	16,221.0	0.0	(16,221.0)	(100.00)
Total Requirements	\$ 14,406,293.0	\$ 14,638,887.0	\$ 232,594.0	1.61 %
AVAILABLE FUNDS				
Property Taxes	\$ 2,532,415.0	\$ 2,675,883.0	\$ 143,468.0	5.67 %
Fund Balance	874,846.0	506,811.0	(368,035.0)	(42.07)
Cancelled Prior Year Reserves	222,101.0	554,258.0	332,157.0	149.55
Intergovernmental Revenues				
State Revenues				
In-lieu Taxes	\$ 447,083.0	\$ 470,812.0	\$ 23,729.0	5.31 %
Homeowners' Exemption	20,572.0	20,575.0	3.0	0.01
Public Assistance Subventions	1,511,687.0	1,436,404.0	(75,283.0)	(4.98)
Other Public Assistance	337,567.0	391,208.0	53,641.0	15.89
Public Protection	729,673.0	772,873.0	43,200.0	5.92
Health and Mental Health	883,376.0	873,006.0	(10,370.0)	(1.17)
Capital Projects	41,299.0	79,821.0	38,522.0	93.28
Other State Revenues	52,446.0	40,866.0	(11,580.0)	(22.08)
Total State Revenues	\$ 4,023,703.0	\$ 4,085,565.0	\$ 61,862.0	1.54 %
Federal Revenues				
Public Assistance Subventions	\$ 2,097,994.0	\$ 2,179,205.0	\$ 81,211.0	3.87 %
Other Public Assistance	107,411.0	83,782.0	(23,629.0)	(22.00)
Public Protection	324,158.0	312,952.0	(11,206.0)	(3.46)
Health and Mental Health	575,329.0	576,490.0	1,161.0	0.20
Capital Projects	15,032.0	5,080.0	(9,952.0)	(66.21)
Other Federal Revenues	3,473.0	7,707.0	4,234.0	121.91
Total Federal Revenues	\$ 3,123,397.0	\$ 3,165,216.0	\$ 41,819.0	1.34 %
Other Governmental Agencies				
	116,471.0	93,833.0	(22,638.0)	(19.44)
Total Intergovernmental Revenues	\$ 7,263,571.0	\$ 7,344,614.0	\$ 81,043.0	1.12 %
Fines, Forfeitures & Penalties	\$ 183,198.0	\$ 192,355.0	\$ 9,157.0	5.00 %
Licenses, Permits and Franchises	54,566.0	55,143.0	577.0	1.06
Charges for Services	1,680,637.0	1,490,425.0	(190,212.0)	(11.32)
Other Taxes	147,500.0	186,230.0	38,730.0	26.26
Use of Money and Property	104,329.0	100,555.0	(3,774.0)	(3.62)
Miscellaneous Revenues	812,909.0	992,369.0	179,460.0	22.08
Operating Contribution from General Fund	530,221.0	540,244.0	10,023.0	1.89
Total Available Funds	\$ 14,406,293.0	\$ 14,638,887.0	\$ 232,594.0	1.61 %

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

(2) Reflects the Proposed 2005-06 Budget approved by the Board of Supervisors on May 10, 2005.

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

Function	General Fund	Debt Service Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS				
General				
General Government	\$ 746,459.0	\$ 0.0	\$ 0.0	\$ 746,459.0
General Services	209,957.0	0.0	0.0	209,957.0
Public Buildings	522,214.0	0.0	0.0	522,214.0
Total General	\$ 1,478,630.0	\$ 0.0	\$ 0.0	\$ 1,478,630.0
Public Protection				
Justice	\$ 3,331,108.0	\$ 0.0	\$ 0.0	\$ 3,331,108.0
Other Public Protection	107,363.0	0.0	0.0	107,363.0
Total Public Protection	\$ 3,438,471.0	\$ 0.0	\$ 0.0	\$ 3,438,471.0
Health and Sanitation	2,573,114.0	0.0	1,745,137.0	4,318,251.0
Public Assistance	4,711,572.0	0.0	0.0	4,711,572.0
Recreation and Cultural Services	117,855.0	0.0	0.0	117,855.0
Insurance and Loss Reserve	83,897.0	0.0	0.0	83,897.0
Reserves/Designations	197,034.0	1,186.0	0.0	198,220.0
Debt Service	0.0	43,176.0	0.0	43,176.0
Appropriation for Contingencies	16,221.0	0.0	0.0	16,221.0
Total Requirements	\$ 12,616,794.0	\$ 44,362.0	\$ 1,745,137.0	\$ 14,406,293.0
AVAILABLE FUNDS				
Property Taxes	\$ 2,526,199.0	\$ 6,216.0	\$ 0.0	\$ 2,532,415.0
Fund Balance	872,284.0	2,562.0	0.0	874,846.0
Cancelled Prior Year Reserves	104,800.0	1,367.0	115,934.0	222,101.0
Intergovernmental Revenues				
State Revenues				
In-lieu Taxes	\$ 447,083.0	\$ 0.0	\$ 0.0	\$ 447,083.0
Homeowners' Exemption	20,500.0	72.0	0.0	20,572.0
Public Assistance Subventions	1,511,687.0	0.0	0.0	1,511,687.0
Other Public Assistance	337,567.0	0.0	0.0	337,567.0
Public Protection	729,673.0	0.0	0.0	729,673.0
Health and Mental Health	827,120.0	0.0	56,256.0	883,376.0
Capital Projects	41,299.0	0.0	0.0	41,299.0
Other State Revenues	52,446.0	0.0	0.0	52,446.0
Total State Revenues	\$ 3,967,375.0	\$ 72.0	\$ 56,256.0	\$ 4,023,703.0
Federal Revenues				
Public Assistance Subventions	\$ 2,097,994.0	\$ 0.0	\$ 0.0	\$ 2,097,994.0
Other Public Assistance	107,411.0	0.0	0.0	107,411.0
Public Protection	324,158.0	0.0	0.0	324,158.0
Health and Mental Health	572,606.0	0.0	2,723.0	575,329.0
Capital Projects	15,032.0	0.0	0.0	15,032.0
Other Federal Revenues	3,473.0	0.0	0.0	3,473.0
Total Federal Revenues	\$ 3,120,674.0	\$ 0.0	\$ 2,723.0	\$ 3,123,397.0
Other Governmental Agencies	116,471.0	0.0	0.0	116,471.0
Total Intergovernmental Revenues	\$ 7,204,520.0	\$ 72.0	\$ 58,979.0	\$ 7,263,571.0
Fines, Forfeitures & Penalties	183,198.0	0.0	0.0	183,198.0
Licenses, Permits and Franchises	54,556.0	10.0	0.0	54,566.0
Charges for Services	898,513.0	1,474.0	780,650.0	1,680,637.0
Other Taxes	147,500.0	0.0	0.0	147,500.0
Use of Money and Property	71,539.0	32,651.0	139.0	104,329.0
Miscellaneous Revenues	553,685.0	10.0	259,214.0	812,909.0
Operating Contribution from General Fund	0.0	0.0	530,221.0	530,221.0
Total Available Funds	\$ 12,616,794.0	\$ 44,362.0	\$ 1,745,137.0	\$ 14,406,293.0

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

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

Function	General Fund	Debt Service Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS				
General				
General Government	\$ 789,013.0	\$ 0.0	\$ 0.0	\$ 789,013.0
General Services	190,346.0	0.0	0.0	190,346.0
Public Buildings	446,681.0	0.0	0.0	446,681.0
Total General	\$ 1,426,040.0	\$ 0.0	\$ 0.0	\$ 1,426,040.0
Public Protection				
Justice	\$ 3,496,618.0	\$ 0.0	\$ 0.0	\$ 3,496,618.0
Other Public Protection	98,498.0	0.0	0.0	98,498.0
Total Public Protection	\$ 3,595,116.0	\$ 0.0	\$ 0.0	\$ 3,595,116.0
Health and Sanitation	2,637,117.0	0.0	1,798,535.0	4,435,652.0
Public Assistance	4,661,754.0	0.0	0.0	4,661,754.0
Recreation and Cultural Services	210,677.0	0.0	0.0	210,677.0
Insurance and Loss Reserve	73,897.0	0.0	0.0	73,897.0
Reserves/Designations	191,718.0	528.0	0.0	192,246.0
Debt Service	0.0	43,505.0	0.0	43,505.0
Appropriation for Contingencies	0.0	0.0	0.0	0.0
Total Requirements	\$ 12,796,319.0	\$ 44,033.0	\$ 1,798,535.0	\$ 14,638,887.0
AVAILABLE FUNDS				
Property Taxes	\$ 2,670,214.0	\$ 5,669.0	\$ 0.0	\$ 2,675,883.0
Fund Balance	504,034.0	2,777.0	0.0	506,811.0
Cancelled Prior Year Reserves	280,565.0	1,007.0	272,686.0	554,258.0
Intergovernmental Revenues				
State Revenues				
In-lieu Taxes	\$ 470,812.0	\$ 0.0	\$ 0.0	\$ 470,812.0
Homeowners' Exemption	20,500.0	75.0	0.0	20,575.0
Public Assistance Subventions	1,436,404.0	0.0	0.0	1,436,404.0
Other Public Assistance	391,208.0	0.0	0.0	391,208.0
Public Protection	772,873.0	0.0	0.0	772,873.0
Health and Mental Health	817,760.0	0.0	55,246.0	873,006.0
Capital Projects	79,821.0	0.0	0.0	79,821.0
Other State Revenues	40,866.0	0.0	0.0	40,866.0
Total State Revenues	\$ 4,030,244.0	\$ 75.0	\$ 55,246.0	\$ 4,085,565.0
Federal Revenues				
Public Assistance Subventions	\$ 2,179,205.0	\$ 0.0	\$ 0.0	\$ 2,179,205.0
Other Public Assistance	83,782.0	0.0	0.0	83,782.0
Public Protection	312,952.0	0.0	0.0	312,952.0
Health and Mental Health	573,767.0	0.0	2,723.0	576,490.0
Capital Projects	5,080.0	0.0	0.0	5,080.0
Other Federal Revenues	7,707.0	0.0	0.0	7,707.0
Total Federal Revenues	\$ 3,162,493.0	\$ 0.0	\$ 2,723.0	\$ 3,165,216.0
Other Governmental Agencies	93,833.0	0.0	0.0	93,833.0
Total Intergovernmental Revenues	\$ 7,286,570.0	\$ 75.0	\$ 57,969.0	\$ 7,344,614.0
Fines, Forfeitures & Penalties	192,355.0	0.0	0.0	192,355.0
Licenses, Permits and Franchises	55,133.0	10.0	0.0	55,143.0
Charges for Services	977,411.0	1,474.0	511,540.0	1,490,425.0
Other Taxes	186,230.0	0.0	0.0	186,230.0
Use of Money and Property	67,414.0	33,011.0	130.0	100,555.0
Miscellaneous Revenues	576,393.0	10.0	415,966.0	992,369.0
Operating Contribution from General Fund	0.0	0.0	540,244.0	540,244.0
Total Available Funds	\$ 12,796,319.0	\$ 44,033.0	\$ 1,798,535.0	\$ 14,638,887.0

(1) Reflects the Proposed 2005-06 General County Budget approved by the Board of Supervisors on May 10, 2005.

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County as shown on the 2004-05 secured tax roll and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by these twenty largest taxpayers had a full cash value of \$25,739,618,786.

Taxpayer	Total Tax Levy 2004-05
Southern California Edison Co.	\$38,821,031
BP Amoco Corporation	25,154,172
Chevron USA Inc.	24,806,762
Douglas Emmett Realty Fund	24,419,974
Pacific Bell Telephone Company	23,117,664
Exxon Mobil Corporation	17,760,902
Arden Realty LTD Partnership	17,185,011
Southern California Gas Company	16,693,037
Verizon California Inc.	16,499,407
Maguire Thomas Partners	16,484,778
Universal Studios Inc.	14,400,590
Conocophillips Company	11,541,147
Equilon Enterprises LLC	9,534,807
Macerich LLC	9,217,127
Anheuser Busch Inc.	9,196,265
Valero Energy Corporation	9,038,015
One Hundred Towers LLC	6,240,781
Walt Disney Productions Inc.	5,925,462
Kilroy Realty LP	5,657,998
Maersk Pacific LTD	5,636,228

Source: Los Angeles County Treasurer and Tax Collector

The table on the following page compares the assessed cash values, property tax levies and collections since 2000-01.

COUNTY OF LOS ANGELES
 COMPARISON OF FULL CASH VALUE
 PROPERTY TAXATION AND COLLECTIONS
 FISCAL YEARS 2000-01 THROUGH 2004-05

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 %
2000-01	531,023,420,236	1,313,459,686	1,277,488,085	97.26%
2001-02	567,296,327,872	1,409,964,224	1,373,865,460	97.44%
2002-03	605,942,874,836	1,506,200,807	1,467,167,904	97.41%
2003-04	656,073,063,881	1,617,943,519	1,582,529,914	97.81%
2004-05	709,671,759,735	1,747,379,001 (3)	1,709,111,400 (3)	97.81% (3)

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

Source: Los Angeles County Auditor-Controller, Tax Section

REDEVELOPMENT AGENCIES

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

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the fiscal years 2000-01 through 2004-05.

PROJECTS IN THE COUNTY OF LOS ANGELES
 FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
 FISCAL YEARS 2000-01 THROUGH 2004-05

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2000-01	56,686,088,664	508,822,134
2001-02	61,568,656,691	582,974,900
2002-03	67,790,492,894	638,253,845
2003-04	74,089,202,480	678,254,140
2004-05	79,019,105,066	606,773,493 (3)

- (1) Full cash value for all redevelopment project areas above the base year valuations. This data represents growth in full cash values which generate tax revenues for use by community redevelopment agencies.
- (2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.
- (3) Total tax allocation revenues to CRA as of April 2005.

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

CASH MANAGEMENT PROGRAM

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

As a result, the General Fund cash balance prior to fiscal year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings.

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

Because such General Fund interfund borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing.

All notes issued in connection with the County's cash management program, with the exception of \$600,000,000 in aggregate principal amount of 2004-05 Tax and Revenue Anticipation Notes (2004-05 Notes) which were issued on July 1, 2004 and are due June 30, 2005, have been repaid on their respective maturity dates.

2004-05 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on April 20, 2004, the \$600.0 million in 2004-05 Notes are general obligations of the County attributable to the 2004-05 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

The County pledged to deposit sufficient revenues during the 2004-05 fiscal year into a Repayment Fund to repay the 2004-05 Notes at maturity. Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, such deposits are to be made in accordance with the following schedule:

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

Deposit Date	Deposit Amount
December, 2004	\$209,000,000
January, 2005	109,000,000
February, 2005	68,000,000
March, 2005	73,000,000
April, 2005	158,950,000
Total	\$617,950,000

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

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

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 As of 4/30/05
Property Taxes	\$1,315,755.9	\$1,430,710.1	\$1,547,067.8	\$1,640,242.2	1,785,967.3	\$1,967,894.7
Other Taxes	130,687.8	138,826.0	148,975.1	166,216.9	187,564.4	146,196.6
Licenses, Permits and Franchises	44,405.0	44,714.6	45,750.7	52,681.0	56,620.9	48,940.6
Fines, Forfeitures and Penalties	188,924.9	177,039.3	191,734.1	188,681.1	201,931.0	135,950.7
Use of Money and Property	128,599.2	158,216.7	106,555.9	75,334.6	64,776.6	48,563.3
State In-Lieu Taxes	865,059.8	937,958.0	996,161.0	1,044,298.2	933,133.7	364,440.9
State Homeowner Exemptions	20,667.7	20,747.4	20,725.8	20,726.2	20,514.6	10,779.0
Charges for Current Services	961,185.0	1,147,764.0	1,204,609.7	1,146,235.5	1,255,964.0	901,893.3
Miscellaneous Revenues	273,027.4	247,699.2	175,529.4	175,932.6	219,914.2	93,808.4
TOTAL UNRESTRICTED RECEIPTS	\$3,928,312.7	\$4,303,675.3	\$4,437,109.9	\$4,510,348.9	4,726,387.0	\$3,718,467.9

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

Intrafund and Interfund Borrowing

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

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

Funds Available for Intrafund Borrowing

After the TRANS proceeds are utilized, the General Fund borrows from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group which consists of collected taxes that are awaiting apportionment to various agencies. The great majority of these amounts will be distributed to other agencies.

The second most significant borrowing source includes the various trust groups and other funds. The largest fund in this group is the Departmental Trust Fund which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities other than the County. Also in this group is the Payroll Revolving Fund which consists of payroll charged to the various County Funds awaiting distribution to employees and other agencies.

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

It must be noted that the average daily balances shown for these sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the tax group, can fluctuate greatly during the month. Likewise, the General Fund cash balance fluctuates during the month with the third week being the lowest and month-end the highest due to the timing of State receipts and receipt of welfare advances on the last day of the month. The tables on the following four pages indicate the average daily balances in each of the funds available for intrafund borrowing prior to such borrowing in 2003-04, and to date in 2004-05.

General Fund Cash Flow Statements

The final 2003-04 General Fund cash flow statement has also been included as well as the General Fund Cash Flow for 2004-05 with actuals through April 2004.



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

**2003-04: 12 MONTHS ACTUALS
2004-05: 10 MONTHS ACTUALS**

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2003-04
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)
ACTUALS THROUGH JUNE, 2004

	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	200,782.0	123,409.0	107,024.0	279,996.0	823,308.0	1,604,214.0
Auditor Unapportioned Money	40,109.0	63,905.0	102,023.0	163,026.0	420,431.0	699,749.0
Unsecured Property Tax Fund	134,021.0	88,465.0	141,408.0	118,344.0	80,436.0	60,367.0
Miscellaneous Fees & Taxes	4,087.0	4,335.0	4,708.0	5,039.0	18,323.0	29,031.0
State Redemption Fund - TTC	600,000.0	74,432.0	62,925.0	84,066.0	67,025.0	63,516.0
Educ Rev Augmentation Fund	5,840.0	17,887.0	(77.0)	491.0	1,102.0	(14.0)
State Reimbursement Fund	0.0	0.0	0.0	0.0	2,228.0	8,924.0
Rebate Fund	1,127.0	(3,838.0)	(21,992.0)	2,296.0	(4,792.0)	8,794.0
Subtotal	985,966.0	368,595.0	396,019.0	653,258.0	1,408,061.0	2,474,581.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	311,250.0	315,920.0	342,865.0	359,927.0	390,226.0	401,418.0
Payroll Revolving Fund	92,550.0	94,114.0	98,497.0	96,183.0	93,250.0	94,369.0
Productivity Investment Fund	7,685.0	7,549.0	7,552.0	7,560.0	7,420.0	7,202.0
ACO Fund-Motor Vehicle/ISD	1,132.0	1,126.0	1,126.0	1,087.0	1,060.0	1,078.0
Civic Center Parking	285.0	230.0	131.0	78.0	129.0	161.0
Reporters Salary Fund	668.0	705.0	673.0	387.0	(3.0)	713.0
Cable TV Franchise Fund	3,865.0	3,450.0	3,385.0	3,352.0	3,429.0	3,108.0
Megaflex-Various	17,602.0	17,773.0	17,889.0	18,001.0	18,169.0	18,301.0
Subtotal	435,037.0	440,867.0	472,118.0	486,575.0	513,680.0	526,350.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	508.0	(738.0)	1,060.0	(4,563.0)	1,270.0	2,384.0
Olive View Medical Center	(1,391.0)	(732.0)	250.0	(1,408.0)	766.0	787.0
LAC+USC Medical Center	12,047.0	7,402.0	(672.0)	(3,330.0)	4,677.0	1,400.0
Martin Luther King Jr., Hospital	(1,453.0)	307.0	1,046.0	213.0	1,464.0	666.0
High Desert Hospital	(260.0)	(892.0)	592.0	(5.0)	45.0	615.0
South/West Network Hospital	406.0	211.0	824.0	(495.0)	1,496.0	1,539.0
ACO-LAC+USC Med Equip Fund	0.0	40,645.0	105,000.0	105,023.0	105,116.0	105,195.0
Subtotal	9,857.0	46,203.0	108,100.0	95,435.0	114,834.0	112,586.0
GRAND TOTAL	1,430,860.0	855,665.0	976,237.0	1,235,268.0	2,036,575.0	3,113,517.0

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	
PROPERTY TAX GROUP						
986,954.0	451,208.0	470,061.0	1,296,664.0	704,985.0	205,132.0	Tax Collector's Trust Fund
213,453.0	366,588.0	271,894.0	565,152.0	214,659.0	110,633.0	Auditor Unapportioned Money
71,073.0	79,799.0	69,291.0	59,697.0	76,144.0	100,623.0	Unsecured Property Tax Fund
9,377.0	6,795.0	6,653.0	6,083.0	6,874.0	5,825.0	Miscellaneous Fees & Taxes
42,920.0	46,861.0	44,566.0	46,137.0	42,923.0	40,540.0	State Redemption Fund - TTC
15,618.0	19,563.0	3,528.0	97,419.0	34,299.0	2,321.0	Educ Rev Augmentation Fund
19,824.0	1,231.0	1,231.0	2,271.0	21,298.0	7,367.0	State Reimbursement Fund
1,847.0	(1,236.0)	(1,113.0)	(7,623.0)	(17,520.0)	(9,644.0)	Rebate Fund
1,361,066.0	970,809.0	866,111.0	2,065,800.0	1,083,662.0	462,797.0	Subtotal
VARIOUS TRUST GROUP						
372,775.0	347,643.0	354,631.0	368,896.0	343,649.0	350,477.0	Departmental Trust Fund
98,246.0	105,850.0	93,725.0	92,398.0	99,209.0	96,502.0	Payroll Revolving Fund
6,593.0	7,007.0	6,506.0	6,237.0	6,176.0	5,636.0	Productivity Investment Fund
1,119.0	1,119.0	1,119.0	1,128.0	1,213.0	1,206.0	ACO Fund-Motor Vehicle/ISD
115.0	139.0	116.0	120.0	62.0	105.0	Civic Center Parking
767.0	925.0	734.0	831.0	526.0	643.0	Reporters Salary Fund
3,047.0	3,039.0	3,169.0	3,405.0	3,512.0	3,596.0	Cable TV Franchise Fund
18,462.0	18,613.0	18,751.0	18,923.0	19,099.0	19,241.0	Megaflex-Various
501,124.0	484,335.0	478,751.0	491,938.0	473,446.0	477,406.0	Subtotal
HOSPITAL GROUP						
1,440.0	(2,456.0)	2,325.0	(146.0)	980.0	(486.0)	Harbor/UCLA Medical Center
683.0	85.0	1,317.0	904.0	(438.0)	(121.0)	Olive View Medical Center
(6,888.0)	2,048.0	(159.0)	(5,569.0)	(878.0)	610.0	LAC + USC Medical Center
3,194.0	607.0	678.0	244.0	(2,062.0)	552.0	Martin Luther King Jr., Hospital
239.0	612.0	390.0	(141.0)	182.0	(123.0)	High Desert Hospital
995.0	(56.0)	465.0	193.0	1,088.0	(148.0)	South/West Network Hospital
105,404.0	105,474.0	105,556.0	105,705.0	105,785.0	105,863.0	ACO-LAC+USC Med Equip Fund
105,067.0	106,314.0	110,572.0	101,190.0	104,657.0	106,147.0	Subtotal
1,967,257.0	1,561,458.0	1,455,434.0	2,658,928.0	1,661,765.0	1,046,350.0	GRAND TOTAL

COUNTY OF LOS ANGELES
 AVERAGE DAILY BALANCES: 2004-05
 FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of \$)
 ACTUALS THROUGH APRIL, 2005

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

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2005	February 2005	March 2005	April 2005	Estimated May 2005	Estimated June 2005	
PROPERTY TAX GROUP						
837,194.0	623,376.0	509,238.0	1,083,600.0	462,000.0	199,460.0	Tax Collector's Trust Fund
362,212.0	281,352.0	376,677.0	518,600.0	527,000.0	107,574.0	Auditor Unapportioned Money
61,931.0	71,180.0	50,097.0	49,309.0	63,239.0	97,841.0	Unsecured Property Tax Fund
7,844.0	7,515.0	7,090.0	6,174.0	5,709.0	5,664.0	Miscellaneous Fees & Taxes
42,291.0	53,145.0	45,276.0	42,805.0	35,648.0	39,419.0	State Redemption Fund - TTC
56,856.0	30,022.0	1,429.0	98,374.0	28,486.0	2,257.0	Educ Rev Augmentation Fund
18,881.0	1,432.0	1,432.0	3,628.0	17,688.0	7,163.0	State Reimbursement Fund
83,393.0	29,133.0	46,667.0	66,515.0	90,000.0	0.0	SUTC FD
362,559.0	126,657.0	202,888.0	289,168.0	392,000.0	0.0	VLF Compensation Fund
(22,502.0)	(13,343.0)	(12,413.0)	(16,141.0)	(14,551.0)	(9,377.0)	Rebate Fund
1,810,659.0	1,210,469.0	1,228,381.0	2,142,032.0	1,607,220.0	450,000.0	Subtotal
VARIOUS TRUST GROUP						
375,512.0	342,184.0	354,304.0	379,494.0	326,631.0	330,357.0	Departmental Trust Fund
101,336.0	88,865.0	93,373.0	109,382.0	94,296.0	90,962.0	Payroll Revolving Fund
4,701.0	4,557.0	4,704.0	4,667.0	5,870.0	5,312.0	Productivity Investment Fund
1,246.0	1,234.0	1,181.0	1,196.0	1,153.0	1,137.0	ACO Fund-Motor Vehicle/ISD
140.0	155.0	193.0	99.0	59.0	99.0	Civic Center Parking
516.0	895.0	325.0	436.0	500.0	606.0	Reporters Salary Fund
3,967.0	4,123.0	4,357.0	4,469.0	3,338.0	3,390.0	Cable TV Franchise Fund
19,729.0	19,869.0	20,095.0	20,277.0	18,152.0	18,136.0	Megaflex-Variou
507,147.0	461,882.0	478,532.0	520,020.0	450,000.0	450,000.0	Subtotal
HOSPITAL GROUP						
354.0	769.0	(1,200.0)	442.0	2,000.0	0.0	Harbor/UCLA Medical Center
(309.0)	(71.0)	(2,959.0)	92.0	2,000.0	0.0	Olive View Medical Center
4,708.0	255.0	2,295.0	(880.0)	3,000.0	0.0	LAC + USC Medical Center
(104.0)	(337.0)	1,001.0	(913.0)	1,000.0	0.0	Martin Luther King Jr., Hospital
(263.0)	(405.0)	432.0	433.0	1,000.0	0.0	High Desert Hospital
(687.0)	(826.0)	1,159.0	496.0	1,000.0	0.0	South/West Network Hospital
106,859.0	107,049.0	107,260.0	107,517.0	107,750.0	108,000.0	ACO-LAC+USC Med Equip Fund
110,558.0	106,434.0	107,988.0	107,187.0	117,750.0	108,000.0	Subtotal
2,428,364.0	1,778,785.0	1,814,901.0	2,769,239.0	2,174,970.0	1,008,000.0	GRAND TOTAL



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

**2003-04: 12 MONTHS ACTUALS
2004-05: 10 MONTHS ACTUALS**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2003-04
ACTUALS THROUGH JUNE, 2004
(in thousands of \$)

	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003
BEGINNING BALANCE	918,806.0	1,078,529.0	667,423.0	308,176.0	302,740.0	192,258.0
RECEIPTS						
Property Taxes	27,508.0	80,020.0	(477.0)	697.0	27,824.0	655,425.0
Sales and Other Taxes	10,635.0	11,613.0	11,029.0	21,877.0	14,916.0	17,096.0
Licenses, Permits & Franchises	3,660.0	10,471.0	3,374.0	2,143.0	1,511.0	3,412.0
Fines, Forfeitures & Penalties	20,413.0	19,186.0	12,795.0	11,903.0	17,022.0	10,971.0
Use of Money & Property	11,606.0	4,622.0	3,662.0	3,966.0	9,281.0	6,012.0
Intergovernmental Revenue	251,062.0	132,227.0	257,459.0	236,144.0	332,463.0	243,172.0
Charges for Current Services	103,201.0	98,313.0	44,492.0	109,108.0	61,110.0	117,833.0
Other Revenue	5,507.0	9,594.0	6,502.0	9,706.0	8,047.0	5,174.0
Expenditure Transfers and Reimbursements	474,462.0	6,543.0	242,169.0	22,125.0	32,647.0	589,219.0
Welfare Advances	215,338.0	265,898.0	233,870.0	587,727.0	262,645.0	245,293.0
Other Receipts	60,107.0	10,295.0	2,062.0	21,246.0	2,711.0	3,308.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANS Sold	600,000.0	0.0	0.0	0.0	0.0	0.0
TRANS Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	1,783,499.0	648,782.0	816,937.0	1,026,642.0	770,177.0	1,896,915.0
DISBURSEMENTS						
Welfare Warrants	171,989.0	185,958.0	169,504.0	185,242.0	157,748.0	181,588.0
Salaries & Employee Benefits	668,597.0	395,425.0	368,251.0	260,190.0	365,653.0	396,060.0
Services & Supplies and Fixed Assets	389,759.0	289,524.0	285,555.0	260,459.0	264,901.0	252,985.0
Interfund Billings	393,431.0	188,981.0	352,874.0	326,187.0	92,357.0	360,233.0
TRANS Pledge Transfer	0.0	0.0	0.0	0.0	0.0	209,000.0
TRANS Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	1,623,776.0	1,059,888.0	1,176,184.0	1,032,078.0	880,659.0	1,399,866.0
ENDING BALANCE	1,078,529.0	667,423.0	308,176.0	302,740.0	192,258.0	689,307.0
TRANS Repayment Fund						
Beginning Balance	0.0	0.0	0.0	0.0	0.0	0.0
Receipts	0.0	0.0	0.0	0.0	0.0	209,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	0.0	0.0	0.0	0.0	0.0	209,000.0

* Detail may not add due to rounding.

January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	Total 2003-04
689,307.0	503,898.0	554,452.0	303,562.0	272,210.0	412,805.0	
175,861.0	127,096.0	29,013.0	468,984.0	196,137.0	9,179.0	1,797,267.0
13,697.0	14,348.0	13,693.0	17,319.0	16,461.0	15,593.0	178,277.0
3,915.0	6,020.0	6,603.0	8,487.0	3,414.0	3,154.0	56,164.0
11,179.0	20,167.0	20,603.0	12,397.0	27,503.0	16,762.0	200,901.0
6,655.0	3,804.0	3,837.0	5,579.0	3,522.0	3,816.0	66,362.0
316,606.0	353,857.0	255,236.0	245,845.0	386,808.0	392,617.0	3,403,496.0
70,717.0	153,185.0	98,012.0	101,168.0	178,995.0	109,406.0	1,245,540.0
4,957.0	4,649.0	6,469.0	106,759.0	5,861.0	17,339.0	190,564.0
17,593.0	42,907.0	76,467.0	7,091.0	308,287.0	921,567.0	2,741,077.0
303,975.0	357,503.0	282,868.0	392,946.0	243,360.0	252,495.0	3,643,918.0
16,666.0	362.0	11,403.0	14,488.0	24,553.0	1,025.0	168,226.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	600,000.0
0.0	0.0	0.0	0.0	0.0	611,967.0	611,967.0
941,821.0	1,083,898.0	804,204.0	1,381,063.0	1,394,901.0	2,354,920.0	14,903,759.0
181,886.0	148,773.0	171,095.0	235,223.0	103,516.0	167,535.0	2,060,057.0
390,791.0	397,529.0	387,954.0	383,735.0	374,218.0	337,387.0	4,725,790.0
256,324.0	226,812.0	294,025.0	230,430.0	248,656.0	222,688.0	3,222,118.0
189,229.0	192,230.0	129,020.0	410,060.0	527,916.0	441,946.0	3,604,464.0
109,000.0	68,000.0	73,000.0	152,967.0	0.0	0.0	611,967.0
0.0	0.0	0.0	0.0	0.0	611,967.0	611,967.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
1,127,230.0	1,033,344.0	1,055,094.0	1,412,415.0	1,254,306.0	1,781,523.0	14,836,363.0
503,898.0	554,452.0	303,562.0	272,210.0	412,805.0	986,202.0	
209,000.0	318,000.0	386,000.0	459,000.0	611,967.0	611,967.0	0.0
109,000.0	68,000.0	73,000.0	152,967.0	0.0	0.0	611,967.0
0.0	0.0	0.0	0.0	0.0	611,967.0	611,967.0
318,000.0	386,000.0	459,000.0	611,967.0	611,967.0	0.0	0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2004-05
ACTUALS THROUGH APRIL, 2005
(in thousands of \$)

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

*Detail may not add due to rounding.

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	Total 2004 -05
831,138.0	1,083,012.0	861,378.0	284,599.0	412,913.0	507,663.9	
574,491.0	138,650.0	32,364.0	466,998.0	553,703.4	2,205.7	2,568,501.1
21,433.0	16,494.0	15,030.0	8,958.0	7,464.8	6,141.2	158,000.0
3,643.0	9,237.0	4,987.0	10,303.0	5,251.0	4,289.0	60,000.0
12,171.0	19,685.0	15,658.0	15,972.0	7,440.2	7,401.8	182,000.0
5,159.0	7,448.0	7,838.0	9,624.0	3,092.7	7,121.3	72,750.0
295,864.0	263,383.0	198,456.0	210,863.0	199,054.2	163,523.4	2,963,763.6
61,420.0	91,003.0	137,186.0	149,945.0	77,447.1	101,308.8	1,182,973.9
4,304.0	5,452.0	3,843.0	106,095.0	5,242.8	5,629.2	238,834.0
42,028.0	47,252.0	11,864.0	318,097.0	22,323.3	691,709.2	2,190,854.5
317,700.0	270,393.0	329,078.0	289,761.0	344,222.6	287,042.4	3,717,000.0
32,261.0	4,497.0	11,485.0	8,004.0	19,821.2	24,441.8	200,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	600,000.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
1,370,474.0	873,494.0	767,789.0	1,594,620.0	1,245,063.2	1,918,763.9	14,752,627.1
100,592.0	167,287.0	170,670.0	203,577.0	147,613.3	166,835.7	2,037,000.0
411,809.0	418,431.0	394,703.0	428,085.0	401,472.6	393,934.5	5,004,227.1
241,143.0	281,187.0	273,042.0	219,184.0	293,588.4	292,756.6	3,311,000.0
256,056.0	160,223.0	433,153.0	456,510.0	307,638.0	261,591.3	3,457,342.3
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
1,118,600.0	1,095,128.0	1,344,568.0	1,466,306.0	1,150,312.3	1,733,068.1	15,045,469.4
1,083,012.0	861,378.0	284,599.0	412,913.0	507,663.9	693,359.7	
209,000.0	318,000.0	386,000.0	459,000.0	617,950.0	617,950.0	0.0
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
318,000.0	386,000.0	459,000.0	617,950.0	617,950.0	0.0	0.0

LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of April 30, 2005, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositories such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	\$ 7.763
Schools and Community Colleges	9.217
Independent Public Agencies	1.133
Total	\$18.113

Of these entities, the involuntary participants accounted for approximately 93.75%, and all discretionary participants accounted for 6.25% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2005, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report dated May 23, 2005, the April 30, 2005 book value of the Treasury Pool was approximately \$18.113 billion and the corresponding market value was approximately \$ 18.068 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. They also review each investment trade for accuracy and compliance with the Board adopted Investment Policy.

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

The Treasury Pool is highly liquid. As of April 30, 2005, approximately 56.73% of the pool investments mature within 60 days, with an average of 139.00 days to maturity for the entire portfolio.

The following table identifies the types of securities held by the Pool as of April 30, 2005:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	38.57
Certificates of Deposit	20.16
Commercial Paper	35.10
Bankers Acceptances	0.00
Municipal Obligations	0.20
Corporate Notes & Deposit Notes	5.97
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00

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

FINANCIAL STATEMENTS-GAAP BASIS

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

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

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

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2004-05 County Budget has been adopted and included an available (unreserved and undesignated) fund balance of \$872,284,000 as of June 30, 2004 for the General Fund.

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

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

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the GAAP basis, revenues are not recognized until the qualifying expenditures are incurred.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

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

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

The following table provides a reconciliation of the General Fund's June 30, 2004 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2004 (in thousands of \$)

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

Source: Los Angeles County Auditor-Controller

The tables on the following pages summarize the audited balance sheet for the General Fund since 1999-00 and provide a history of revenue and expenditure statement for the General Fund over the same period.

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

ASSETS

	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004
Pooled Cash and Investments	377,471	769,856	1,531,721	1,566,544	1,767,764
Other Investments	8,869	8,330	7,954	7,490	7,116
Taxes Receivable	150,517	151,006	158,447	165,472	169,996
Other Receivables	882,602	951,663	944,358	922,382	979,784
Due from Other Funds	858,939	795,423	266,588	447,456	454,899
Advances to Other Funds	105,609	82,174	33,139	304,528	272,228
Inventories	21,650	33,606	36,740	33,230	29,843
Total Assets	2,405,657	2,792,058	2,978,947	3,447,102	3,681,630

LIABILITIES

Accounts Payable	212,889	274,050	304,943	304,857	238,415
Accrued Payroll	259,437	283,457	300,728	310,698	314,676
Other Payables	77,259	56,343	194,405	188,952	218,132
Accrued Vacation and Sick Leave	25,641	33,193	0 (1)	0	0
Due to Other Funds	561,298	616,742	283,710	524,204	615,635
Deferred Revenue	121,449	121,077	251,541	231,357	216,796
Advances Payable	0	0	105,629	162,673	167,613
Workers' Compensation Liability	137,475	175,559	0 (1)	0	0
Estimated Liability for Litigation and Self-Insurance Claims	69,099	63,944	0 (1)	0	0
Estimated Liability to Third-Party Payers	34,289	41,609	25,637	26,631	22,636
Total Liabilities	1,498,836	1,665,974	1,466,593	1,749,372	1,793,903

EQUITY

Fund Balance (Deficit)					
Reserved	301,023	329,926	358,765	382,758	350,565
Unreserved					
Designated	432,331	529,748	595,040	668,807	659,006
Undesignated	173,467	266,410	558,549	646,165	878,156
Total Unreserved	605,798	796,158	1,153,589	1,314,972	1,537,162
Total Equity	906,821	1,126,084	1,512,354	1,697,730	1,887,727
Total Liabilities and Equity	2,405,657	2,792,058	2,978,947	3,447,102	3,681,630

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

COUNTY OF LOS ANGELES

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

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

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

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

DEBT SUMMARY

INTRODUCTION

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

2004-05 Obligations

As of July 1, 2004, approximately \$2.8 billion in long and intermediate term obligations were outstanding. The General Fund is responsible for \$1.0 billion of the outstanding debt. Voter approved ad valorem taxes secured \$23.5 million in general obligation bonds and funding from private entities such as the Museum Associates secured \$3.4 million in outstanding principal. State and federal subventions secured \$357.3 million in principal. Revenues from special districts, special funds, enterprise funds, or trust funds secured the remaining \$1.4 billion in outstanding principal.

Of the \$583.2 million in payments due in 2004-05 for obligations outstanding as of July 1, 2004, only \$208.9 million are funded by the General Fund. The table below identifies the funding sources for the debt payments due in 2004-05.

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

2004-05 Payments (As of July 1, 2004)

Funding Source	2004-05 Payment
Total 2004-05 Payment Obligation	\$583,204,400
Less: Sources of Non-General Fund Entities:	
General Obligation Bond Taxes	9,113,263
Hospital Enterprise Fund	165,405,858
Courthouse Construction Funds	36,552,495
Special Districts/Special Funds	52,982,282
Trial Court Trust Fund	17,320,944
Private Entities/Endowments	1,912,000
State & Federal Subventions	90,984,774
Net 2004-05 General Fund Obligation	\$208,932,785

Source: Los Angeles County Chief Administrative Office

Obligations as of April 1, 2005

The County's outstanding General County intermediate and long-term debt declined to \$2.4 billion in principal as of April 1, 2005 reflecting debt issuance and payment activity during the fiscal year. An additional \$600.0 million in Tax and Revenue Anticipation Notes and \$25.0 million in Bond Anticipation Notes were also outstanding. The table in the next column summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES SUMMARY OF OUTSTANDING PRINCIPAL

As of April 1, 2005 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	\$ 600,000.0
Bond Anticipation Notes	25,000.0
Intermediate & Long-Term Obligations	
General Obligation Bonds	23,470.0
Special Fund Obligations	66,828.1
Pension Obligations	1,050,107.4
Lease Obligations	1,266,564.9
Total Outstanding Principal	\$3,031,970.4

Source: Los Angeles County Chief Administrative Office

Charts at the end of this section provide a more detailed view of the funding sources for the County's outstanding obligations and 2004-05 payments.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.471% in 2003 to 0.392% in 2004. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

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

Year	Outstanding Principal	Total Assessed Valuation	% of Principal to Valuation
1995	\$ 4,528,618,786	\$ 449,376,706,078	1.008%
1996	\$ 4,455,177,708	\$ 447,781,824,007	0.995%
1997	\$ 4,281,455,241	\$ 456,119,926,899	0.939%
1998	\$ 4,389,430,735	\$ 468,476,629,007	0.937%
1999	\$ 4,147,139,371	\$ 497,014,083,986	0.834%
2000	\$ 4,006,333,171	\$ 531,023,420,236	0.754%
2001	\$ 3,703,638,147	\$ 567,296,327,872	0.653%
2002	\$ 3,404,067,514	\$ 605,942,874,836	0.562%
2003	\$ 3,093,060,550	\$ 656,073,063,881	0.471%
2004	\$ 2,785,149,946	\$ 709,671,759,735	0.392%

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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

On April 20, 2004 the Board of Supervisors authorized the issuance of up to \$1.10 billion in 2004-05 tax and revenue anticipation notes (2004-05 Notes). On July 1, 2004, the County issued \$600.0 million in 2004-05 Notes which will mature on June 30, 2005.

The 2004-05 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2004-05 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix.

Under the current Board authorization, the County retains the ability to issue up to an additional \$500.0 million in 2004-05 Notes. The County does not intend to issue additional 2004-05 Notes.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes (BANs) to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) and are purchased by the County Treasury Pool under terms and conditions established by the County Board of Supervisors. The BANs are payable within five years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of April 1, 2005, \$25.0 million in BANs remained outstanding.

LONG-TERM OBLIGATIONS

General Obligation Debt

On June 11, 1987, the County issued \$96,000,000 of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. As of April 1, 2005, \$23.5 million in principal remained outstanding. The proceeds from this issue have been fully expended and no further general obligation authorization is available at this time.

Special Fund and Special Districts Obligations

Marina del Rey Series A, B, and C

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

The Series A issue of \$134.8 million matures between 1995 and 2008 with interest rates ranging from 4.75% to 6.50% and is senior to all other series. The Series B issue of \$25.9 million matures between 1994 and 2008 with a variable interest rate and

the Series C issue of \$28.8 million also matures between 1994 and 2008 with a variable interest rate. Net proceeds from the sale (approximately \$160 million) were used to finance the County's operational downsizing expenses during the 1992-93 fiscal year.

Pension Obligations

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

1986 Tax-Exempt Pension Obligations

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

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

1994 Taxable Pension Obligation Bonds

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

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

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

Lease Obligations

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

Such obligations are secured by revenues from various funding sources including the General Fund and are subject to annual appropriation. The County's Adopted 2004-05 Budget contains sufficient appropriations to fund its 2004-05 payment obligations. The County Board of Supervisors has never failed to appropriate funds for such obligations.

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

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

1997 Bond Anticipation Note Refunding

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

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

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

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

On July 1, 1997, the County issued \$196.9 million in TECP and redeemed \$196.3 million in outstanding BANs. Since that time, the County has issued an additional \$204.3 million in TECP and redeemed \$213.8 million in outstanding TECP. As of April 1, 2005, \$187.4 million in TECP remained outstanding.

Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The County currently plans, however, to retire the remaining

TECP by the end of the 2007-08 fiscal year.

Debt Summary Charts

The charts on the following pages provide:

1. a summary of the combined principal and interest annual payments due on General County obligations and the aggregate principal outstanding each fiscal year by obligation type;
2. a summary of the combined principal and interest annual payments due on General County obligations and the aggregate principal outstanding each fiscal year by funding source;
3. a detail of the General County's 2004-05 payment obligations by funding source and debt issue;
4. a detail of the principal outstanding in 2004-05 on General County debt issues by funding source and debt issue;
5. a summary of the outstanding principal, future payments and current year payments due on General County long and intermediate term debt obligations as of April 1, 2005;
6. the County's overlapping debt statement as of April 1, 2005.

**COUNTY OF LOS ANGELES
DEBT SUMMARY CHARTS**

REPORTS AS OF JULY 1, 2004

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND ANNUALLY OUTSTANDING PRINCIPAL

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF APRIL 1, 2005

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

**COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS
AS OF JULY 1, 2004**

Fiscal Year	General Obligations Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Bonds
2004-05	\$9,113,263	\$20,227,695	\$336,329,163	\$217,534,280	\$583,204,400
2005-06	9,086,144	20,203,270	356,883,004	167,057,678	553,230,095
2006-07	9,056,106	20,171,535	381,235,406	143,997,368	554,460,415
2007-08	--	20,144,396	381,602,899	143,447,483	545,194,778
2008-09	--	14,362,075	320,338,646	132,337,826	467,038,547
2009-10	--	--	358,165,000	244,234,900	602,399,900
2010-11	--	--	372,130,000	109,026,821	481,156,821
2011-12	--	--	--	108,730,304	108,730,304
2012-13	--	--	--	97,353,613	97,353,613
2013-14	--	--	--	98,153,725	98,153,725
2014-15	--	--	--	93,977,659	93,977,659
2015-16	--	--	--	73,307,019	73,307,019
2016-17	--	--	--	52,831,350	52,831,350
2017-18	--	--	--	41,037,844	41,037,844
2018-19	--	--	--	41,846,753	41,846,753
2019-20	--	--	--	42,670,650	42,670,650
2020-21	--	--	--	43,529,250	43,529,250
2021-22	--	--	--	44,427,491	44,427,491
2022-23	--	--	--	45,370,922	45,370,922
2023-24	--	--	--	21,192,906	21,192,906
2024-25	--	--	--	21,184,591	21,184,591
2025-26	--	--	--	21,177,403	21,177,403
2026-27	--	--	--	21,169,075	21,169,075
2027-28	--	--	--	21,157,488	21,157,488
2028-29	--	--	--	21,155,394	21,155,394
2029-30	--	--	--	21,144,984	21,144,984
2030-31	--	--	--	13,684,913	13,684,913
2031-32	--	--	--	13,682,513	13,682,513
2032-33	--	--	--	7,684,731	7,684,731
2033-34	--	--	--	7,686,613	7,686,613
2034-35	--	--	--	--	--
2035-36	--	--	--	--	--
2036-37	--	--	--	--	--
2037-38	--	--	--	--	--
Total	\$27,255,513	\$95,108,972	\$2,506,684,117	\$2,131,793,543	\$4,760,842,144

**COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS
AS OF JULY 1, 2004**

Fiscal Year	General Obligations Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Bonds
2004-05	\$23,470,000	\$82,469,604	\$1,320,857,396	\$1,358,352,946	\$2,785,149,946
2005-06	16,205,000	66,828,095	1,050,107,396	1,229,432,941	2,362,573,433
2006-07	8,395,000	50,226,088	737,087,396	1,125,721,969	1,921,430,453
2007-08	--	32,609,875	546,849,148	1,042,131,956	1,621,590,978
2008-09	--	13,910,000	352,255,398	955,542,785	1,321,708,184
2009-10	--	--	235,690,862	876,646,193	1,112,337,055
2010-11	--	--	118,486,192	682,960,838	801,447,030
2011-12	--	--	--	614,772,754	614,772,754
2012-13	--	--	--	544,237,758	544,237,758
2013-14	--	--	--	482,302,515	482,302,515
2014-15	--	--	--	417,227,430	417,227,430
2015-16	--	--	--	353,900,289	353,900,289
2016-17	--	--	--	309,228,098	309,228,098
2017-18	--	--	--	284,098,779	284,098,779
2018-19	--	--	--	270,738,152	270,738,152
2019-20	--	--	--	256,905,857	256,905,857
2020-21	--	--	--	242,563,886	242,563,886
2021-22	--	--	--	219,365,000	219,365,000
2022-23	--	--	--	185,880,000	185,880,000
2023-24	--	--	--	149,750,000	149,750,000
2024-25	--	--	--	136,265,000	136,265,000
2025-26	--	--	--	122,060,000	122,060,000
2026-27	--	--	--	107,095,000	107,095,000
2027-28	--	--	--	91,330,000	91,330,000
2028-29	--	--	--	74,725,000	74,725,000
2029-30	--	--	--	57,225,000	57,225,000
2030-31	--	--	--	38,790,000	38,790,000
2031-32	--	--	--	27,015,000	27,015,000
2032-33	--	--	--	14,595,000	14,595,000
2033-34	--	--	--	7,490,000	7,490,000
2034-35	--	--	--	--	--
2035-36	--	--	--	--	--
2036-37	--	--	--	--	--
2037-38	--	--	--	--	--

Source: Los Angeles County Chief Administrative Office

**COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2004**

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention	Total Annual Debt Service
2004-05	\$208,932,785	\$9,113,263	\$165,405,858	\$36,552,495	\$52,982,282	\$17,320,944	\$1,912,000	\$90,984,774	\$583,204,400
2005-06	183,547,520	9,086,144	153,256,561	35,649,424	54,892,529	18,344,857	1,908,000	96,545,061	553,230,095
2006-07	191,070,662	9,056,106	138,597,050	35,857,216	57,149,791	19,596,644	--	103,132,946	554,460,415
2007-08	191,415,281	--	138,099,828	35,683,131	57,148,643	19,615,534	--	103,232,361	545,194,778
2008-09	171,583,064	--	111,887,976	35,847,314	44,594,853	16,466,367	--	86,658,971	467,038,547
2009-10	180,231,466	--	237,553,400	35,702,204	33,610,204	18,410,755	--	96,891,870	602,399,900
2010-11	174,126,759	--	116,520,582	35,790,478	34,920,679	19,128,598	--	100,669,724	481,156,821
2011-12	53,583,014	--	20,058,419	35,088,871	--	--	--	--	108,730,304
2012-13	47,806,296	--	18,696,019	30,851,298	--	--	--	--	97,353,612
2013-14	48,450,243	--	18,696,581	31,006,901	--	--	--	--	98,153,725
2014-15	45,877,106	--	17,831,006	30,269,547	--	--	--	--	93,977,659
2015-16	31,140,827	--	16,208,650	25,957,542	--	--	--	--	73,307,019
2016-17	20,973,908	--	6,788,644	25,068,798	--	--	--	--	52,831,350
2017-18	19,814,394	--	--	21,223,450	--	--	--	--	41,037,844
2018-19	20,624,681	--	--	21,222,072	--	--	--	--	41,846,753
2019-20	21,454,019	--	--	21,216,631	--	--	--	--	42,670,650
2020-21	22,321,744	--	--	21,207,506	--	--	--	--	43,529,250
2021-22	23,224,363	--	--	21,203,128	--	--	--	--	44,427,491
2022-23	24,171,488	--	--	21,199,434	--	--	--	--	45,370,922
2023-24	--	--	--	21,192,906	--	--	--	--	21,192,906
2024-25	--	--	--	21,184,591	--	--	--	--	21,184,591
2025-26	--	--	--	21,177,403	--	--	--	--	21,177,403
2026-27	--	--	--	21,169,075	--	--	--	--	21,169,075
2027-28	--	--	--	21,157,488	--	--	--	--	21,157,488
2028-29	--	--	--	21,155,394	--	--	--	--	21,155,394
2029-30	--	--	--	21,144,984	--	--	--	--	21,144,984
2030-31	--	--	--	13,684,913	--	--	--	--	13,684,913
2031-32	--	--	--	13,682,513	--	--	--	--	13,682,513
2032-33	--	--	--	7,684,731	--	--	--	--	7,684,731
2033-34	--	--	--	7,686,613	--	--	--	--	7,686,613
2034-35	--	--	--	--	--	--	--	--	--
2035-36	--	--	--	--	--	--	--	--	--
2036-37	--	--	--	--	--	--	--	--	--
2037-38	--	--	--	--	--	--	--	--	--
Total	\$1,680,349,618	\$27,255,513	\$1,159,600,574	\$747,518,051	\$335,298,980	\$128,883,700	\$3,820,000	\$678,115,707	\$4,760,842,143

**COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2004**

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention	Total Annual Principal Payment
2004-05	\$958,737,827	\$23,470,000	\$740,318,701	\$423,160,481	\$210,812,862	\$67,927,770	\$3,400,000	\$357,322,305	\$2,785,149,946
2005-06	816,097,593	16,205,000	612,906,549	408,713,243	168,794,174	53,978,670	1,800,000	284,078,203	2,362,573,433
2006-07	670,621,330	8,395,000	488,866,375	394,470,782	121,789,369	37,888,503	--	199,399,094	1,921,430,453
2007-08	565,525,966	--	415,483,150	379,305,705	85,231,199	28,109,687	--	147,935,272	1,621,590,978
2008-09	457,394,996	--	340,236,227	363,547,143	47,129,647	18,106,984	--	95,293,187	1,321,708,184
2009-10	373,081,317	--	294,479,657	346,783,834	22,117,230	12,115,217	--	63,759,799	1,112,337,055
2010-11	290,897,073	--	131,955,910	329,331,517	11,118,744	6,090,546	--	32,053,240	801,447,030
2011-12	217,940,563	--	85,965,000	310,867,192	--	--	--	--	614,772,754
2012-13	182,146,715	--	69,925,000	292,166,042	--	--	--	--	544,237,758
2013-14	151,145,091	--	54,440,000	276,717,424	--	--	--	--	482,302,515
2014-15	118,784,052	--	38,195,000	260,248,378	--	--	--	--	417,227,430
2015-16	88,289,344	--	22,005,000	243,605,945	--	--	--	--	353,900,289
2016-17	72,256,777	--	6,615,000	230,356,321	--	--	--	--	309,228,098
2017-18	66,818,779	--	--	217,280,000	--	--	--	--	284,098,779
2018-19	63,298,152	--	--	207,440,000	--	--	--	--	270,738,152
2019-20	59,820,857	--	--	197,085,000	--	--	--	--	256,905,857
2020-21	56,388,886	--	--	186,175,000	--	--	--	--	242,563,886
2021-22	44,695,000	--	--	174,670,000	--	--	--	--	219,365,000
2022-23	23,340,000	--	--	162,540,000	--	--	--	--	185,880,000
2023-24	--	--	--	149,750,000	--	--	--	--	149,750,000
2024-25	--	--	--	136,265,000	--	--	--	--	136,265,000
2025-26	--	--	--	122,060,000	--	--	--	--	122,060,000
2026-27	--	--	--	107,095,000	--	--	--	--	107,095,000
2027-28	--	--	--	91,330,000	--	--	--	--	91,330,000
2028-29	--	--	--	74,725,000	--	--	--	--	74,725,000
2029-30	--	--	--	57,225,000	--	--	--	--	57,225,000
2030-31	--	--	--	38,790,000	--	--	--	--	38,790,000
2031-32	--	--	--	27,015,000	--	--	--	--	27,015,000
2032-33	--	--	--	14,595,000	--	--	--	--	14,595,000
2033-34	--	--	--	7,490,000	--	--	--	--	7,490,000
2034-35	--	--	--	--	--	--	--	--	--
2035-36	--	--	--	--	--	--	--	--	--
2036-37	--	--	--	--	--	--	--	--	--
2037-38	--	--	--	--	--	--	--	--	--

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
 ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATION BY FUNDING SOURCE
 AS OF JULY 1, 2004

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
Long-Term Obligations									
General Obligations Bonds									
1987 GO Bonds: Justice Facilities	9,113,263		9,113,263						
Special Fund Obligations									
1993 COPs, Ser A: Marina del Rey	14,459,750					14,459,750			
1993 COPs, Ser B: Marina del Rey	1,556,016					1,556,016			
1993 COPs, Ser C: Marina del Rey	4,211,929					4,211,929			
Total Special Fund Obligations	20,227,695	0	0	0	0	20,227,695	0	0	0
Pension Obligation Certificates									
1986 Pension Ob Certs, Ser A: LACERA Funding	5,571,060	1,810,817		1,443,985		522,788	286,369		1,507,100
1994 Pension Ob Bonds Ser A: LACERA Funding	220,701,374	71,736,774		57,204,472		20,710,617	11,344,713		59,704,798
1994 Pension Ob Bonds Ser C: LACERA Funding									
1994 Pension Ob Bonds Ser D: LACERA Funding	44,506,237	14,466,307		11,535,749		4,176,465	2,287,754		12,039,961
1996 Pension Ob Refg Bonds: LACERA Funding	65,550,493	21,306,532		16,990,294		6,151,258	3,369,492		17,732,916
Total Pension Obligation Certificates	336,329,163	109,320,431	0	87,174,501	0	31,561,129	17,288,328	0	90,984,774
Long-Term Capital Projects									
1985 COPs, Ser A: Anderson Gallery	1,192,000							1,192,000	
1985 COPs, Ser B: Japanese Pavilion	720,000							720,000	
1987 COPs, Pub Prop Refg Proj:									
Beverly Hills Municipal Court	648,210	648,210							
Civic Center Mall Phase I	904,770	904,770							
Civic Center Mall Phase II	1,253,208	1,253,208							
Criminal Courts Facility	4,801,201	4,801,201							
Downey Administrative Center	936,791	936,791							
East District Superior Court (Pomona)	744,109	744,109							
Eastern Avenue Complex	2,580,496	2,580,496							
Lakewood Golf Course	423,558	423,558							
Hall of Administration	3,563,924	3,563,924							
Malibu Administrative Center	395,236	395,236							
Marshall Canyon Golf Course	118,327	118,327							
Men's Central Jail	1,906,638	1,906,638							
Men's Central Jail Addition	5,488,608	5,488,608							
Municipal Traffic Court	2,216,446	2,216,446							
Northeast District Superior Court (Pasadena)	802,162	802,162							
Northeast District Superior Court Parking Structure (Pasadena)	270,052	270,052							
Southwest District Superior Court (Torrance)	626,265	626,265							
Total 1987 COPs, Pub Prop Refg Proj	27,680,000	27,680,000	0	0	0	0	0	0	0
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:									
Civic Center Heating & Refrigeration Plant	5,868,234	5,868,234							
Downey Courthouse	979,859				979,859				
LeSage Complex	483,356	483,356							
Olive View Medical Center	10,321,825			10,321,825					
Sheriffs Training Academy	824,437	824,437							
San Fernando Court	1,380,875				1,380,875				
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	19,858,585	7,176,027	0	10,321,825	2,360,733	0	0	0	0
1993 COPs: Disney Parking Project									
1993 COPs: Disney Parking Project	4,470,000	4,470,000							
1993 Lease Rev Bonds, Mult Cap Facilities Proj IV:									
Music Center Improvements	843,833	843,833							
Alhambra Courthouse	634,843				634,843				
Burbank Courthouse	827,898				827,898				
Ameron Building (Sheriff Headquarters)	2,733,665	2,733,665							
Biscailuz Center	244,860	244,860							
Emergency Operations Center	2,144,345	2,144,345							
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,620,823			1,620,823					
Martin Luther King Medical Center - Trauma Center	6,788,813			6,788,813					
Martin Luther King Medical Center - Central Plant	1,392,720			1,392,720					
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	117,450			117,450					
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,795,540			4,795,540					
Rancho Los Amigos Medical Center - Parking Structure	1,792,985			1,792,985					
Rancho Los Amigos Medical Center - Central Plant	5,269,705			5,269,705					
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	751,555			751,555					
Total 1993 Lease Rev Bonds, Mult Cap Facilities Proj IV	29,959,033	5,966,703	0	22,529,590	1,462,740	0	0	0	0
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:									
Lynwood Regional Justice Center	12,204,083	12,204,083							
Mobile Digital Communication System									
Lost Hill Sheriffs Station	1,112,566	1,112,566							
Mira Loma Boy's Camp	3,377,109	3,377,109							
Mid Valley Health Center	954,109			954,109					
LAC/USC Intensive Care Unit	246,584			246,584					
Martin Luther King, Jr. Medical Center Parking Structure	544,313			544,313					
Compton Courthouse									
El Monte Courthouse									
Inglewood Municipal Courthouse & Parking Structure									
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,503,850			1,503,850					
East Los Angeles Courthouse	1,449,044				1,449,044				
Fire Command and Control System	677,650					677,650			
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	22,069,308	16,693,757	0	3,248,857	1,449,044	677,650	0	0	0

COUNTY OF LOS ANGELES ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATION BY FUNDING SOURCE AS OF JULY 1, 2004									
Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail Expansion	11,473,393	11,473,393							
1996 Lease Rev Bonds Ser A, Mult Cap Facilities Proj V: San Fernando Valley Juvenile Hall LAC/USC Medical Center Marengo Street Parking Garage	1,062,983 2,832,730	1,062,983		2,832,730					
Total 1996 Lease Rev Bonds Ser A, Mult Cap Facilities Proj V	3,895,713	1,062,983	0	2,832,730	0	0	0	0	0
1996 Lease Rev Bonds Ser B, Mult Cap Facilities Proj V: LAX Area Courthouse	7,596,366				7,596,366				
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj: Hollywood Courthouse Long Beach Comprehensive Health Center Van Nuys Courthouse	610,280 4,405,448				610,280 4,405,448				
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning Pitchess Honor Rancho: Medium Security - N Facility Sewer System Pitchess Honor Rancho: Medium Security - N Facility Water Treatment Pitchess Honor Rancho: Medium Security - N Facility Debris Basin Pitchess Honor Rancho: Vehicle Maintenance Facility Men's Central Jail Parking Structure Mira Loma Men's Medium Security Facility Pitchess Honor Rancho Laundry Expansion Pitchess Honor Rancho Visitors Center Pomona Municipal Courthouse Hutton Building - Registrar / Recorder Headquarters Temple City Sheriff Station Public Library Headquarters	891,935 271,916 1,090,421 251,867 639,813 2,871,091 515,719 288,283 713,910 596,623 3,720,489 1,226,430 515,808	891,935 271,916 1,090,421 251,867 639,813 2,871,091 515,719 288,283 713,910				515,808			
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	18,610,030	12,481,872	0	0	5,612,350	515,808	0	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Services Funding 1998 Refg COPs: Disney Parking Project	34,560,000 3,075,323			34,560,000					
2000 Lease Rev Bonds Ser A, Mult Cap Facilities Proj VI: San Fernando Valley Courthouse (Chatsworth) Harbor Med Center E.P.S.	5,996,938 1,365,713			1,365,713	5,996,938				
Total 2000 Lease Rev Bonds Ser A, Mult Cap Facilities Proj VI	7,362,650	0	0	1,365,713	5,996,938	0	0	0	0
2000 COPs, Ser A: Antelope Valley Courthouse	7,685,368				7,685,368				
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,625,625				3,625,625				
2002 Lease Rev Bonds Ser B: Downey Courthouse Sheriffs Training Academy San Fernando Court	320,365 264,469 442,967	264,469			320,365 442,967				
Total 2002 Lease Rev Bonds Ser B	1,027,800	264,469	0	0	763,331	0	0	0	0
Total Long-Term Capital Projects	204,861,191	90,344,524	0	74,858,714	36,552,495	1,193,458	0	1,912,000	0
Total Long-Term Obligations	570,531,312	199,664,955	9,113,263	162,033,215	36,552,495	52,982,282	17,288,328	1,912,000	90,984,774
Intermediate-Term Obligations									
Intermediate-Term Capital Projects 1985 COPs: Southwest-DPSS									
Equipment									
1998 Lease Rev Bonds Ser A: LAC-CAL Equipment Program 1998 Lease Rev Bonds Ser B: LAC-CAL Equipment Program 1999 Lease Rev Bonds Ser A: LAC-CAL Equipment Program 2000 Lease Rev Bonds Ser A: LAC-CAL Equipment Program 2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program 2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	1,176,726 5,894,700 5,601,663	799,604 5,238,160 3,230,066		344,505 656,540 2,371,596			32,616		
Total Equipment	12,673,089	9,267,830	0	3,372,642	0	0	32,616	0	0
Total Intermediate-Term Obligations	12,673,089	9,267,830	0	3,372,642	0	0	32,616	0	0
Total Obligations	583,204,400	208,932,785	9,113,263	165,405,858	36,552,495	52,982,282	17,320,944	1,912,000	90,984,774

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL BY FUNDING SOURCE AS OF JULY 1, 2004									
Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention
Long-Term Obligations									
General Obligations Bonds									
1987 GO Bonds: Justice Facilities	23,470,000		23,470,000						
Special Fund Obligations									
1993 COPs, Ser A: Marina del Rey	61,555,000					61,555,000			
1993 COPs, Ser B: Marina del Rey	5,636,921					5,636,921			
1993 COPs, Ser C: Marina del Rey	15,277,683					15,277,683			
Total Special Fund Obligations	82,469,604	0	0	0	0	82,469,604	0	0	0
Pension Obligation Certificates									
1986 Pension Ob Certs, Ser A: LACERA Funding	80,740,000	26,243,730		20,927,324		7,576,642	4,150,278		21,842,027
1994 Pension Ob Bonds Ser A: LACERA Funding	403,705,000	131,220,273		104,637,914		37,883,677	20,751,648		109,211,488
1994 Pension Ob Bonds Ser C: LACERA Funding	248,395,233	80,738,386		64,382,554		23,309,409	12,768,260		67,196,623
1994 Pension Ob Bonds Ser D: LACERA Funding	403,317,163	131,094,211		104,537,389		37,847,283	20,731,712		109,106,569
1996 Pension Ob Refg Bonds: LACERA Funding	184,700,000	60,034,888		47,873,132		17,332,248	9,494,134		49,965,598
Total Pension Obligation Certificates	1,320,857,396	429,331,488	0	342,358,312	0	123,949,258	67,896,033	0	357,322,305
Long-Term Capital Projects									
1985 COPs, Ser A: Anderson Gallery	2,100,000							2,100,000	
1985 COPs, Ser B: Japanese Pavilion	1,300,000							1,300,000	
1987 COPs, Pub Prop Refg Proj:									
Beverly Hills Municipal Court	194,858	194,858							
Civic Center Mall Phase I	271,983	271,983							
Civic Center Mall Phase II	376,727	376,727							
Criminal Courts Facility	1,443,289	1,443,289							
Downey Administrative Center	281,609	281,609							
East District Superior Court (Pomona)	223,687	223,687							
Eastern Avenue Complex	775,723	775,723							
Lakewood Golf Course	127,326	127,326							
Hall of Administration	1,071,351	1,071,351							
Malibu Administrative Center	118,812	118,812							
Marshall Canyon Golf Course	35,570	35,570							
Men's Central Jail	573,155	573,155							
Men's Central Jail Addition	1,649,930	1,649,930							
Municipal Traffic Court	666,286	666,286							
Northeast District Superior Court (Pasadena)	241,138	241,138							
Northeast District Superior Court Parking Structure (Pasadena)	81,180	81,180							
Southwest District Superior Court (Torrance)	188,262	188,262							
Total 1987 COPs, Pub Prop Refg Proj	8,320,885	8,320,885	0	0	0	0	0	0	0
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:									
Civic Center Heating & Refrigeration Plant	29,595,000	29,595,000							
Downey Courthouse	5,600,000				5,600,000				
LeSage Complex	1,935,000	1,935,000							
Olive View Medical Center	36,755,000			36,755,000					
Sheriffs Training Academy	4,691,710	4,691,710							
San Fernando Court	7,858,290				7,858,290				
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	86,435,000	36,221,710	0	36,755,000	13,458,290	0	0	0	0
1993 COPs: Disney Parking Project									
1993 COPs: Disney Parking Project	52,507,061	52,507,061							
1993 Lease Rev Bonds, Mult Cap Facilities Proj IV:									
Music Center Improvements	7,625,000	7,625,000							
Alhambra Courthouse	5,055,000				5,055,000				
Burbank Courthouse	7,500,000				7,500,000				
Ameron Building (Sheriff Headquarters)	21,715,000	21,715,000							
Biscailuz Center	1,935,000	1,935,000							
Emergency Operations Center	18,230,000	18,230,000							
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	13,805,000			13,805,000					
Martin Luther King Medical Center - Trauma Center	64,905,000			64,905,000					
Martin Luther King Medical Center - Central Plant	2,655,000			2,655,000					
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	915,000			915,000					
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	43,390,000			43,390,000					
Rancho Los Amigos Medical Center - Parking Structure	16,200,000			16,200,000					
Rancho Los Amigos Medical Center - Central Plant	10,045,000			10,045,000					
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	5,955,000			5,955,000					
Total 1993 Lease Rev Bonds, Mult Cap Facilities Proj IV	219,930,000	49,505,000	0	157,870,000	12,555,000	0	0	0	0
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:									
Lynwood Regional Justice Center	104,015,000	104,015,000							
Mobile Digital Communication System									
Lost Hill Sheriffs Station	4,848,578	4,848,578							
Mira Loma Boy's Camp	14,737,558	14,737,558							
Mid Valley Health Center	4,152,516			4,152,516					
LAC/USC Intensive Care Unit	1,075,327			1,075,327					
Martin Luther King, Jr. Medical Center Parking Structure	2,381,020			2,381,020					
Compton Courthouse									
El Monte Courthouse									
Inglewood Municipal Courthouse & Parking Structure									
Martin Luther King, Jr. Medical Center Psychiatric Facility	2,835,000			2,835,000					
East Los Angeles Courthouse	13,445,000				13,445,000				
Fire Command and Control System	2,430,000					2,430,000			
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	149,920,000	123,601,136	0	10,443,864	13,445,000	2,430,000	0	0	0

COUNTY OF LOS ANGELES OUTSTANDING PRINCIPAL BY FUNDING SOURCE AS OF JULY 1, 2004										
Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	Private Funding (Endowments)	State / Federal Subvention	
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail Expansion	98,510,000	98,510,000								
1996 Lease Rev Bonds Ser A, Mult Cap Facilities Proj V: San Fernando Valley Juvenile Hall	9,915,000	9,915,000								
LAC/USC Medical Center Marengo Street Parking Garage	24,940,000			24,940,000						
Total 1996 Lease Rev Bonds Ser A, Mult Cap Facilities Proj V	34,855,000	9,915,000	0	24,940,000	0	0	0	0	0	
1996 Lease Rev Bonds Ser B, Mult Cap Facilities Proj V: LAX Area Courthouse	108,390,000				108,390,000					
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj: Hollywood Courthouse	584,000				584,000					
Long Beach Comprehensive Health Center										
Van Nuys Courthouse	35,122,000				35,122,000					
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	4,525,980	4,525,980								
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	1,379,795	1,379,795								
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	5,533,167	5,533,167								
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	1,278,059	1,278,059								
Pitchess Honor Rancho: Vehicle Maintenance Facility	3,251,000	3,251,000								
Men's Central Jail Parking Structure	14,567,000	14,567,000								
Mira Loma Men's Medium Security Facility	3,313,000	3,313,000								
Pitchess Honor Rancho Laundry Expansion	1,856,000	1,856,000								
Pitchess Honor Rancho Visitors Center	4,584,000	4,584,000								
Pomona Municipal Courthouse	3,834,000				3,834,000					
Hutton Building - Registrar / Recorder Headquarters	23,885,000	23,885,000								
Temple City Sheriff Station	7,873,000	7,873,000								
Public Library Headquarters	1,964,000					1,964,000				
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	113,550,000	72,046,000	0	0	39,540,000	1,964,000	0	0	0	
1997 Tax-Exempt Commercial Paper Program: Dept of Health Services Funding	153,800,000			153,800,000						
1998 Refg COPs: Disney Parking Project	60,135,000	60,135,000								
2000 Lease Rev Bonds Ser A, Mult Cap Facilities Proj VI: San Fernando Valley Courthouse (Chatsworth)	83,680,000				83,680,000					
Harbor Med Center E.P.S.	8,485,000			8,485,000						
Total 2000 Lease Rev Bonds Ser A, Mult Cap Facilities Proj VI	92,165,000	0	0	8,485,000	83,680,000	0	0	0	0	
2000 COPs, Ser A: Antelope Valley Courthouse	115,390,000				115,390,000					
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	23,980,000				23,980,000					
2002 Lease Rev Bonds Ser B: Downey Courthouse	5,339,414				5,339,414					
Sheriffs Training Academy	4,407,809	4,407,809								
San Fernando Court	7,382,777				7,382,777					
Total 2002 Lease Rev Bonds Ser B	17,130,000	4,407,809	0	0	12,722,191	0	0	0	0	
Total Long-Term Capital Projects	1,338,417,946	515,169,601	0	392,293,864	423,160,481	4,394,000	0	3,400,000	0	
Total Long-Term Obligations	2,765,214,946	944,501,089	23,470,000	734,652,176	423,160,481	210,812,862	67,896,033	3,400,000	357,322,305	
Intermediate-Term Obligations										
Intermediate-Term Capital Projects										
1985 COPs: Southwest-DPSS										
Equipment										
1998 Lease Rev Bonds Ser A: LAC-CAL Equipment Program										
1998 Lease Rev Bonds Ser B: LAC-CAL Equipment Program										
1999 Lease Rev Bonds Ser A: LAC-CAL Equipment Program										
2000 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	1,145,000	778,046		335,217			31,737			
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	8,410,000	7,473,310		936,690						
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	10,380,000	5,985,381		4,394,619						
Total Equipment	19,935,000	14,236,738	0	5,666,525	0	0	31,737	0	0	
Total Intermediate-Term Obligations	19,935,000	14,236,738	0	5,666,525	0	0	31,737	0	0	
Total Obligations	2,785,149,946	958,737,827	23,470,000	740,318,701	423,160,481	210,812,862	67,927,770	3,400,000	357,322,305	

Source: Los Angeles County Chief Administrative Office

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

Title	Outstanding Principal	Total Future Payments	2004-05 FY Payment Remaining
Long-Term Obligations			
General Obligations Bonds			
1987 GO Bonds - Justice Facilities	23,470,000	26,331,381	8,189,131
Special Fund Obligations			
1993 COPs, Series A - Marina del Rey	50,745,000	57,601,363	
1993 COPs, Series B - Marina del Rey	4,355,026	4,714,145	43,550
1993 COPs, Series C - Marina del Rey	11,728,070	12,609,320	
Total Special Fund Obligations	66,828,095	74,924,827	43,550
Pension Obligation Certificates			
1986 Pension Obligation Certificates, Series A	80,740,000	97,453,180	
1994 Pension Obligation Bonds, Series A (Current Interest Bonds)	217,710,000	236,476,602	
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds)	248,395,233	843,900,000	
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	371,462,163	846,846,705	
1996 Pension Obligation Refunding Bonds	131,800,000	145,678,468	
Total Pension Obligation Certificates	1,050,107,396	2,170,354,954	0
Long-Term Capital Projects			
1987 COPs - Public Properties Refunding Project			
1992 Lease Rev Refg Bonds - 1992 Master Refunding Project	71,265,000	83,191,640	2,126,224
1993 COPs - Disney Parking Project	50,394,941	202,345,000	
1993 Lease Rev Bonds - Multiple Capital Facilities Project IV			(1)
1996 Lease Rev Refg Bonds, Series A - 1996 Master Refunding Project	135,675,000	172,073,871	
1996 Lease Rev Refg Bonds, Series B - 1996 Master Refunding Project	91,975,000	119,380,635	(2)
1996 Lease Rev Bonds, Series A - Multiple Capital Facilities Project V			(1)
1996 Lease Rev Bonds, Series B - Multiple Capital Facilities Project V			(1)
1997 Lease Rev Refg Bonds, Series A - 1997 Master Refunding Project	100,595,000	123,397,850	
1997 Tax-Exempt Commercial Paper Program	187,400,000	219,956,000	(3)
1998 Refg COPs - Disney Parking Project	59,900,000	106,197,443	
2000 Lease Rev Bonds, Series A - Multiple Capital Facilities Project VI			(1)
2000 COPs, Series A - Antelope Valley Courthouse	113,700,000	222,906,106	
2002 Lease Rev Bonds, Series A - Edelman Court Project Refunding	21,400,000	25,389,050	
2002 Lease Rev Bonds, Series B - 2002 Master Refunding Project	17,130,000	27,066,900	513,900
2005 Lease Rev Refg Bonds, Series A - 2005 Master Refunding Project	393,315,000	571,094,618	4,388,751
Total Long-Term Capital Projects	1,242,749,941	1,872,999,113	7,028,875
Total Long-Term Obligations	\$2,383,155,433	\$4,144,610,275	\$15,261,556
Intermediate-Term Obligations			
Equipment			
2000 Lease Rev Bonds, Series A - LAC CAL Equipment	340,000	347,310	347,310
2001 Lease Rev Bonds, Series A - LAC CAL Equipment	5,570,000	5,694,425	2,928,550
2002 Lease Rev Bonds, Series A - LAC CAL Equipment	7,370,000	7,611,691	2,445,756
2004 Lease Rev Bonds, Series A - LAC CAL Equipment	10,535,000	11,067,725	2,814,463
Total Equipment	23,815,000	24,721,151	8,536,079
Total Intermediate-Term Obligations	23,815,000	24,721,151	8,536,079
Total Obligations	2,406,970,433	4,169,331,426	23,797,635

COPs = Certificates of Participation

(1) Outstanding principal refunded by 2005 Lease Revenue Refunding Bonds, Series A - 2005 Master Refg Project

(2) Subject to extraordinary prepayment in the event the County privatizes the Central Jail-Twin Towers.

(3) Tax-Exempt Commercial Paper (TECP) is secured by a long-term lease of County assets. Total Future Payments and 2004-05 FY Payment reflect a historical TECP rate of 6.0%, a 4 year amortization, and annual program costs.

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES

ESTIMATED OVERLAPPING DEBT STATEMENT AS OF APRIL 1, 2005

Full Cash Value (2004-05): \$690,110,394,778 (after deducting \$79,279,980,980 redevelopment incremental valuation; incl unitary utility valuation)

	Applicable %	Debt as of 4/1/05
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County	100.000 %	\$ 23,470,000
Los Angeles County Flood Control District	100.000	124,000,000
Metropolitan Water District	47.712	199,526,813
Community College Districts	Various	1,269,497,647
Beverly Hills Unified School District	100.000	109,369,260
Burbank Hills Unified School District	100.000	100,209,996
Glendale Unified School District	100.000	157,440,000
Long Beach Unified School District	100.000	256,685,000
Los Angeles Unified School District	100.000	4,484,960,000
Pasadena Unified School District	100.000	219,655,000
Pomona Unified School District	100.000	133,290,000
Other Unified School Districts	100.000	1,697,618,110
Other School and High School Districts	Various (1)	709,238,606
City of Los Angeles	100.000	1,418,980,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	159,135,000
City of Industry	100.000	214,635,000
Other Cities	100.000	52,550,000
Special Districts	100.000	13,708,932
Community Facilities Districts	100.000	761,274,528
Los Angeles County Regional Park & Open Space Assessment District	100.000	349,690,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	232,415,906
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100.000	100,410,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 12,787,759,798
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	100.000 %	\$ 1,400,549,944 (2)
Los Angeles County Pension Obligations	100.000	1,320,852,395
Los Angeles County Office of Education Certificates of Participation	100.000	22,539,577
Community College District Certificates of Participation	Various (1)	124,356,798
Los Angeles Unified School District Certificates of Participation	100.000	636,063,350
Long Beach Unified School District Certificates of Participation	100.000	65,560,000
Other Unified School District Certificates of Participation	100.000	401,913,937
School and High School District General Fund Obligations	Various (1)	201,324,585
City of Beverly Hills General Fund Obligations	100.000	190,820,000
City of Los Angeles General Fund and Judgement Obligations	100.000	1,235,253,000
City of Long Beach General Fund Obligations	100.000	300,285,000
City of Long Beach Pension Obligations	100.000	102,195,000
City of Pasadena General Fund Obligations	100.000	235,835,000
City of Pasadena Pension Obligations	100.000	97,850,000
Other Cities' General Fund Obligations	100.000	934,959,645
Los Angeles County Sanitation Districts General Fund Obligations	100.000	419,765,000
Other Special Districts General Fund Obligations	100.000	17,000,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,707,123,231
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina del Rey)		(55,345,000)
School District self-supporting bonds		(33,500,000)
Cities' self-supporting bonds		(198,739,223)
Walnut Valley Water District General Fund Obligations		(15,995,000)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,403,544,008
GROSS COMBINED TOTAL DEBT		\$ 20,494,883,029 (3)
NET COMBINED TOTAL DEBT		\$ 20,191,303,806

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

(2) Excludes tax and revenue anticipation notes.

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

RATIOS TO 2004-05 ASSESSED VALUATION

Direct Debt (\$23,470,000)	0.003%
Total Direct and Overlapping Tax and Assessment Debt	1.66%

RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)

Combined Gross Direct Debt (\$2,717,440,737)	0.40%
Net Combined Direct Debt (\$2,662,095,737)	0.39%
Gross Combined Total Debt	2.97%
Net Combined Total Debt	2.93%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: **\$ 1,609,401**

Source: California Municipal Statistics

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2003 Gross Product estimated at \$373.2 billion, Los Angeles County's economy is larger than that of 42 states and all but 16 countries. Los Angeles County serves as the central trade district for the western United States and controls nearly three-quarters of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center, and serves as the western headquarters for many national firms. The County's economy was in a solid growth mode at the end of 2004, and the outlook for 2005 is much improved.

Since 2003, Los Angeles County has experienced a modest recovery in the job market with a second straight year of lower unemployment rates. The County's economy is projected to continue on the recovery track in 2005 with moderate job growth of approximately 1.6% or 66,000 jobs from 2004 employment levels. The modest recovery is being supported by continued growth in the defense and aerospace industry, and by major construction projects, including the expansion of port facilities and replacement of the County LAC+USC Medical Center.

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

Quality of Life

Higher Education

Los Angeles County is home to 159 colleges and universities including the California Institute of Technology, the Claremont Colleges, Occidental College, the University of California at Los Angeles, the University of Southern California, five campuses of the California State University system, the Art Center College of Design, California Institute of the Arts, and the Otis School of Design.

Culture

Los Angeles County is the cultural center of the western United States offering world-class museums, theaters, and music venues. The County is home to over 1,000 performing arts organizations and 150,000 working artists in the County of Los Angeles, creating one of the largest concentrations of arts activity in the United States.

Los Angeles County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the acclaimed Los Angeles County Museum of Art, the Los Angeles County

Museum of Natural History, the George C. Page Museum, the Anderson Gallery, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library.

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

Recreation

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

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

Population

The County of Los Angeles is California's most populous county with over 10.2 million people residing within its borders. The County is larger in population than 42 states and accounts for approximately 28% of the total population of California. Table A illustrates the recent historical growth of the County's population.

Employment

After three years of rising unemployment rates during 2000-2003, the County is expected to experience its second straight year with an improving job market. The unemployment rate is projected to decrease from 7.0% in 2003 to an estimated rate of 6.3% in 2004 and 6.1% in 2005. Non-agricultural employment is projected to show continued growth in 2005, increasing by 1.6% or 66,000 jobs. Due to the declining value of the U.S. dollar relative to foreign currencies and its positive impact on tourism, the Leisure & Hospitality sector is expected to see the strongest job growth in 2005 (+22,500 jobs). Other sectors of the economy expecting strong job growth in 2005 are Information Services (+12,000 jobs) and Administrative Services (+8,500 jobs). As a result of new contract awards, the aerospace industry is expected to reverse a 6-year trend of declining employment levels and see modest job growth in 2005.

Table F details the County's employment by sector since 2001.

Personal Income

Total personal income in Los Angeles County continues to grow, with nearly \$350.6 billion reported in 2005. The County's total personal income in 2005 represents an estimated 26.0% of the total personal income generated in California. Table C provides a summary of the personal income levels in Los Angeles County since 2001.

Consumer Spending

Los Angeles County is a national leader in consumer spending. In 2005, Los Angeles County will generate an estimated \$89.7 billion in retail sales, representing an increase of 5.9% from 2004 and 24.9% from 2001 levels. Table D provides a summary of the recent growth of retail sales in Los Angeles County.

Industry

With a Gross Product larger than all but 15 countries and eight states, Los Angeles County is the leading center for business and commerce in the western United States. Its Gross Product of \$373.2 billion in 2003 represents approximately 25.9% of the total economic output in California and nearly 3.4% of the Gross Domestic Product of the United States. The County's business environment is distinguished by its diversity and balance, and is recognized as a world leader in the high-technology, electronic, energy, communication, and entertainment industries. Table B provides summary information on the Gross Product of Los Angeles County.

Manufacturing

Los Angeles County is the largest major manufacturing center in the United States, with nearly 480,000 workers employed in these industries as of 2005. The largest components of the manufacturing sector include apparel, computer and electronic products and transportation products. Some of the world's most recognized companies are located in Los Angeles County, including Mattel Inc., the world's largest toy manufacturer, and the automobile design operations of Honda, Mazda, Nissan, Toyota, Volkswagen, Volvo and the "Big Three" U.S. automobile manufacturers. The steady decline in industrial market vacancy rates (from 4.33% in 2001 to 2.78% in 2004) is a strong indicator of the continuing strength of the manufacturing sector in Los Angeles County.

Services

Professional services such as accounting, architecture, engineering, law and management consulting, will continue on the recovery track in 2005, with all segments expecting to see employment gains, although in some cases they will be modest.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles has positioned itself as the nation's busiest center of international commerce as measured by the dollar value of two-way trade. The value of two-way trade is expected to increase by 14.3% in 2005 to a record level of \$302.1 billion. The Los Angeles-Long Beach port complex is the largest in the U.S. and ranks as the fourth busiest in the world.

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

Transportation/Infrastructure

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

Airports and Harbors

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

The Ports of Los Angeles and Long Beach are contiguous to each other and together serve as the nation's largest port complex in terms of cargo tonnage and container volume. Both ports are owned and operated by their respective cities.

The port of Los Angeles is one of the world's largest man-made harbors and the nation's busiest container port. It covers over 7,500 acres of land and water with 43 miles of waterfront. It has 27 major cargo terminals, including facilities to handle automobiles, containers, dry bulk products and liquid bulk products. Combined, these terminals handle more than 120 million metric revenue tons of cargo representing \$102 billion in trade. Eight modern container facilities together handle in excess of six million units of cargo containers annually, making the port one of the top 10 busiest in the world.

The Port of Long Beach is the world's 10th busiest container cargo port and ranks as the second busiest port in the United States. Its top trading region is eastern Asia, which accounts for over 90% of the total shipments through the port. The primary trading partners are China, Hong Kong, Japan, South Korea, and Taiwan. If the Port of Los Angeles and the Port of Long Beach were combined, it would be the world's fourth busiest port complex, after Hong Kong, Singapore, and Shanghai.

Together the Ports of Long Beach and Los Angeles represent the fastest growing port complex in the United States. Both ports have \$1 billion expansion programs that are currently in progress, which will facilitate further growth and expansion of trade activity. The expansion of port facilities should have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy.

Expansions

At the Port of Los Angeles, development plans are moving along to take care of the growing volumes of imports and exports which are expected to double in the near future. During the next 10 to 15 years, the Port of Long Beach plans to create at least four container terminals of more than 300 acres each and to build at least one other large terminal. The new terminals will have dockside rail facilities, which will allow cargo to be transferred directly between ships and trains. The direct transfer of cargo to the rail system will facilitate faster deliveries between the Port of Long Beach and markets nationwide.

Metro System – Infrastructure

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

The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority (MTA), which represents the merger of the former Southern California Rapid Transit District and the Los Angeles County Transportation Commission. The Metro System is financed by annual revenues of \$2.0 billion from voter approved local and State sales taxes, State gasoline taxes, State rail bonds, Federal highway funds and other private funds.

Visitor and Convention Business

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

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

Real Estate and Construction

The residential housing market continues to be hot in Los Angeles County even though there are some signs of leveling off. With mortgage interest rates still at historical lows, first time homebuyers and repeat buyers are still being attracted to the housing market. With limited housing inventory available, Los Angeles County has maintained an impressive level of appreciation in home values. The average price of new and existing homes increased from \$376,819 in 2003 to \$451,530 in 2004, which represents an annual increase of nearly 20% from 2003, and a four-year increase of 66% from the 2000 average price of \$272,735. From 2000 to 2004, aggregate residential building valuations in Los Angeles County have grown at an accelerated rate each year, increasing from \$3.8 billion in 2000 to over \$6.5 billion in 2004.

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

default notices continued in 2004 with an annual reduction of 22% from 2003, and a four-year reduction of 45% since 2000.

A combination of historically low mortgage interest rates, recurring population growth and a shortage of available housing will continue to support a strong homebuilding industry in Southern California in 2005. The LAEDC estimates a current shortfall of 280,000 units in the supply of available housing in Los Angeles County. As a result of this shortage and the favorable market conditions, the number of residential building permits issued has increased significantly from 17,071 in 2000 to 26,816 in 2004, representing a 57% gain over the four-year period. The growth in residential building permits was particularly strong in 2004, with an increase of 5,503 units, or 26%, from the 21,313 permits issued in 2003.

POPULATION LEVELS

GROSS PRODUCT

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

ESTIMATED AVERAGE EMPLOYMENT BY INDUSTRY

LARGEST PRIVATE SECTOR EMPLOYERS

AIRPORT ACTIVITY AND INTERNATIONAL TRADE

REAL ESTATE AND CONSTRUCTION

TABLE A: POPULATION LEVELS

	2001	2002	2003	*2004	**2005
Los Angeles County	9,661,800	9,822,600	9,966,200	10,103,000	10,237,000
California	34,431,000	35,049,000	35,612,000	36,144,000	36,664,000
Los Angeles County as a % of California	28.06%	28.03%	27.99%	27.95%	27.92%

* Estimated

**Forecasted

Sources: Los Angeles Economic Development Corporation

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

	1999	2000	2001	2002	2003
Los Angeles County	310.0	330.0	339.0	356.0	373.2
State of California	1,171.1	1,277.0	1,309.0	1,356.0	1,440.7
United States	9,274.0	9,825.0	10,082.0	10,446.0	10,985.5

Source: Los Angeles Economic Development Corporation

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

	2001	2002	2003	*2004	**2005
Los Angeles County	293,229.0	300,898.0	312,830.0	330,113.0	350,583.0
Orange County	109,195.0	112,267.0	117,431.0	124,583.0	132,475.0
Riverside and San Bernardino Counties	80,077.0	84,301.0	89,363.0	95,492.0	102,410.0
Ventura County	26,173.0	27,006.0	28,108.0	29,723.0	31,542.0
State of California	1,135,848.0	1,154,685.0	1,199,500.0	1,264,800.0	1,342,200.0

* Estimated

**Forecasted

Source: Los Angeles Economic Development Corporation

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

	2001	2002	2003	*2004	**2005
Taxable Retail Sales	71,835.0	74,548.0	79,427.0	84,748.0	89,748.0

*Estimated

**Forecasted

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES IN LOS ANGELES COUNTY

	2001	2002	2003	*2004	**2005
Average Annual Unemployment Rate	5.7%	6.8%	7.0%	6.3%	6.1%

* Estimated

**Forecasted

Source: Los Angeles Economic Development Corporation

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Category	2001	2002	2003	*2004	**2005
Wholesale & Retail Trade	614.2	615.5	613.9	617.5	625.5
Government	598.3	606.1	599.2	588.9	582.9
Manufacturing	577.9	534.8	500.0	482.4	479.5
Leisure & Hospitality	348.5	354.2	363.5	385.0	407.5
Health Care & Social Assistance	343.6	357.4	363.9	370.4	378.4
Administrative & Support Services	270.0	261.0	256.5	264.0	272.5
Professional, Scientific & Technical Services	233.6	231.6	233.6	237.0	240.5
Information	226.3	208.8	199.0	209.5	221.5
Finance & Insurance	156.2	159.8	165.0	168.5	171.2
Transportation, Warehousing & Utilities	175.6	167.2	163.3	162.0	164.0
Construction	136.8	134.5	133.5	135.0	138.0
Other	392.7	397.6	399.2	396.1	400.9
Total	4,073.6	4,026.8	3,990.1	4,016.3	4,082.4

*Estimated

**Forecasted

Source: California Employment Development Department

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

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

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

AIRPORT ACTIVITY AND INTERNATIONAL TRADE IN LOS ANGELES COUNTY
TABLE H: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	1999	2000	2001	2002	2003
International Air Cargo (Tons)					
Los Angeles International Airport	928.6	1,003.3	949.6	974.8	987.9
Total Air Cargo (Tons)					
Los Angeles International Airport	2,138.2	2,247.8	1,956.6	1,962.4	2,022.1
Burbank-Glendale-Pasadena Airport	41.9	37.0	34.4	43.1	47.6
Total	3,108.7	3,288.1	2,940.6	2,980.3	3,057.6
International Air Passengers					
Los Angeles International Airport	15,815.1	17,376.4	15,950.2	14,842.0	14,623.9
Total Air Passengers					
Los Angeles International Airport	64,279.8	67,303.2	61,606.3	56,220.2	54,970.0
Burbank-Glendale-Pasadena Airport	4,736.3	4,748.7	4,487.3	4,620.7	4,729.9
Total	84,831.2	89,428.3	82,043.8	75,682.9	74,323.8
Port Tonnage					
Port of Los Angeles	59,090.7	70,998.0	74,019.3	84,414.8	98,434.1
Port of Long Beach	65,919.0	70,353.6	68,339.3	67,814.3	65,593.4
Total	125,009.7	141,351.6	142,358.6	152,229.1	164,027.5

Source: Los Angeles Economic Development Corporation

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

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

Source: Los Angeles Economic Development Corporation

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

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

Source: Los Angeles Economic Development Corporation

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

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

Source: Los Angeles Economic Development Corporation

REAL ESTATE AND CONSTRUCTION IN LOS ANGELES COUNTY

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

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

Sources: Real Estate Research Council of Southern California

TABLE M: BUILDING PERMITS AND VALUATIONS

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

Source: Real Estate Research Council of Southern California



APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County) as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Los Angeles County Employees' Retirement Association (LACERA), which statements are shown in the Pension Trust Fund of the basic financial statements, and the Children and Families First Commission (CFFC), shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for LACERA and CFFC, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

The Management's Discussion and Analysis on pages 3 through 20 and the schedule of funding progress on page 94 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

December 10, 2004

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2004. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive \$1.246 billion. However, net assets are classified into three categories and the unrestricted component is negative \$2.794 billion. See further discussion on page 7.

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

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

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

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

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS-Continued

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

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

- **Governmental Activities** - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, recreation, and cultural services.
- **Business-type Activities** - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.
- **Discretely Presented Component Unit** - Component units are separate entities for which the County is financially accountable. The Children and Families First Commission is the only component unit that is discretely presented.

FUND FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS-Continued

- Proprietary Funds - These funds are used to account for functions that were classified as “business type activities” in the government-wide financial statements. The County’s Internal Service Funds are also reported within the proprietary fund section. The County’s six Hospital Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.
- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County’s programs. The Pension Trust Fund, the Investment Trust Funds, and Agency funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

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

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

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

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

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

Capital Assets, Net of Related Debt

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

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

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

Restricted Net Assets

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

Unrestricted Net Assets (Deficit)

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

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

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

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

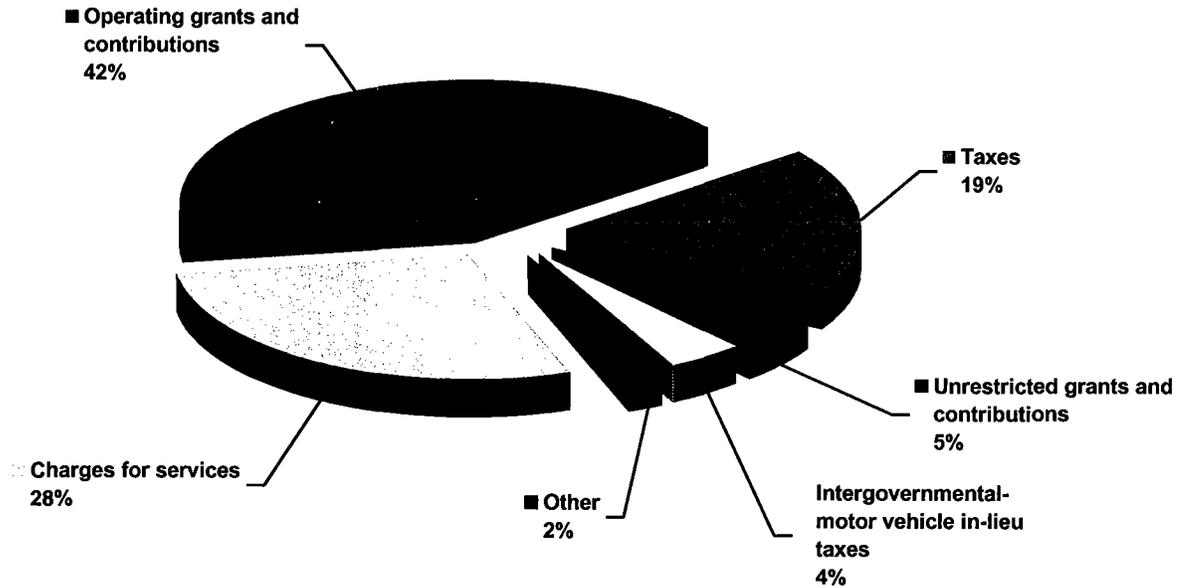
The following table indicates the changes in net assets for governmental and business-type activities:

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

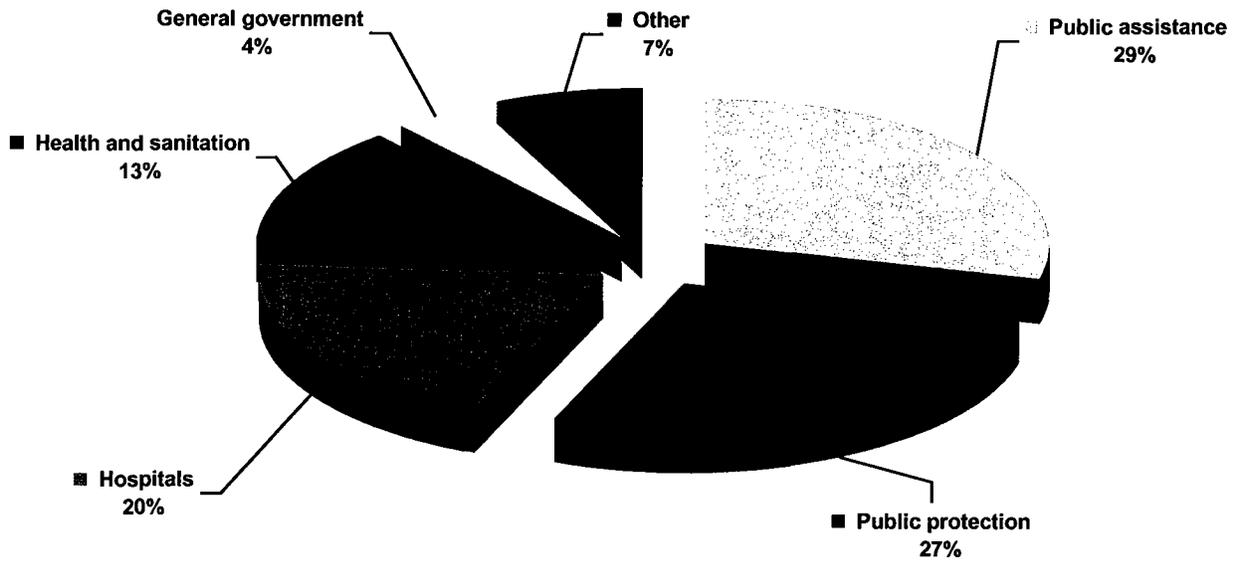
	Governmental		Business-type		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 1,998,085	\$ 1,995,263	\$ 2,454,197	\$ 2,644,949	\$ 4,452,282	\$ 4,640,212
Operating grants and contributions	6,362,285	6,373,405	277,427	295,296	6,639,712	6,668,701
Capital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

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

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



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



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

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

Governmental Activities

Revenues from governmental activities grew by \$329 million (2.6%) over the prior year. The most significant changes in revenue were experienced in the following areas:

- Taxes, the County's largest general revenue source, were \$419 million higher than the previous year. Property taxes, which represented 83% of total tax revenues, accounted for \$220 million of the increase. The increase in property taxes is consistent with the ongoing growth in the real estate market and continued upward trends in the County's assessed property values. During the current year, a voter-approved tax (referred to as "Health Services Measure B") became effective and generated approximately \$175 million of new tax revenues which are required to be used to support the Countywide system of trauma centers, emergency medical services, and bioterrorism response activities.
- Motor vehicle in-lieu taxes decreased by \$117 million (17%) during the current year. This is a general revenue source that the County receives from the State and its use is not restricted. During the current year, the State withheld approximately three months of such taxes that were allocable to local governments. The County's share of the withheld tax revenues was approximately \$204 million. On a year-to-year comparative basis, this revenue source demonstrated growth during the current year and would have increased if the County's share had not been withheld. The State has indicated its intent to pay the County the withheld amount in 2006-2007. However, the payment is not assured and the withheld amount has not been recognized in the County's financial statements.
- Investment earnings declined by \$45 million. Although cash and investments remained at prior year levels or higher, the yield from the County's Treasury Pool declined from 2.16% in the prior year to 1.37% in the current year.

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

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

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

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

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

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

Business-type Activities

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

- Net patient services revenues decreased by nearly \$200 million and were the principal reason for the overall decrease (\$191 million) in revenues from charges for services. The County's hospitals experienced a decrease in average daily census as the prior year average of 1,719 patients fell to 1,567 in the current year. Hospital revenues, and their composition, are also discussed in Note 11 to the basic financial statements.
- Capital grants and contributions increased by \$57 million and were attributable to intergovernmental revenues (primarily from the Federal Emergency Management Agency) associated with the rebuilding of the LAC+USC Medical Center. Construction activity and reimbursable costs related to this project accelerated during the current year.

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

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

Financial Analysis of the County's Funds

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

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

Governmental Funds

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

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

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

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

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

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by \$174 million, primarily from property taxes.
- Expenditures increased in the functional areas of public protection (\$139 million) and health and sanitation (\$70 million), while public assistance expenditures decreased by \$125 million. The most significant increase in the area of public protection was related to a net cost increase of \$90 million for the Probation Department. In the prior fiscal year, a one-time grant funding opportunity provided a temporary reduction in probation-related costs. For health and sanitation, expenditures were higher for several health-related programs, especially public health and the County's Office of Managed Care. The decrease in public assistance expenditures was concentrated primarily in the program administration area.

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

Governmental Funds-Continued

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

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 13 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net increase of \$194 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

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

Budgetary Summary - Revenues/Financing Sources

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

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance- Positive (Negative)
Taxes	\$ 154,609	\$ 2,049,908	\$ 1,995,280	\$ (54,628)
Intergovernmental revenues	87,712	7,676,454	7,234,191	(442,263)
Charges for services	(42,732)	1,234,045	1,221,951	(12,094)
All other revenues	108,889	522,491	577,022	54,531
Other sources and transfers	47,143	550,429	504,156	(46,273)
Total	<u>\$ 355,621</u>	<u>\$ 12,033,327</u>	<u>\$ 11,532,600</u>	<u>\$ (500,727)</u>

Changes from Amounts Originally Budgeted

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

- The budget for tax revenues was increased by \$155 million. The County's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and other tax related revenues.
- Estimated revenues from intergovernmental sources were increased by \$88 million. During the fiscal year, approximately \$45 million of federal and State funds were used to augment the budget for mental health and health services programs. Approximately \$17 million of State funding was added to programs operated by the Department of Community and Family Services, primarily for foster care. Estimated revenues from Homeland Security grant funds (\$15 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining \$11 million that was increased from the amounts originally budgeted from intergovernmental revenues.
- The increase of \$109 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of \$101 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous amounts totaling \$8 million were also added to this revenue category.

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

Actual Revenues/Financing Sources Compared with Final Budget Amounts

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

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

Budgetary Summary - Expenditures/Other Financing Uses

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

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

Changes from Amounts Originally Budgeted

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

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

Changes from Amounts Originally Budgeted-Continued

- After the original budget was established, appropriations for contingencies were increased by \$140 million. This increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.
- Provisions for net reserves and designations were increased during the year by \$128 million. This amount was primarily due to a net increase in the designation for health services. This designation was funded by tobacco settlement revenues received during the year (\$101 million) plus the unused balance of amounts received in prior years, including interest (\$32 million). Miscellaneous reductions of approximately \$5 million were made to other designations.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

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

- Actual public assistance expenditures were \$423 million lower than the final budget. Nearly all of this variance was concentrated in programs operated by the Department of Public Social Services. Factors that led to this variance included staffing vacancies that were higher than anticipated and reduced caseloads relative to the CalWORKs and CAPI programs. Expenditures were also lower than expected in the areas of technology and Performance Incentive projects.
- The category referred to as "all other expenditures" reflected actual spending of \$272 million less than the budgeted amount. Nearly all (\$267 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects.
- The general government function reported actual expenditures that were \$229 million less than the amount budgeted. Of this amount, \$161 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and extraordinary maintenance and repairs. The remaining \$68 million was spread across virtually every department comprising general government and was mostly related to salary savings (a hiring freeze existed throughout the year) and savings in services and supplies.

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

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

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

Capital Assets

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

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

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

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

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

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

- New infrastructure costs were capitalized for completed projects and also for those that remained in progress at the end of the year. The projects were related to the County's Road Fund and Flood Control District's operations. The value of the new construction for these activities was \$27 million and \$16 million, respectively.
- The County continued to progress with the rebuilding of the LAC+USC Medical Center. The overall project cost remains at an estimated \$821 million. During the year, \$144 million of costs were capitalized.

Debt Administration

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

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

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

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

- New debt of \$20 million was issued to finance the ongoing construction of the LAC+USC Medical Center. At this time, short-term commercial paper continues to be the method of financing this major project.
- New debt of \$10 million was issued to finance the acquisition of equipment. Equipment debt totaling \$18 million was redeemed during the year in accordance with maturity schedules.
- Pension bonds totaling \$232 million were redeemed during the year. This amount was offset by \$79 million related to the accretion of interest on outstanding bonds.

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

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$600 million in tax and revenue anticipation notes which reached maturity on June 30, 2004, and by periodic borrowing from available trust funds.

Bond Ratings

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

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa3	A+	
Pension Bonds	A1	A	
Facilities	A2	A	A
Equipment/Non-Essential Leases	A3	A	A
Short-Term	MIG1	SP-1+	F-1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA
Flood Control District Revenue Bonds	Aa1	AA-	AA-
Regional Park and Open Space District Bonds	Aa3	AA	

Economic Conditions and Outlook

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

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

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

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS



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

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

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

GENERAL REVENUES:

Taxes:

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

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS (DEFICIT), JULY 1, 2003

NET ASSETS, JUNE 30, 2004

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION
\$ (209,205)	\$	\$ (209,205)	
(1,936,355)		(1,936,355)	
(68,475)		(68,475)	
(278,462)		(278,462)	
(480,189)		(480,189)	
(72,416)		(72,416)	
(61,419)		(61,419)	
(240,494)		(240,494)	
(3,347,015)		(3,347,015)	
	(517,882)	(517,882)	
	(1,028)	(1,028)	
	(694)	(694)	
	(1,802)	(1,802)	
	(521,406)	(521,406)	
(3,347,015)	(521,406)	(3,868,421)	
			\$ 45,668
2,413,638	2,845	2,416,483	
75,665		75,665	
52,723		52,723	
244,600		244,600	
79,333		79,333	
46,686		46,686	
573,859		573,859	
711,961	32	711,993	
57,807	1,452	59,259	8,521
186,406	53,401	239,807	
(712,834)	712,834		
3,729,844	770,564	4,500,408	8,521
382,829	249,158	631,987	54,189
726,278	(112,201)	614,077	630,431
\$ 1,109,107	\$ 136,957	\$ 1,246,064	\$ 684,620

FUNCTIONS

PRIMARY GOVERNMENT:

Governmental activities:

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

Business-type activities:

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

Total primary government

COMPONENT UNIT -

Total - Children & Families First Commission

GENERAL REVENUES:

Taxes:

- Property taxes
- Sales and use taxes
- Utility users taxes
- Voter approved taxes
- Documentary transfer taxes
- Other taxes

Intergovernmental - State motor vehicle in-lieu taxes, not restricted to specific purposes

Grants and contributions not restricted to special programs

Investment earnings

Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS (DEFICIT), JULY 1, 2003

NET ASSETS, JUNE 30, 2004

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

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

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
\$ 242,864	958,344		\$ 2,357,139
1,535	28,222		843,387
<u>244,399</u>	<u>986,566</u>		<u>3,200,526</u>
	628,114	(376,210)	259,146
2,885	9,866		245,540
644	2,171		7,765
5,655	80,283		1,086,222
208	23,248		495,958
	10,252		289,192
	48,017		85,023
<u>\$ 253,791</u>	<u>1,788,517</u>	<u>(376,210)</u>	<u>\$ 5,669,372</u>
\$ 5,346	47,620		\$ 302,516
	461		349,956
	3,215		222,673
3,598	221,580		866,438
6,273	33,243		305,835
	15,375		182,988
	2,504		26,512
<u>15,217</u>	<u>323,998</u>		<u>2,256,918</u>
91,211	106,422		587,135
	48,017		85,023
	2,260		2,260
	607,648	(376,210)	231,438
	3,315		3,315
	31,196		65,792
			359,649
22,915			323,294
			19,478
	147,484		147,484
			878,156
124,448	431,138		622,391
	87,039		87,039
<u>238,574</u>	<u>1,464,519</u>	<u>(376,210)</u>	<u>3,412,454</u>
<u>\$ 253,791</u>	<u>1,788,517</u>	<u>(376,210)</u>	<u>\$ 5,669,372</u>

ASSETS:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 4)

Taxes receivable

Interest receivable

Other receivables

Due from other funds (Note 12)

Advances to other funds (Note 12)

Inventories

TOTAL ASSETS

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable

Accrued payroll

Other payables

Due to other funds (Note 12)

Deferred revenue (Note 6)

Advances payable

Third party payor liability (Notes 8 and 11)

TOTAL LIABILITIES

FUND BALANCES:

Reserved for:

Encumbrances

Inventories

Housing programs

Debt service

Endowments and annuities

Other

Unreserved, designated for:

Budget uncertainties

Program expansion

Capital projects

Special revenue funds - program expansion

Unreserved, undesignated, reported in:

General fund

Special revenue funds

Capital projects funds

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004 (in thousands)

Fund balances - total governmental funds (page 25) \$ 3,412,454

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in governmental funds:

Land	\$	277,728	
Construction-in-progress		151,518	
Buildings and improvements - net		2,514,436	
Equipment - net		150,670	
Infrastructure - net		136,781	3,231,133

Other long-term assets are not available to pay for current-period expenditures and are deferred, or not recognized, in governmental funds:

Deferred revenue - taxes	\$	176,372	
Long-term receivables		87,588	263,960

The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements. 406,966

Accrued interest payable is not recognized in governmental funds. (26,187)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Bonds and notes payable	\$	(1,696,425)	
Pension bonds payable		(1,253,817)	
Capital lease obligations		(134,574)	
Accrued vacation/sick leave		(554,118)	
Workers' compensation		(2,095,605)	
Litigation/self-insurance		(365,537)	
Third party payors		(160)	(6,100,236)

Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets. (78,983)

Net assets of governmental activities (page 21) \$ 1,109,107

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



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

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

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
\$	253,294		\$ 2,830,843
	5,574		71,176
1,269	64,897		275,744
2,882	33,605	(20,183)	57,654
	41,622		71,029
	10		299
	91,544		3,148,842
	180,663		4,292,677
	13,202		113,576
77,606	76,321		1,616,924
	73		73
	71,464		328,914
<u>81,757</u>	<u>832,269</u>	<u>(20,183)</u>	<u>12,807,751</u>
	16,766		673,950
	74,693		3,934,320
	229,546		229,546
	92,231		1,905,521
	121,623		4,325,241
			79,285
56,367	4,672		231,210
	138,336	(18,525)	280,274
	124,888	(20,183)	182,385
			13,830
	20,224		48,536
<u>56,367</u>	<u>822,979</u>	<u>(38,708)</u>	<u>11,904,098</u>
<u>25,390</u>	<u>9,290</u>	<u>18,525</u>	<u>903,653</u>
	202,027		303,956
(38,888)	(236,314)		(1,020,831)
			28,312
	4,354		7,765
<u>(38,888)</u>	<u>(29,933)</u>		<u>(680,798)</u>
(13,498)	(20,643)	18,525	222,855
<u>252,072</u>	<u>1,485,162</u>	<u>(394,735)</u>	<u>3,189,599</u>
<u>\$ 238,574</u>	<u>1,464,519</u>	<u>(376,210)</u>	<u>\$ 3,412,454</u>

REVENUES:

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

EXPENDITURES:

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

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES

OTHER FINANCING SOURCES (USES):

Transfers in (Note 12)
Transfers out (Note 12)
Capital leases (Note 7)
Sales of capital assets
TOTAL OTHER FINANCING SOURCES (USES)

NET CHANGE IN FUND BALANCES

FUND BALANCE, JULY 1, 2003

FUND BALANCE, JUNE 30, 2004

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

Net change in fund balances - total governmental funds (page 29) \$ 222,855

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$ 184,681	
Less - current year depreciation expense	(120,704)	63,977

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance. (13,154)

Revenue timing differences result in less revenue in government-wide statements. 25,233

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets:

Pension bonds	\$ 160,463	
General obligation bonds	11,555	
Certificates of participation	98,892	
Assessment bonds	18,525	
Other long term notes and loans	17,869	307,304

Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in workers' compensation	\$ (241,869)	
Change in litigation/self-insurance	127,869	
Change in accrued vacation/sick leave	(3,928)	
Change in third party payors	1,960	
Change in accrued interest payable	(1,530)	
Accretion of pension bonds	(54,411)	(171,909)

The change in the net pension obligation (an asset) is not recognized in governmental funds. (51,088)

The portion of internal service funds that is reported with governmental activities. (389)

Change in net assets of governmental activities (page 23) \$ 382,829

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

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

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

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

ENTERPRISE FUNDS

GOVERNMENTAL
ACTIVITIES

Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 190	27,510	\$ 135,242	\$ 45,132
2,560	600	51,189	6,680
2,750	28,110	186,431	51,812
	10,970	10,970	8,698
	1,383	1,383	
60,484		728,933	
	55	367	139
2,201	17,485	39,019	82
45,540	818	766,026	52,529
	1,173	1,173	
1,005		23,994	6,840
111,980	59,994	1,758,296	120,100
15,886		66,919	17,859
17,270		152,474	29,290
217	80,558	117,407	
187,179	324,449	1,102,218	1,734
10,566	2,220	186,351	196,668
6,550	5,125	351,156	
(90,652)	(222,563)	(799,383)	(108,191)
113,860	189,789	957,749	90,211
147,016	189,789	1,177,142	137,360
258,996	249,783	2,935,438	257,460
2,461	9,094	72,911	5,082
6,173		82,657	17,857
446	1,870	5,965	661
309		1,341	357
43,832	4,189	422,585	25,490
2,358		268,365	22,000
1,087	167	11,315	2,245
29,236	1,288	369,614	55,855
85,902	16,608	1,234,753	129,547
7,514	218	97,635	31,085
66,470	6,880	212,712	17,711
45,265		399,635	76,769
617		1,096	504
28,892		328,523	57,728
12,519		190,252	17,807
22,177		339,167	
183,454	7,098	1,569,020	201,604
269,356	23,706	2,803,773	331,151
45,141	182,520	617,145	63,293
15,577	39,824	105,402	1,795
(71,078)	3,733	(590,882)	(138,779)
\$ (10,360)	226,077	131,665	\$ (73,691)

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 4)

Taxes receivable

Accounts receivable - net

Interest receivable

Other receivables

Due from other funds (Note 12)

Advances to other funds (Note 12)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 4)

Net pension obligation (Note 6)

Capital assets: (Notes 5 and 7)

Land

Buildings and improvements

Equipment

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 12)

Advances from other funds (Note 12)

Deferred revenue (Note 6)

Current portion of long-term liabilities (Note 8)

Total current liabilities

Noncurrent liabilities:

Accrued vacation and sick leave (Note 8)

Bonds and notes payable (Note 8)

Pension bonds payable (Notes 6 and 8)

Capital lease obligations (Notes 7 and 8)

Workers' compensation (Notes 8 and 15)

Litigation and self-insurance (Notes 8 and 15)

Third party payors (Notes 8 and 11)

Total noncurrent liabilities

TOTAL LIABILITIES

NET ASSETS

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

Restricted

Unrestricted (Deficit)

TOTAL NET ASSETS (DEFICIT) (Note 2)

5,292
\$ 136,957

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

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

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

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

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

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

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

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

Continued...

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

BUSINESS-TYPE ACTIVITIES -

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

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

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

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

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

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

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

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Units

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

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

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

Discretely Presented Component Unit

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

Net assets are classified into the following three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Net asset restrictions are also recognized when imposed by law through constitutional provisions or enabling legislation. Net assets "restricted for special purpose" are principally related to special revenue funds and the restrictions on their net asset use in accordance with the provisions mentioned above.

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

Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The County reports the following major governmental funds:

General Fund

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

Fire Protection District Fund

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

Flood Control District Fund

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

Public Library Fund

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

Regional Park and Open Space District Fund

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

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

Harbor/UCLA Medical Center

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

Olive View/UCLA Medical Center

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

LAC+USC Medical Center

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

M. L. King/Drew Medical Center

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

High Desert Hospital

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

Rancho Los Amigos Medical Center

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

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension Trust Fund

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

Investment Trust Funds

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

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

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's six Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 11, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (the "Government Code"), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles ("GAAP").

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds \$19 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund at June 30, 2004. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 13 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2003-2004 gross assessed valuation of the County of Los Angeles was \$717,496,718,000.

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

The County is divided into 11,695 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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

Deposits and Investments

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

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2004 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB Statement No. 34.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Investments

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

Restricted Assets

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

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, \$48,017,000 represents land held for resale by the Community Development Commission (CDC). The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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

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

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

Vacation and Sick Leave Benefits

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

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

Cash Flows

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

Accounting Reclassifications

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

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

2. NET ASSET DEFICITS

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

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

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

3. ELIMINATIONS

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

Fund Financial Statements

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

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

3. ELIMINATIONS-Continued

Fund Financial Statements-Continued

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within Governmental Activities (as appropriate under the accrual basis of accounting). The specific items eliminated were Other Investments and Bonds Payable (\$376,210,000 for each) and Investment Earnings and Interest Expense (\$20,183,000) for each). Accordingly, there are no reconciling differences between the two sets of Financial Statements (after the effects of eliminations) for this matter.

The Bonds Payable of \$376,210,000 that were publicly issued are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 8 and are captioned "Assessment Bonds."

4. CASH AND INVESTMENTS

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

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

Deposits

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

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

4. CASH AND INVESTMENTS-Continued

Deposits-Continued

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

Investments

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

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

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

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the Federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate.

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

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

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

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

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

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

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

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

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

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2004 totaling \$3,511,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2004 to support the value of shares in the Treasurer's investment pool.

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

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

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

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2004 was 1.37%.

A separate financial report is not issued for the external investment pool. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2004 (in thousands):

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

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

Reverse Repurchase Agreements

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

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

Derivatives

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

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

4. CASH AND INVESTMENTS-Continued

Derivatives-Continued

The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2004, there were approximately \$350,538,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gain in fiscal year 2004 was \$80,400,000. At June 30, 2004, forward currency contracts receivable and payable totaled \$196,000,000 and \$198,000,000, respectively.

Securities Lending Transactions

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

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2004, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2004.

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

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

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

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

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

Summary of Deposits and Investments

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

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

5. CAPITAL ASSETS

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

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

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

5. CAPITAL ASSETS-Continued

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

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

5. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:

General government	\$ 13,140
Public protection, including depreciation of infrastructure assets	75,209
Public ways and facilities, including depreciation of infrastructure assets	6,176
Health and sanitation	6,152
Public assistance	5,852
Education	1,385
Recreation and cultural services	12,439
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>22,237</u>
Total depreciation expense, governmental activities	<u>\$ 142,590</u>

Business-type activities:

Hospitals	\$ 12,544
Aviation	1,250
Waterworks	3,039
Community Development Commission	6,622
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>7,989</u>
Total depreciation expense, business-type activities	<u>\$ 31,444</u>

Discretely Presented Component Unit

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

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

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

6. PENSION PLAN

Plan Description

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

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

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

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are extremely immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible employees. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

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

Funding Policy

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

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

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

The rates were determined by the actuarial valuation performed as of June 30, 2002 and are the same as those used to calculate the annual required contribution (ARC).

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

During 2003-2004, the County did not pay LACERA the full amount of the ARC. LACERA applied \$126,916,000 in excess earnings reserves towards the County's required contribution.

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

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation

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

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

Trend Information (in thousands)

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

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

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

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

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

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

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

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately \$1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds (\$1,365,230,000) were fixed rate. The remaining \$600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96.

In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received \$79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as deferred revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2004, the unamortized balance was \$37,053,000.

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

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

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

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

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

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

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

Swap Transaction Related to Pension Bonds

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

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

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

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

6. PENSION PLAN-Continued

Swap Transaction Related to Pension Bonds-Continued

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

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

Post-Retirement Benefits

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

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

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

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

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

7. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2004 (in thousands):

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

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

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2004 (in thousands):

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

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

7. LEASES-Continued

Capital Leases-Continued

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

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

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

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

Leases of County-Owned Property

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

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

7. LEASES-Continued

Leases of County-Owned Property-Continued

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

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

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

	<u>Governmental Activities</u>
Minimum rentals	\$ 33,142
Contingent rentals	<u>16,822</u>
Total	<u>\$ 49,964</u>

8. LONG-TERM OBLIGATIONS

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

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

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

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

8. LONG-TERM OBLIGATIONS-Continued

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

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

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

General Obligation Bonds

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

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

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

8. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997 to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the proceeds of annual assessments levied on parcels within the District's boundaries.

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

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 19,565	19,208
2006	20,475	18,252
2007	21,475	17,175
2008	22,630	15,989
2009	23,845	14,726
2010-2014	140,405	51,890
2015-2019	111,565	15,285
2020-2024	<u>16,250</u>	<u>406</u>
Total	<u>\$ 376,210</u>	<u>152,931</u>

Certificates of Participation

The County has issued certificates of participation through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. Principal and interest requirements on certificates of participation are as follows (in thousands):

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

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

8. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper

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

Community Development Commission notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD.

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

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of the LAC+USC Medical Center replacement facility. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days.

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

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

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

8. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

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

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

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2004, the amount of outstanding bonds and certificates of participation considered defeased was \$161,490,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

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

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

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

8. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Liabilities-Continued

Business-type activities:

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

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued vacation and sick leave and litigation and self-insurance liabilities.

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

9. SHORT-TERM DEBT

On July 1, 2003, the County issued \$600 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.9%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2003. The notes matured and were redeemed on June 30, 2004.

10. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2004, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$101,435,000 and limited obligation improvement bonds totaling \$18,390,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County, and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

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

10. CONDUIT DEBT OBLIGATIONS-Continued

Community Facilities and Improvement District Bonds-Continued

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

Residential Mortgage Revenue Bonds

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

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

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2004, the amount of industrial development and other conduit bonds outstanding was \$27,744,000.

11. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project

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

Medicaid Demonstration Project Extension

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

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

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

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

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

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project Extension-Continued

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

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

- \$54.1 million in additional Medi-Cal matching funds for indigent care at health centers and outpatient facilities.
- \$60.0 million in increased Medi-Cal funding for providing at least 450,000 outpatient visits.

Medi-Cal and Medicare Programs

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

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

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

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

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

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

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

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

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

Office of Inspector General

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

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Office of Inspector General-Continued

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

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

Other Program Revenues

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

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

Intergovernmental Transfers

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

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Intergovernmental Transfers-Continued

The transfer of County General Funds to the State (IGT) is initially recorded as a health expenditure of the General Fund. At the time the Hospitals recognize the supplemental funding received (net patient services revenue) under one of the aforementioned programs, the General Fund distributes the cost of the IGTs to each of the Hospitals. This cost is reflected as a non-operating expense by each Hospital in its Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2004, the cost of the IGTs and the supplemental funding received are as follows (in thousands):

<u>Program</u>	<u>Intergovernmental Transfers Expense</u>	<u>Revenues</u>
Medicaid Demonstration Project (SPP)	\$ 53,323	\$ 113,333
SB 855	425,509	621,949
SB 1255	438,475	852,475
Total	<u>\$ 917,307</u>	<u>\$1,587,757</u>

Charity Care

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

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2004, based on established rates, is as follows (in thousands):

Charges forgone	\$1,456,953
Less: Federal and State subventions	<u>13,086</u>
Net charges forgone	<u>\$1,443,867</u>

Restructuring of the County's Health Care Delivery System

As indicated in the "Medicaid Demonstration Project Extension" segment of this note, the County's augmented reimbursement for health services is scheduled to expire during fiscal year 2004-2005. To address projected budget deficits, the Board approved a strategic plan in January 2002 that provided several options for a redesigned Health Care Delivery System (System). The plan established the direction for the System's restructuring and included the immediate closure of five health centers, a two-phased administrative reduction, and the consolidation of certain clinical services.

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Restructuring of the County's Health Care Delivery System-Continued

In June 2002, the Board adopted a redesign plan that contemplates a System based on four acute hospitals, the closure of an additional 11 health centers, and additional reductions focused on narrowing the projected deficit. The Board and County management are continuing to work closely with federal and State officials to collaborate on the resolution of the projected deficit, the restructuring process, and other matters that impact the viability of the System.

The Department's June 26, 2002, Proposed Savings Plan included reducing LAC+USC Medical Center by 100 acute beds and reducing the County's contribution to Rancho Los Amigos National Rehabilitation Center (Rancho) by either implementing an alternative governance structure or, failing that, by closing the hospital. As of June 30, 2004, the Department has not been able to implement either of these plans because of a preliminary injunction issued by a federal district court prohibiting any service reductions at these two facilities.

The County's cost of operating Rancho is approximately \$60.4 million per year and the County's cost of maintaining the 100 beds at LAC+USC Medical Center is approximately \$31.9 million per year.

12. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2004.

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2004 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 3,085
	Flood Control District	4,648
	Public Library	2,465
	Regional Park and Open Space District	3,593
	Internal Service Funds	5,773
	Harbor UCLA Medical Center	55,884
	Olive View UCLA Medical Center	32,688
	LAC+USC Medical Center	227,175
	M.L. King/Drew Medical Center	26,044
	High Desert Hospital	5,323
	Rancho Los Amigos Medical Center	43,271
	Nonmajor Enterprise Funds	317
	Nonmajor Governmental Funds	<u>44,633</u>
		<u>454,899</u>

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

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fire Protection District	General Fund	5,600
	Flood Control District	2
	Internal Service Funds	4
	LAC+USC Medical Center	30
	Nonmajor Governmental Funds	16
		<u>5,652</u>
Flood Control District	General Fund	57
	Internal Service Funds	10,237
	Nonmajor Governmental Funds	47
		<u>10,341</u>
Public Library	General Fund	1,166
	Nonmajor Governmental Funds	444
		<u>1,610</u>
Regional Park and Open Space District	General Fund	<u>208</u>
Internal Service Funds	General Fund	8,637
	Fire Protection District	28
	Flood Control District	14,303
	Public Library	6
	Regional Park and Open Space District	5
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	60
	M. L. King/Drew Medical Center	5
	Rancho Los Amigos Medical Center	41
	Nonmajor Enterprise Funds	3,872
	Nonmajor Governmental Funds	25,570
		<u>52,529</u>
Harbor UCLA Medical Center	General Fund	114,133
	Fire Protection District	25
	Olive View UCLA Medical Center	11,539
	LAC+USC Medical Center	1
	M.L. King/Drew Medical Center	104
	Rancho Los Amigos Medical Center	34
	Nonmajor Governmental Funds	27,534
		<u>153,370</u>

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

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Olive View UCLA Medical Center	General Fund	85,335
	Fire Protection District	16
	Harbor UCLA Medical Center	446
	LAC+USC Medical Center	11
	High Desert Hospital	67
	Rancho Los Amigos Medical Center	4
	Nonmajor Governmental Funds	<u>10,509</u>
		<u>96,388</u>
LAC+USC Medical Center	General Fund	247,932
	Fire Protection District	49
	Internal Service Funds	8
	Harbor UCLA Medical Center	4,517
	Olive View UCLA Medical Center	2,653
	M.L. King/Drew Medical Center	2,545
	High Desert Hospital	1,709
	Rancho Los Amigos Medical Center	477
	Nonmajor Governmental Funds	<u>86,567</u>
	<u>346,457</u>	
M. L. King/Drew Medical Center	General Fund	93,833
	Fire Protection District	35
	Harbor UCLA Medical Center	6
	Olive View UCLA Medical Center	28
	LAC+USC Medical Center	434
	Rancho Los Amigos Medical Center	5
	Nonmajor Governmental Funds	<u>18,547</u>
		<u>112,888</u>
High Desert Hospital	General Fund	10,525
	Harbor UCLA Medical Center	35
	Olive View UCLA Medical Center	3
	M. L. King/Drew Medical Center	<u>2</u>
	<u>10,565</u>	
Rancho Los Amigos Medical Center	General Fund	45,533
	Flood Control District	2
	LAC+USC Medical Center	<u>5</u>
	<u>45,540</u>	
Nonmajor Enterprise Funds	General Fund	14
	Internal Service Funds	<u>804</u>
	<u>818</u>	

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

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	2,662
	Flood Control District	557
	Public Library	404
	Internal Service Funds	8,664
	Olive View UCLA Medical Center	3,248
	Nonmajor Governmental Funds	<u>7,713</u>
		<u>23,248</u>
Total Interfund Receivables/Payables		<u>\$1,314,513</u>

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the six hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2004 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 18
	Public Library	25,566
	Internal Service Funds	247
	Harbor UCLA Medical Center	81,570
	Olive View UCLA Medical Center	77,671
	LAC+USC Medical Center	236,710
	M.L. King/Drew Medical Center	109,762
	High Desert Hospital	29,469
	Rancho Los Amigos Medical Center	47,203
	Nonmajor Governmental Funds	<u>106,907</u>
		<u>715,123</u>
Fire Protection District	Nonmajor Governmental Funds	<u>6,816</u>
Flood Control District	Internal Service Funds	1,306
	Nonmajor Governmental Funds	<u>17,521</u>
		<u>18,827</u>
Public Library	General Fund	4,070
	Nonmajor Governmental Funds	<u>793</u>
		<u>4,863</u>

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

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>38,888</u>
Internal Service Funds	General Fund	<u>1,631</u>
Olive View UCLA Medical Center	Nonmajor Governmental Funds	<u>311</u>
M. L. King/Drew Medical Center	Harbor UCLA Medical Center	6
	Nonmajor Governmental Funds	<u>95</u>
		<u>101</u>
Nonmajor Enterprise Funds	Internal Service Funds	252
	Nonmajor Governmental Funds	<u>8,228</u>
		<u>8,480</u>
Nonmajor Governmental Funds	General Fund	70,312
	Public Library	332
	Internal Service Funds	2,354
	Harbor UCLA Medical Center	27,629
	Olive View UCLA Medical Center	7,406
	LAC+USC Medical Center	87,266
	M.L. King/Drew Medical Center	18,547
	Nonmajor Governmental Funds	<u>22,468</u>
		<u>236,314</u>
Total Interfund Transfers		<u>\$ 1,031,354</u>

Short-term Advances

Advances from/to other funds at June 30, 2004 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 3,863
	Harbor UCLA Medical Center	63,797
	Olive View UCLA Medical Center	69,569
	LAC+USC Medical Center	44,094
	M.L. King/Drew Medical Center	85,679
	High Desert Hospital	2,868
	Rancho Los Amigos Medical Center	<u>2,358</u>
		<u>272,228</u>
Flood Control District	Internal Service Funds	<u>6,712</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>1,173</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>10,252</u>
Total Short-term Advances		<u>\$ 290,365</u>

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

12. INTERFUND TRANSACTIONS-Continued

Short-term Advances-Continued

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations.

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.
- For the General Fund, obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.
- In conjunction with the sale of pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 6.
- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

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

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

The following schedule is a reconciliation of the budgetary and GAAP fund balances (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	\$ 872,284	\$ 71,543	\$ 15,102	\$ 4,418	\$ 125,761
Reserves and designations	<u>1,009,571</u>	<u>14,093</u>	<u>109,997</u>	<u>6,949</u>	<u>114,126</u>
Subtotal	<u>1,881,855</u>	<u>85,636</u>	<u>125,099</u>	<u>11,367</u>	<u>239,887</u>
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	99,422	(254)		127	
Reversal of accrued vacation and sick leave benefits	39,501				
Deferral of unearned investment income	(24,155)	(1,193)		(265)	
Change in revenue accruals	<u>(108,896)</u>	<u>(15,765)</u>	<u>(4,816)</u>	<u>(2,092)</u>	<u>(1,313)</u>
Subtotal	<u>5,872</u>	<u>(17,212)</u>	<u>(4,816)</u>	<u>(2,230)</u>	<u>(1,313)</u>
Fund balance - GAAP basis	<u>\$1,887,727</u>	<u>\$ 68,424</u>	<u>\$ 120,283</u>	<u>\$ 9,137</u>	<u>\$ 238,574</u>

14. COMMITMENTS

Construction Commitments

At June 30, 2004, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately \$367,061,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2004, LACERA had outstanding capital commitments to various investment managers, approximating \$2,340,000,000. Subsequent to June 30, 2004, LACERA funded \$110,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2004, the County had open trade commitments (forward contracts) with various brokers to purchase investments approximating \$190,423,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2004 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 20, 2004, the County had purchased such investments.

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

15. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2002-2003 or 2003-2004.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation and long-term disability, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2004 were approximately \$2.557 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2004. Approximately \$256 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code. Workers' compensation benefits and their related costs are significantly influenced by State laws and regulations. State legislation and legal decisions have lengthened the duration of claims managed by the County. In addition, the County's program has experienced significant increases in medical and litigation expenses, as well as growth in utilization rates.

As of June 30, 2004, the County's best estimate of these liabilities is \$3.163 billion. Changes in the reported liability since July 1, 2002 resulted from the following (in thousands):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</u>
<u>2002-2003</u>				
Workers' Compensation	\$ 1,703,620	\$ 855,142	\$ 274,137	\$ 2,284,625
Other	<u>594,040</u>	<u>226,814</u>	<u>87,726</u>	<u>733,128</u>
Total 2002-2003	<u>\$ 2,297,660</u>	<u>\$ 1,081,956</u>	<u>\$ 361,863</u>	<u>\$ 3,017,753</u>
<u>2003-2004</u>				
Workers' Compensation	\$ 2,284,625	\$ 646,922	\$ 374,946	\$ 2,556,601
Other	<u>733,128</u>	<u>60,458</u>	<u>186,793</u>	<u>606,793</u>
Total 2003-2004	<u>\$ 3,017,753</u>	<u>\$ 707,380</u>	<u>\$ 561,739</u>	<u>\$ 3,163,394</u>

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

15. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$204 million (including the \$98 million discussed in Note 11) are possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

In addition to the aforementioned lawsuits, there are unasserted claims approximating \$150 million as a result of a federal court decision which ordered the California Secretary of State to decertify the use of punch card voting systems. The County has implemented an interim paper-based voting system to replace the punch card system and is continuing to evaluate new technologies in this area.

In November 2003 and May 2004, the Secretary of State issued directives that will require all existing and new touch screens to have an accessible voter verifiable paper audit trail. In the opinion of County Counsel, it is reasonably possible for the County to incur costs of approximately \$150 million to comply with the regulatory requirements if the County were to replace the current paper-based voting system to a touch screen voting system. However, it is also reasonable to assume that both federal and State funding would be available to offset at least a portion of such costs. During 2003-2004, the County received approximately \$15.8 million from the State as advance funding to comply with some of the new requirements. County management believes that the timing of this matter is uncertain and its final outcome will not have a material affect on the County's financial condition.

Litigation Related to Pension Benefits

In addition to the aforementioned claims, the County and LACERA have been named as defendants in a number of lawsuits that seek to expand the types of employee benefits which are applied in determining pension compensation. On July 20, 2000, the Superior Court held that the following items are not includable in pension compensation: 1) the cash-out of accrued benefits (primarily unused vacation and sick leave benefits), 2) flexible benefit plan payments for insurance benefits, and 3) employer payment of member-required contributions to LACERA.

The Court subsequently held that certain contributions and benefits must be applied retroactively in Los Angeles County.

On July 11, 2003, the California Court of Appeal affirmed the trial court judgment in all respects. The California Supreme Court denied review and the judgment is now final.

LACERA's actuary has estimated that the present value of benefit increases required by the judgment is approximately \$190 million and represents an unfunded actuarial accrued liability (UAAL). This estimate was included in the actuarial valuation of the County's pension plan conducted as of June 30, 2003. Revised County contribution rates were recommended by the actuary and included a provision to fund the UAAL over a rolling thirty year period. On May 18, 2004, the Board of Supervisors adopted the revised employer contributions that were recommended by the actuary and those rates became effective July 1, 2004.

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

16. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition. Accordingly, there is uncertainty about the validity of taxes currently being collected and as of June 30, 2004, a portion (\$190 million) of the general fund's designation for budgetary uncertainties pertained to such collections.

17. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2004, the County issued \$600,000,000 in 2004-05 TRANS which will mature on June 30, 2005. The TRANS are collateralized by taxes and other revenues attributable to the 2004-05 fiscal year and were issued in the form of Fixed Rate Notes at an interest rate of 1.6%.

Capital Asset Leasing Corporation Lease Revenue Bonds, 2004 Series A

On August 17, 2004, the Corporation issued \$12,240,000 in lease revenue bonds. The bond proceeds, collected lease revenue and unexpended equipment acquisition funds were used to retire \$20,000,000 in outstanding bond anticipation notes. The bonds were issued in conjunction with the operations of the Equipment Acquisition Internal Service Fund and will be repaid through equipment rental charges received from various other County funds. The bonds mature from December 2004, to December 2007, with interest rates ranging from 2.50% to 4.00%.

Tax-Exempt Commercial Paper

On August 20, 2004 and September 29, 2004, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$26,000,000 and \$34,000,000, respectively, in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of the LAC+USC Medical Center Replacement Project.

The commercial paper, which was initially issued at an average rate of 1.22% and 1.69%, respectively, is secured by a long-term lease of County real estate and a letter of credit. The County pays debt service in the form of lease payments.

Capital Asset Leasing Corporation Bond Anticipation Notes

On August 24, 2004, the Corporation issued a \$5,000,000 Bond Anticipation Note with an initial interest rate of 2.14%. The rate is adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2007. Proceeds of the note are being used to purchase equipment. The note is to be repaid from the proceeds of lease revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited - See accompanying independent auditors' report)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded/ (Overfunded) AAL [UAAL/(OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/(OAAL) as a Percentage of Covered Payroll ((b-a)/c)
06/30/01	26,490,000	26,489,976	(24)	100.0%	4,398,443	0.0%
06/30/02	28,262,129	28,437,493	175,364	99.4%	4,744,340	3.7%
06/30/03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION



PROPOSED FORM OF BOND COUNSEL OPINION

July 1, 2005

Board of Supervisors
County of Los Angeles
Los Angeles, California

**Re: \$500,000,000 County of Los Angeles 2005-06
 Tax and Revenue Anticipation Notes, Series A**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the County of Los Angeles, California (the "Issuer") of \$500,000,000 aggregate principal amount of notes designated "2005-06 Tax and Revenue Anticipation Notes, Series A" (the "Notes"). The Notes are issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the Issuer on May 17, 2005 (the "Resolution") and a Financing Certificate of the Treasurer and Tax Collector of the Issuer entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2005-06 Tax and Revenue Anticipation Notes, Series A" (the "Financing Certificate") dated as of the date hereof. Pursuant to the terms of the Resolution and the Financing Certificate, the Issuer has pledged certain amounts to the repayment of the principal amount of the Notes and the interest thereon. Except as otherwise indicated, capitalized terms used in this opinion and defined in the Financing Certificate will have the meanings given in the Financing Certificate.

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

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

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

1. The Financing Certificate has been duly authorized, executed and delivered by the Issuer and constitutes the legally valid and binding obligation of the Issuer, enforceable in accordance with its terms.
2. The Notes have been duly authorized and issued and constitute legally valid and binding obligations of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and the Financing Certificate.
3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other monies of the Issuer for the fiscal year ending June 30, 2006 and lawfully available for the payment of the Notes and the interest thereon and are secured by a pledge of certain monies specified in the Resolution and the Financing Certificate.

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

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

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

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

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

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

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

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM



BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities Notes. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, “NSCC,” “GSCC,” “MBSCC,” and “EMCC,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 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 Notes representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

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

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

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

Neither the County nor the Paying Agent can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Notes paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the County nor the Paying Agent are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Notes or an error or delay relating thereto.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Financing Certificate will apply. The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the County nor the Paying Agent take any responsibility for the accuracy thereof.



