NEW ISSUE—BOOK-ENTRY-ONLY

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

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law interest on the 2005 Series A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the 2005 Series A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. See, however, "Tax Matters" herein regarding certain other tax considerations.

$393,315,000
Los Angeles County Public Works Financing Authority
Lease Revenue Refunding Bonds
(2005 Master Refunding Project) Series A

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

The Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2005 Master Refunding Project) Series A (the "2005 Series A Bonds") are being issued pursuant to an Indenture of Trust, dated as of March 1, 2005 (the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). Principal of and interest on the 2005 Series A Bonds are payable from Base Rental payments to be made by the County under a Sublease and Option to Purchase, dated as of March 1, 2005 (the "Sublease"), by and between the County and the Authority, relating to certain real property and improvements located thereon, as more particularly described herein (the "Facilities"). See "Security and Sources of Payment for the 2005 Series A Bonds" herein.

The proceeds of the 2005 Series A Bonds, together with that portion of moneys held in certain funds and accounts attributable to the Prior Obligations (defined herein), will be used to advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project IV), advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series A, advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series B, advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project VI) 2000 Series A, finance certain public capital improvements of the County, fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the 2005 Series A Bonds. See "Plan of Refunding" and "Estimated Sources and Uses of Proceeds of the 2005 Series A Bonds" herein.

The 2005 Series A Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The 2005 Series A Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on June 1, 2005. The 2005 Series A Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2005 Series A Bonds. Ownership interests in the 2005 Series A Bonds may be purchased in book-entry form only. Principal of and interest on the 2005 Series A Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the 2005 Series A Bonds. See Appendix D — "Book-Entry Only System" attached hereto.

The 2005 Series A Bonds are subject to optional and mandatory redemption, including mandatory sinking fund redemption, prior to maturity as described herein. See "The 2005 Series A Bonds - Redemption" herein.

THE 2005 SERIES A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE SUBLEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2005 SERIES A BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

The scheduled payment of principal of and interest on the 2005 Series A Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2005 Series A Bonds by MBIA Insurance Corporation. See "Bond Insurance" herein and Appendix G — "Form of Financial Guaranty Insurance Policy" attached hereto.

MBIA

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

The 2005 Series A Bonds are offered when, as and if issued, subject to the approval as to their legality by Fulbright & Jaworski L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Authority and the County by County Counsel. It is anticipated that the 2005 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about March 2, 2005.

MERRILL LYNCH & CO. **MORGAN STANLEY & CO. INCORPORATED**

E.J. De La Rosa & Co., Inc. **First Albany Capital Inc.** **M.R. Beal & Company** **Siebert Brandford Shank & Co., LLC**

Dated: February 15, 2005

MATURITY SCHEDULE

$393,315,000
Los Angeles County Public Works Financing Authority
Lease Revenue Refunding Bonds
(2005 Master Refunding Project) Series A
Base CUSIP: 54473E**

Due (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP**
2005	$28,015,000	3.25%	2.21%	HP2
2006	3,995,000	3.00	2.30	HQ0
2006	18,230,000	4.00	2.30	HR8
2007	4,685,000	3.00	2.48	HS6
2007	18,410,000	4.00	2.48	HT4
2008	4,725,000	3.00	2.65	HU1
2008	19,370,000	5.00	2.65	HV9
2009	5,030,000	3.00	2.80	HW7
2009	20,195,000	5.00	2.80	HX5
2010	3,745,000	3.00	2.95	HY3
2010	22,670,000	5.00	2.95	HZ0
2011	8,825,000	3.00	3.12	JA3
2011	18,820,000	5.00	3.12	JB1
2012	8,175,000	3.125	3.26	JC9
2012	19,310,000	5.00	3.26	JD7
2013	4,880,000	3.30	3.43	JE5
2013	23,890,000	5.00	3.43	JF2
2014	1,405,000	3.40	3.53	JG0
2014	24,180,000	5.00	3.53	JH8
2015	2,525,000	3.50	3.61	JJ4
2015	2,100,000	4.00	3.61	JL9
2015	18,360,000	5.00	3.61	JK1
2016	3,385,000	3.60	3.68	JM7
2016*	9,360,000	5.00	3.68	JN5
2017*	5,310,000	5.00	3.76	JP0
2018*	5,580,000	5.00	3.83	JQ8
2019*	5,860,000	5.00	3.86	JR6
2020*	6,155,000	5.00	3.87	JS4
2021*	6,460,000	5.00	3.91	JT2
2022*	6,790,000	5.00	3.96	JU9
2023*	7,130,000	5.00	4.00	JV7
2024*	7,485,000	5.00	4.05	JW5
2025*	7,865,000	5.00	4.11	JX3
2026*	8,260,000	5.00	4.15	JY1
2027*	8,670,000	5.00	4.18	JZ8
2028*	9,115,000	5.00	4.22	KA1

$14,350,000 4.50% 2005 Series A Term Bonds Due December 1, 2031: Yield – 4.565% Price: 99.000 CUSIP**: 54473EKB9

* Priced to optional call date.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(2005 Master Refunding Project) Series A

Board of Supervisors

Gloria Molina
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

Fieldman, Rolapp & Associates
Financial Advisor

Montague DeRose and Associates, LLC
Special Advisor

U.S. Bank National Association
Trustee

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2005 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2005 Series A Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from the Authority and County, and other sources that are believed by the Authority and County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the 2005 Series A Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and Authority.

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

IN CONNECTION WITH THE OFFERING OF THE 2005 SERIES A BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2005 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2005 SERIES A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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$393,315,000
Los Angeles County Public Works Financing Authority
Lease Revenue Refunding Bonds
(2005 Master Refunding Project) Series A

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2005 Series A Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the respective meanings assigned to them in the Indenture. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2005 Master Refunding Project) Series A in the aggregate principal amount of $393,315,000 (the "2005 Series A Bonds") pursuant to an Indenture of Trust, dated as of March 1, 2005 (the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee").

The proceeds of the 2005 Series A Bonds, together with that portion of moneys held in certain funds and accounts attributable to the Prior Obligations (defined below), will be used to advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project IV) (the "1993 Bonds"), advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series A (the "1996 Series A Bonds"), advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series B (the "1996 Series B Bonds"), advance refund all of the Authority's outstanding Lease Revenue Bonds (Multiple Capital Facilities Project VI) 2000 Series A (the "2000 Bonds" and, together with the 1993 Bonds, the 1996 Series A Bonds and the 1996 Series B Bonds, the "Prior Obligations"), finance certain public capital improvements of the County, fund a Reserve Fund and pay certain costs of issuance incurred in connection with the issuance of the 2005 Series A Bonds. See "Plan of Refunding" and "Estimated Sources and Uses of Proceeds of the 2005 Series A Bonds" herein.

The County will lease certain real property and improvements located thereon, as more particularly described herein (the "Facilities"), to the Authority pursuant to a Lease, dated as of March 1, 2005 (the "Lease"), by and between the County and the Authority. The County will lease the Facilities from the Authority pursuant to a Sublease and Option to Purchase, dated as of March 1, 2005 (the "Sublease"), by and between the County and the Authority. Base Rental payments to be made by the County under the Sublease will be used to pay principal of and interest on the 2005 Series A Bonds when due.

Security and Sources of Payment for the 2005 Series A Bonds

Principal of and interest on the 2005 Series A Bonds are payable from Base Rental payments to be made by the County under the Sublease. See "Security and Sources of Payment for the 2005 Series A Bonds – Base Rental" herein. Base Rental payments under the Sublease are scheduled to be sufficient to pay principal of and interest on the 2005 Series A Bonds when due. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated in accordance with the Sublease. See Appendix C – "Summary of Principal Legal Documents," – "The Indenture" and "– The Sublease" attached hereto.

The County's obligation to pay Base Rental will be abated during any period in which, by reason of material damage, destruction, theft, title defects or condemnation, there is substantial interference with the use or possession by the County of the Facilities or any material portion thereof. Failure of the County to pay Base Rental during any such period shall not constitute a default under the Sublease, the Indenture or the 2005 Series A Bonds. See "Security and Sources of Payment for the 2005 Series A Bonds – Abatement" herein.

Terms of the 2005 Series A Bonds

The 2005 Series A Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The 2005 Series A Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on June 1, 2005. The 2005 Series A Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2005 Series A Bonds. Ownership interests in the 2005 Series A Bonds may be purchased in book-entry form only. Principal of and interest on the 2005 Series A Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the 2005 Series A Bonds. See Appendix D – "Book-Entry Only System" attached hereto.

The 2005 Series A Bonds are subject to optional and mandatory redemption, including mandatory sinking fund redemption, prior to maturity as described herein. See "The 2005 Series A Bonds – Redemption" herein.

Limited Obligation

The 2005 Series A Bonds are special obligations of the Authority payable solely from Base Rental payments received pursuant to the Sublease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the 2005 Series A Bonds nor the obligation of the County to pay Base Rental constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power and has no obligation to pay Base Rental payments.

Financial Guaranty Insurance Policy

The scheduled payment of principal of and interest on the 2005 Series A Bonds when due will be guaranteed under a financial guaranty insurance policy (the "Policy") to be issued concurrently with the delivery of the 2005 Series A Bonds by MBIA Insurance Corporation (the "Insurer"). See "Bond Insurance" herein and Appendix G – "Form of Financial Guaranty Insurance Policy" attached hereto.

The County

The County was established in 1850. The economy of the County is diversified and includes manufacturing, world trade, financial services, motion picture and television production, agriculture and tourism. For certain economic, demographic and financial information with respect to the County, see Appendix A – "The County of Los Angeles Information Statement" and Appendix B – "The County of Los Angeles Audited Financial Statements for the Fiscal Year Ended June 30, 2004" attached hereto.

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to the JPA Agreement in accordance with its terms. The Authority has previously issued obligations secured by certain revenues of and rental payments from certain contracting parties, which obligations are outstanding in the approximate principal amount of $1,350,000,000 as of June 30, 2004, and may issue additional obligations in the future. These other obligations of the Authority are not secured by any Base Rental payments under the Sublease, and the 2005 Series A Bonds are not secured by any other assets or property of the Authority other than Base Rental payments under the Sublease, as provided in the Indenture.

Continuing Disclosure

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

Forward-Looking Statements

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

PLAN OF REFUNDING

The proceeds of the 2005 Series A Bonds, together with that portion of moneys held in certain funds and accounts attributable to the Prior Obligations, will be used to advance refund all of the 1993 Bonds currently outstanding in the aggregate principal amount of $200,295,000, advance refund all of the 1996 Series A Bonds currently outstanding in the aggregate principal amount of $34,855,000, advance refund all of the 1996 Series B Bonds currently outstanding in the aggregate principal amount of $106,340,000 and advance refund all of the 2000 Bonds currently outstanding in the aggregate principal amount of $92,165,000.

The 1993 Bonds were issued to finance the acquisition, construction and improvement of the City of Alhambra Courthouse Expansion Facility, the City of Burbank Courthouse Addition, the Sheriff's Department Headquarters, the Emergency Operations Center, the Harbor/UCLA Primary Care and Diagnostic Center, the Rancho Los Amigos Inpatient Care Unit, the Rancho Los Amigos Parking Structure, the Rancho Los Amigos Central Heating and Cooling Plant, the Rancho Los Amigos Master Plan for internal utility and infrastructure support of the Central Plant and Inpatient Care Unit, the Martin Luther King, Jr., Trauma and Diagnostic Center, the Martin Luther King, Jr., Central Plant Upgrade, the Biscailuz Center and the Music Center Complex. The 1996 Series A Bonds were issued to finance the acquisition, construction and improvement of the San Fernando Valley Juvenile Hall and the Marengo Street Parking Structure. The 1996 Series B Bonds were issued to finance the acquisition, construction and improvement of the Los Angeles County Superior Court – Airport Branch. The 2000 Bonds were issued to finance the acquisition, construction and improvement of the West San Fernando Valley Courthouse and the Harbor-UCLA Medical Center Emergency Power Generating Facility.

The County intends to refund the Prior Obligations by depositing into separate escrow funds with respect to each series of Prior Obligations (collectively, the "Escrow Funds") a portion of the proceeds of the 2005 Series A Bonds and moneys held in certain funds and accounts attributable to the Prior Obligations. The Escrow Fund with respect to the 1993 Bonds will be established under an escrow agreement, dated as of March 1, 2005, by and between the County and the Trustee, as escrow agent thereunder and as trustee for the 1993 Bonds. The Escrow Funds with respect to the 1996 Series A Bonds, the 1996 Series B Bonds and the 2000 Bonds will be established under escrow agreements, dated as of March 1, 2005 (the escrow agreements with respect to the 1993 Bonds, the 1996 Series A Bonds, the 1996 Series B Bonds and the 2000 Bonds being referred to herein as the "Escrow Agreements"), by and between the County and The Bank of New York Trust Company, N.A., as escrow agent thereunder and as trustee for the 1996 Series A Bonds, the 1996 Series B Bonds and the 2000 Bonds (the trustees for the 1993 Bonds, the 1996 Series A Bonds, the 1996 Series B Bonds and the 2000 Bonds being referred to herein as the "Prior Trustees"). Moneys deposited in the Escrow Funds will be held as cash and invested in Government Obligations or Federal Securities (each as defined in the indenture or trust agreement relating to such series of Prior Obligations (collectively, the "Prior Indentures")), as applicable, such that the amounts in each such Escrow Fund, together with the earnings to accrue on such Government Obligations or Federal Securities, as applicable, and without the need for further investment, will be sufficient to pay when due such Prior Obligations, including all principal, redemption premium, if any, and interest payable with respect thereto.

Upon deposit of the Government Obligations or Federal Securities, as applicable, pursuant to the Escrow Agreements, instructions to the Prior Trustees in accordance with the defeasance provisions of the Prior Indentures and either notice of the redemption of the Prior Obligations or irrevocable instructions from the County to the Prior Trustees to give such notice of redemption, as applicable, the Prior Obligations shall no longer be deemed outstanding under the Prior Indentures and the obligations of the parties to the Prior Indentures with respect to the Prior Obligations shall cease and terminate (except the obligations to make payments from the Escrow Funds and to maintain the necessary mechanics therefor). McGladrey & Pullen, LLP, a firm of independent certified public accountants, will verify the mathematical computations used to determine the sufficiency of the deposits into the Escrow Funds. See "Verification of Mathematical Computations" herein.

The Prior Obligations are set forth in the following table:

PRIOR OBLIGATIONS

Series	Maturity Dates	Principal Amounts	Redemption Price	Redemption Date	CUSIP (Base: 54473E)
1993 Bonds	December 1, 2005[1]	$20,595,000			AM6
	December 1, 2006[1]	14,815,000			AN4
	December 1, 2007[1]	15,580,000			AP9
	December 1, 2008[1]	16,380,000			AT1
	December 1, 2010	35,220,000	101%	March 17, 2005	AQ7
	December 1, 2013	59,515,000	101	March 17, 2005	AR5
	December 1, 2016	38,190,000	101	March 17, 2005	AS3
1996 Series A Bonds	June 1, 2005[1]	$ 2,110,000			EE0
	June 1, 2006[1]	2,220,000			EF7
	June 1, 2007	2,325,000	102%	June 1, 2006	EG5
	June 1, 2008	2,450,000	102	June 1, 2006	EH3
	June 1, 2017	25,750,000	101	June 1, 2006	EM2
1996 Series B Bonds	December 1, 2005[1]	$ 2,150,000			ET7
	December 1, 2006[1]	2,265,000			EU4
	December 1, 2007[1]	2,405,000			EV2
	December 1, 2008	2,550,000	101%	December 1, 2007	EW0
	December 1, 2009	2,680,000	101	December 1, 2007	EX8
	December 1, 2010	2,815,000	101	December 1, 2007	EY6
	December 1, 2011	2,965,000	101	December 1, 2007	EZ3
	December 1, 2012	3,115,000	101	December 1, 2007	FA7
	December 1, 2017	18,105,000	101	December 1, 2007	FB5
	December 1, 2029	67,290,000	101	December 1, 2007	FC3

(1) Escrowed to maturity.

PRIOR OBLIGATIONS
(continued)

Series	Maturity Dates	Principal Amounts	Redemption Price	Redemption Date	CUSIP (Base: 54473E)
2000 Bonds	May 1, 2005[(1)]	$ 2,165,000			GG3
	May 1, 2006[(1)]	2,280,000			GH1
	May 1, 2007[(1)]	2,400,000			GJ7
	May 1, 2008[(1)]	2,525,000			GK4
	May 1, 2009[(1)]	2,655,000			GL2
	May 1, 2010[(1)]	2,795,000			GM0
	May 1, 2011	2,980,000	100%	May 1, 2010	GN8
	May 1, 2012	3,175,000	100	May 1, 2010	GP3
	May 1, 2013	2,010,000	100	May 1, 2010	GQ1
	May 1, 2014	2,145,000	100	May 1, 2010	GR9
	May 1, 2015	2,280,000	100	May 1, 2010	GS7
	May 1, 2016	2,405,000	100	May 1, 2010	GT5
	May 1, 2017	2,535,000	100	May 1, 2010	GU2
	May 1, 2018	2,670,000	100	May 1, 2010	GV0
	May 1, 2019	2,815,000	100	May 1, 2010	GW8
	May 1, 2020	2,970,000	100	May 1, 2010	GX6
	May 1, 2022	6,425,000	100	May 1, 2010	GZ1
	May 1, 2026	15,095,000	100	May 1, 2010	HD9
	May 1, 2029	13,700,000	100	May 1, 2010	HG2
	May 1, 2032	16,140,000	100	May 1, 2010	HK3

(1) Escrowed to maturity.

DESCRIPTION OF THE FACILITIES

The following are descriptions of the Facilities. The County may modify or amend the description of the Facilities, release from the Lease or the Sublease any portion of the Facilities or substitute other property and/or improvements for the Facilities or any portion thereof upon compliance with all of the terms set forth therein and in the Indenture. See Appendix C – "Summary of Principal Legal Documents – Sublease – Substitution or Removal of Property" attached hereto.

Alhambra Courthouse Expansion Facility. The Alhambra Courthouse Expansion Facility is a 22,500 square foot structure located at 150 West Commonwealth Avenue in the City of Alhambra. The facility includes three courtrooms, a jury assembly room, three jury deliberation rooms, a prisoner detention area and office, storage space for the Sheriff and County Clerk personnel and an adjacent surface parking lot.

Burbank Courthouse Addition. The Burbank Courthouse Addition is a 37,000 square foot addition to the existing Burbank Courthouse, located at 300 East Olive Avenue in the City of Burbank. The addition includes two courtrooms and related office and ancillary space, including a twelve-cell detention area in the basement.

Sheriff's Department Headquarters. The Sheriff's Department Headquarters is located at 4700 Ramona Boulevard in the City of Monterey Park. The five-story, 125,000 square foot building is situated on a 12.5-acre site overlooking the San Bernardino (I-10) and Long Beach (I-710) freeway interchange. The facility was originally built in 1977 and was acquired by the Sheriff's Department in February 1992.

Emergency Operations Center. The Emergency Operations Center is a 28,580 square foot, two story building housing a state-of-the-art communication system that coordinates the collection and dissemination of information throughout the County in the event of a disaster. The facility is located at 1277 North Eastern Avenue in the City of Los Angeles.

Harbor/UCLA Primary Care and Diagnostic Center. The Harbor/UCLA Primary Care and Diagnostic Center is a 47,000 square foot, three-level primary care and diagnostic center on the Harbor/UCLA Medical Center campus. The basement includes three self-contained primary care clinics, the first floor houses an urgent acute care clinic, and the second floor contains the medical center's internal medicine clinics. The facility is located at 1000 West Carson Street in the City of Torrance.

Rancho Los Amigos Inpatient Care Unit. The Rancho Los Amigos Inpatient Care Unit is a 252,000 square foot, four-story facility that provides primary care for up to 150 patients with spinal cord injuries. This facility is located at the County's Rancho Los Amigos Medical Center at 7601 East Imperial Highway in the City of Downey, which specializes in the care and rehabilitation of spinal cord injury patients. The basement houses the medical equipment repair department, the materials management staging area and the pathology modules. The first and second floors house a full service spinal cord injury unit that includes associated services to support the rehabilitation needs of its patients. Acute care services are provided on the third floor.

Rancho Los Amigos Parking Structure. The Rancho Los Amigos Parking Structure consists of a five-level 990-car parking structure that serves both the Inpatient Care Unit of the Rancho Los Amigos complex and an adjacent 40,000 square foot area that houses various hospital support departments.

Rancho Los Amigos Central Heating and Cooling Plant. The Central Heating and Cooling Plant provides cooling and heating for existing and future buildings at the Rancho Los Amigos complex. The Plant provides cooling power and high-pressure steam to approximately 1,350,000 square feet of space.

Martin Luther King, Jr. Trauma and Diagnostic Center. The Martin Luther King, Jr. Trauma and Diagnostic Center is a six level, 182,000 square foot facility. The facility is situated adjacent to the northwest corner of the existing hospital building located at 12021 Wilmington Avenue in the City of Los Angeles. The facility includes an imaging center, a comprehensive trauma area, and an eleven-bed shock unit with corresponding eleven-bed recovery unit.

This facility also includes a 7,438 square foot Pediatric Care facility consisting of a single-story frame structure with pre-cast concrete walls attached to the south side of the Trauma and Diagnostic Center. The Pediatric Care facility contains a triage room, a holding room with four beds for observation, examination rooms for work-up and treatment, and related support space such as nursing stations, stat lab and waiting area.

Martin Luther King, Jr. Central Plant. The Martin Luther King, Jr. General Hospital Central Plant cools and heats the Trauma and Diagnostic Center. The facility complies with air quality emission standards and contains an underground thermal storage system that reduces the cost of electrical energy used by the plant. Its cooling and heating system is powered by two electric-driven chillers and one absorption chiller.

San Fernando Valley Juvenile Hall. The San Fernando Valley Juvenile Hall is a 610-bed facility that houses juvenile wards of the court. A recent improvement to the Juvenile Hall added two housing units totaling approximately 66,000 square feet, a visitors center, a parking structure, and modifications to the main lobby and kitchen. The property is located at 16350 Filbert Street in the City of Los Angeles.

Marengo Street Parking Structure. The Marengo Street Parking Structure is located on the LAC+USC Medical Center campus on the south side of Marengo Street between Kingston Avenue and Brittania Street, south of the main LAC+USC hospital. The parking structure holds 3,000 vehicles and is one of the largest in the County, with over 900,000 square feet situated on a footprint of 3.4 acres. The structure is eight levels high, serviced by six elevators and includes a television-monitored security system.

Los Angeles County Superior Court – Airport Branch. The Airport Branch of the Los Angeles County Superior Court consists of a 10-story building totaling approximately 292,000 square feet, including 12 courtrooms, 14 judges' chambers and areas for supporting departments. This facility also includes 93 surface and subsurface parking spaces and a parking structure that accommodates between 400 and 450 vehicles. The Courthouse is located near the Los Angeles International Airport at 11707 South La Cienega Boulevard, south of the 105 Freeway in the City of Los Angeles.

West San Fernando Valley Courthouse. The West San Fernando Valley Courthouse consists of a 302,000 square foot structure, with three stories above ground and one story below ground. The facility is located on a 9.6-acre site on the southeast corner of Winnetka Avenue and Plummer Street in the Chatsworth area of the City of Los Angeles. The Courthouse includes 16 municipal courtrooms, 22 judges' chambers and ancillary space for support services, with 703 surface parking spaces and 31 spaces on the lower level.

Harbor-UCLA Medical Center Emergency Power Generating Facility. The Emergency Power Generating Facility serving the Harbor-UCLA Medical Center consists of four 2,000 kW emergency generators and distribution switchgear housed in a reinforced concrete masonry block structure. The structure has the capacity to accommodate two additional generators, should the hospital's emergency electrical requirements increase in the future. In the event of a power outage, the generators are capable of producing sufficient power to meet all of the hospital's current requirements.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2005 SERIES A BONDS

The proceeds of the 2005 Series A Bonds and the portion of moneys held in certain funds and accounts attributable to the Prior Obligations are expected to be applied approximately as set forth below:

Sources of Funds:	
Principal Amount of the 2005 Series A Bonds	$393,315,000.00
Net Original Issue Premium	28,095,153.15
Available Amounts relating to the Prior Obligations	78,210,670.28
TOTAL SOURCES	$499,620,823.43
Uses of Funds:	
1993 Bonds Escrow Fund	$206,390,287.93
1996 Series A Bonds Escrow Fund	36,486,954.78
1996 Series B Bonds Escrow Fund	113,155,154.60
2000 Bonds Escrow Fund	101,426,108.23
Reserve Fund	26,689,435.88
Construction and Acquisition Fund	12,596,154.02
Costs of Issuance [1]	2,876,727.99
TOTAL USES	$499,620,823.43

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

THE 2005 SERIES A BONDS

The following is a summary of certain provisions of the 2005 Series A Bonds. Reference is made to the 2005 Series A Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General

The 2005 Series A Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The 2005 Series A Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on June 1, 2005. The 2005 Series A Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the 2005 Series A Bonds. Ownership interests in the 2005 Series A Bonds may be purchased in book-entry form only. Principal of and interest on the 2005 Series A Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the 2005 Series A Bonds. See Appendix D – "Book-Entry Only System" attached hereto.

Redemption

Optional Redemption. The 2005 Series A Bonds maturing on or after December 1, 2016 are subject to redemption prior to maturity from amounts deposited with the Trustee by the County in furtherance of the exercise of the County's option to purchase the Authority's right, title and interest in the Facilities or any portion thereof in accordance with the Sublease and from any other funds legally available therefor upon notice, as a whole on any date or in part on any Interest Payment Date, on or after December 1, 2015, at a redemption price equal to the par amount thereof, without premium, plus accrued but unpaid interest to the redemption date.

Mandatory Redemption. The 2005 Series A Bonds are subject to mandatory redemption prior to maturity, as a whole or in part at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, on the earliest Interest Payment Date following the deposit of such moneys, from amounts deposited in the Redemption Account pursuant to the Indenture following an event of damage, destruction, theft or condemnation of the Facilities or any portion thereof or loss of the use or possession of the Facilities or any portion thereof due to a title defect.

Redemption from Sinking Account Installments. The 2005 Series A Bonds maturing on December 1, 2031, shall be subject to mandatory redemption, in part, by lot, on December 1, 2029 and on each December 1 thereafter prior to maturity, from Sinking Account Installments on deposit in the Principal Account of the Bond Fund, at a redemption price equal to the principal amount of such 2005 Series A Bonds to be redeemed, without premium, plus accrued but unpaid interest to the redemption date as indicated on the following table:

Redemption Date (December 1)	Principal Amount
2029	$9,545,000
2030	2,350,000
2031 (maturity)	2,455,000

Selection of 2005 Series A Bonds for Redemption. Whenever provision is made in the Indenture or the Sublease for the redemption of the 2005 Series A Bonds (other than from Sinking Account Installments) and less than all Outstanding 2005 Series A Bonds are to be redeemed, the Authority shall give written instruction to the Trustee of the principal amount of each maturity of Bonds to be redeemed.

Within a maturity, the Trustee shall select 2005 Series A Bonds for redemption by lot. Redemption by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any 2005 Series A Bond to be redeemed shall be in Authorized Denominations and all 2005 Series A Bonds to remain Outstanding after any redemption in part shall be in Authorized Denominations.

Notice of Redemption

Whenever redemption is authorized or required pursuant to the Indenture, the Authority shall give the Trustee at least 45 days prior written notice, at the expense of the Authority, specifying the date and amount of the redemption of the 2005 Series A Bonds and the Trustee shall give notice of such redemption at least 30 but not more than 45 days prior to the redemption date to the Owners of the 2005 Series A Bonds designated for redemption, by first class mail at their addresses appearing in the Bond Register. Neither failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of such 2005 Series A Bonds.

Effect of Notice of Redemption

The 2005 Series A Bonds to be redeemed shall be due and payable on the date of redemption set forth in the Redemption Notice with respect thereto. If on such redemption date money for the redemption of all the 2005 Series A Bonds to be redeemed, together with interest to such redemption date, shall be held by the Trustee so as to be available therefor on such redemption date, and if a Redemption Notice shall have been given as described in the Indenture, then, from and after such redemption date, no additional interest shall become due on the 2005 Series A Bonds to be redeemed.

SECURITY AND SOURCES OF PAYMENT FOR THE 2005 SERIES A BONDS

Base Rental

Base Rental payments under the Sublease are scheduled to be sufficient to pay principal of and interest on the 2005 Series A Bonds when due. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated in accordance with the Sublease. See Appendix C – "Summary of Principal Legal Documents" attached hereto.

Subject to the provisions of the Sublease relating to abatement, the County's obligation to make Base Rental payments in the amounts and on the terms and conditions specified thereunder will be absolute and unconditional without any right of set-off or counterclaim. The Sublease provides that the covenants on the part of the County therein contained are deemed to be and are construed to be ministerial duties imposed by law, and they further provide that it will be the ministerial duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Sublease. The Sublease provides that the County will pay from legally available funds Base Rental for the right to use and possession of the Facilities in the amounts, at the times and in the manner set forth in the Sublease.

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

THE 2005 SERIES A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE SUBLEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL DOES NO CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2005 SERIES A BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

A table of the aggregate annual Base Rental payments to be made by the County with respect to the 2005 Series A Bonds under the Sublease is set forth below.

SCHEDULE OF BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	2005 Series A Bonds Principal	2005 Series A Bonds Interest	Total Base Rental Payments
2005	$ --	$ 4,388,751.00	$ 4,388,751.00
2006	28,015,000.00	17,297,007.51	45,312,007.51
2007	22,225,000.00	16,417,238.76	38,642,238.76
2008	23,095,000.00	15,554,238.76	38,649,238.76
2009	24,095,000.00	14,560,638.76	38,655,638.76
2010	25,225,000.00	13,425,188.76	38,650,188.76
2011	26,415,000.00	12,221,938.76	38,636,938.76
2012	27,645,000.00	10,996,138.76	38,641,138.76
2013	27,485,000.00	9,782,779.38	37,267,779.38
2014	28,770,000.00	8,494,525.00	37,264,525.00
2015	25,585,000.00	7,188,370.00	32,773,370.00
2016	22,985,000.00	6,014,797.50	28,999,797.50
2017	12,745,000.00	5,174,680.00	17,919,680.00
2018	5,310,000.00	4,747,000.00	10,057,000.00
2019	5,580,000.00	4,474,750.00	10,054,750.00
2020	5,860,000.00	4,188,750.00	10,048,750.00
2021	6,155,000.00	3,888,375.00	10,043,375.00
2022	6,460,000.00	3,573,000.00	10,033,000.00
2023	6,790,000.00	3,241,750.00	10,031,750.00
2024	7,130,000.00	2,893,750.00	10,023,750.00
2025	7,485,000.00	2,528,375.00	10,013,375.00
2026	7,865,000.00	2,144,625.00	10,009,625.00
2027	8,260,000.00	1,741,500.00	10,001,500.00
2028	8,670,000.00	1,318,250.00	9,988,250.00
2029	9,115,000.00	873,625.00	9,988,625.00
2030	9,545,000.00	430,987.50	9,975,987.50
2031	2,350,000.00	163,350.00	2,513,350.00
2032	2,455,000.00	55,237.50	2,510,237.50
TOTAL	$393,315,000.00	$177,779,617.95	$571,094,617.95

Reserve Fund

On the date of issuance of the 2005 Series A Bonds a portion of the proceeds of the 2005 Series A Bonds will be deposited in the Reserve Fund established under the Indenture. The Reserve Fund will be held by the Trustee and will be kept separate and apart from all other funds and moneys held by the Trustee. The Trustee will administer the Reserve Fund as provided in the Indenture. The Reserve Fund will be maintained by the Trustee in the amount of the Reserve Requirement until there are no longer any 2005 Series A Bonds Outstanding, except as provided in the Indenture. The "Reserve Requirement" means, as of any date of calculation, the least of (i) ten percent (10%) of the proceeds (within the meaning of section 148 of the Code (herein defined)) of the 2005 Series A Bonds; (ii) 125% of average annual debt service on the then Outstanding 2005 Series A Bonds; or (iii) the Maximum Annual Debt Service for that and any subsequent year. See Appendix C – "Summary of Principal Legal Documents – The Indenture" attached hereto.

Abatement

Pursuant to the Sublease, Base Rental payments will be abated during any period in which, by reason of material damage, destruction, condemnation, theft or defects in the title to the Facilities or a portion thereof, there is substantial interference with the use or possession by the County of the Facilities or any material portion thereof. The amount of rental abatement will be such that the resulting total rental payments in any Fiscal Year during which such interference continues do not exceed the total fair rental value of the remaining portions of the Facilities as to which such damage, destruction, condemnation, theft or title defect do not substantially interfere with the County's right of use or possession. The Trustee may require a certificate of a County Representative to the effect that the resulting total rental represents such fair consideration as elaborated in the preceding sentence. Any such abatement shall continue for the period commencing with the date on which any such interference with the County's right to use or possession of the facilities, or a material portion thereof, as a result of such damage, destruction, condemnation, theft or title defect, commences and ending with the restoration of the Facilities, or the affected portion thereof, to tenantable condition.

Insurance

The County has covenanted in the Sublease to secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility, rated "A" or better by Standard & Poor's, Moody's or A.M. Best in *Best's Insurance Reports*, or through a program of self-insurance to the extent specifically permitted in the Sublease, all coverage with respect to the Facilities required by the Sublease. Notwithstanding the foregoing, the County will not be required to maintain the insurance required by the Sublease (except title insurance as required therein) with respect to any Component of the Facilities prior to the date on which a Certificate of Component Completion is filed with respect thereto. See "Security and Sources of Payment for the 2005 Series A Bonds – Abatement" and "Risk Factors – Abatement."

The County will not be required to maintain or cause to be maintained more insurance than is specifically referred to in the Sublease, or except with respect to rental interruption insurance, any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that if the County determines that any such insurance, except for rental interruption insurance and title insurance, is not offered by reputable insurers at a reasonable cost on the open market, and elects with respect to those risks set forth above for which self-insurance is permitted, not to maintain the insurance with outside insurers as described above, it will self-insure those risks for which insurance is otherwise required. If the County is permitted to and does self-insure under this provision, then, except for any self-insurance for workers' compensation to which this sentence shall not apply, the County will establish and fund reserves which, in the opinion of the County Chief Administrative Officer are adequate.

Substitution or Release

Pursuant to the Sublease, the County shall have the right at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Facilities (the "Former Property"), or to remove Former Property from the Facilities without the addition of Substitute Property, provided that the County shall satisfy all of the requirements set forth in the Sublease, including, but not limited to the following: (i) no Event of Default shall have occurred and be continuing; (ii) the County shall file with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder, sufficient memorialization describing the Facilities after such substitution and/or removal as provided in the Sublease; (iii) the County shall obtain a CLTA policy of title insurance insuring the County's leasehold estate (and the Authority's leasehold estate therein under the Lease) in the Facilities as amended by such substitution and/or removal, subject to the terms of the Sublease; (iv) the County shall certify in writing to the Authority and to the Trustee that such Substitute Property constitutes property which the County is permitted to lease under the laws of the State of California; (v) the substitution of the Substitute Property shall not cause the County to violate any of its covenants, representations and warranties made therein; (vi) the County shall file with the Authority and the Trustee a certificate of a County Representative stating that the total fair rental value of the Facilities after such substitution and/or removal is at least equal to 100% of the maximum amount of Base Rental and Additional Rental payments coming due in the then current Lease Year and in any subsequent Lease Year and that the useful life of the Facilities after such substitution at least equals the lesser of (1) the useful life of the Facilities before such substitution and/or removal, or (2) the date of the final Base Rental payment; and (vii) the Insurer shall have consented to the substitution or release.

Additional Bonds

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

BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix G for a specimen of the Policy.

The Policy

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2005 Series A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2005 Series A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2005 Series A Bonds. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2005 Series A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 2005 Series A Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 2005 Series A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a 2005 Series A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2005 Series A Bonds or presentment of such other proof of ownership of the 2005 Series A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2005 Series A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 2005 Series A Bonds in any legal proceeding related to payment of insured amounts on the 2005 Series A Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such 2005 Series A Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and the Insurer set forth under the heading "Bond Insurance". Additionally, the Insurer makes no representation regarding the 2005 Series A Bonds or the advisability of investing in the 2005 Series A Bonds.

Insurer Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2003; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company's most recent Quarterly Report on form 10-Q, and prior to the termination of the offering of the 2005 Series A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

As of December 31, 2003, the Insurer had admitted assets of $9.9 billion (audited), total liabilities of $6.2 billion (audited), and total capital and surplus of $3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2004 the Insurer had admitted assets of $10.4 billion (unaudited), total liabilities of $6.7 billion (unaudited), and total capital and surplus of $3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of the Insurer

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2005 Series A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2005 Series A Bonds. The Insurer does not guaranty the market price of the 2005 Series A Bonds nor does it guaranty that the ratings on the 2005 Series A Bonds will not be revised or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

There can be no assurances that payments made by the Insurer representing interest on the 2005 Series A Bonds will be excluded from gross income, for federal tax purposes, in the event of nonappropriation by the County.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the 2005 Series A Bonds.

Not a Pledge of Taxes

The obligation of the County to pay Base Rental or Additional Rental payments under the Sublease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the 2005 Series A Bonds nor the obligation of the County to make Base Rental or Additional Rental payments under the Sublease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of the constitution or statutory debt limitation or restriction. The Authority has no obligation to pay Base Rental. Under certain circumstances, Base Rental may be abated under the Sublease.

Although the principal of and interest on the 2005 Series A Bonds, and any premiums upon the redemption of any 2005 Series A Bonds, is not a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or the County or upon any of their income, receipts or revenues (except the Base Rental payments and other funds pledged to the payment thereof as provided in the Indenture), the County agrees under the Sublease to pay Base Rental from legally available funds for the right, use and possession of the Facilities as provided therein and the County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental or Additional Rental payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental or Additional Rental payments except to the extent such payments are abated in accordance with the Sublease. The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

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

The Base Rental payments and other payments due under the Sublease (including payment of costs of replacement, maintenance and repair of the Facilities and taxes, other governmental charges and utility charges levied against the Facilities) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the 2005 Series A Bonds when due.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See "Security and Sources of Payment for the 2005 Series A Bonds – Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Facilities. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. If the County's self-insurance reserves are inadequate, the amount of Base Rental payable under the Sublease could be abated. See "Security and Sources of Payment for the 2005 Series A Bonds – Abatement" and "Risk Factors – Abatement" herein.

Abatement

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

Such reduced or abated Base Rental, together with other moneys available to the Trustee, may not be sufficient, after depletion of amounts in the Reserve Fund and expiration of rental interruption insurance with respect to the Facilities, if any, to pay principal of an interest on the 2005 Series A Bonds in the amounts and at the rates set forth thereon. In such an event, all Owners would forfeit the right to receive a pro rata portion of interest attributable to abated Base Rental in any year of abatement and, to the extent the 2005 Series A Bonds matured during a period of abatement, such Owners would forfeit the right to receive a pro rata portion of principal attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not be considered an Event of Default under the Sublease or the Indenture.

Remedies

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

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

Limitations on Remedies

Under the Sublease, the Authority or any assignee of the rights of the Authority thereunder will not exercise their or its remedies, respectively, thereunder so as to cause the interest on the 2005 Series A Bonds to be includable in gross income for federal income tax purposes or subject to State personal income taxes. Notwithstanding any other provision of the Sublease or the Indenture, in no event will the Authority or any assignee of the rights of the Authority thereunder have the right to accelerate the payment of any Base Rental thereunder or otherwise declare any Base Rental not then in default to be immediately due and payable.

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

Seismic Events

The Facilities are located within a seismically active area, and damage from an earthquake could be substantial. If the proceeds of any earthquake insurance were insufficient to replace or repair the damage caused to the Facilities, the County would be limited to its general fund, reserves, and emergency grants, if any, in seeking to make appropriate repairs. Pending such repairs, the County's obligation to make Base Rental Payments would be subject to abatement. See "Risk Factors – Abatement" herein.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2005 Series A Bonds, McGladrey & Pullen, LLP, independent accountants, will deliver a report on the arithmetical accuracy of certain computations contained in schedules provided to them by the Underwriters relating to the adequacy of the maturing principal of and interest on certain obligations and certain other moneys to pay all of the principal and prepayment premium, if any, and the interest due with respect to the Prior Obligations as such principal, prepayment premium and interest become due and payable. See “Plan of Refunding” herein.

TAX MATTERS

The Internal Revenue Code of 1986 (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2005 Series A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2005 Series A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the 2005 Series A Bonds. The Authority and the County have covenanted to maintain the exclusion of the interest on the 2005 Series A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law interest on the 2005 Series A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the 2005 Series A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that, assuming compliance with the aforementioned covenant, the 2005 Series A Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the 2005 Series A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. The receipt or accrual of interest on the 2005 Series A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

To the extent that a purchaser of a 2005 Series A Bond acquires that 2005 Series A Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the 2005 Series A Bonds (determined, in the case of a callable 2005 Series A Bond, under the assumption described below), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual basis; the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. In the case of a purchase of a 2005 Series A Bond that is callable, the determination whether there is amortizable bond premium, and the computation of the accrual of that premium, must be made under the assumption that the 2005 Series A Bond will be called on the redemption date that would minimize the purchaser’s yield on the 2005 Series A Bond (or that the 2005 Series A Bond will not be called prior to maturity if that would minimize the purchaser’s yield). The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a 2005 Series A Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the 2005 Series A Bond to the owner.

The excess, if any, of the stated redemption price at maturity of 2005 Series A Bonds of a maturity over the initial offering price to the public of the 2005 Series A Bonds of that maturity set forth on the inside cover of this Official Statement is “original issue discount.” Such original issue discount accruing on a 2005 Series A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and exempt from California personal income tax. Original issue discount on any 2005 Series A Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the 2005 Series A Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a 2005 Series A Bond accruing during each period is added to the adjusted basis of such 2005 Series A Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2005 Series A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of 2005 Series A Bonds who purchase such 2005 Series A Bonds other than at the initial offering price and pursuant to the initial offering.

Any person considering purchasing a 2005 Series A Bond at a price that includes bond premium should consult his or her own tax advisors with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the 2005 Series A Bond. Any person considering purchasing a 2005 Series A Bond of a maturity having original issue discount should consult his or her own tax advisors with respect to the tax consequences of ownership of 2005 Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering and at the original offering price, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2005 Series A Bonds under federal individual and corporate alternative minimum taxes.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2005 Series A Bonds may affect the tax status of interest on the 2005 Series A Bonds or the tax consequences of the ownership of the 2005 Series A Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the 2005 Series A Bonds from personal income taxation by the State of California or of the exclusion of the interest on the 2005 Series A Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2005 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2005 Series A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel if such advice or approval is given by counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the 2005 Series A Bonds is exempt from state personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the 2005 Series A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the 2005 Series A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2005 Series A Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the 2005 Series A Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the 2005 Series A Bonds, (iii) interest on the 2005 Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the 2005 Series A Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2005 Series A Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the 2005 Series A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the County described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2005 Series A Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2005 Series A Bonds, the Authority may have different or conflicting interest from the Owners. Further, the disclosure of the initiation of an audit may adversely affect the market price of the 2005 Series A Bonds, regardless of the final disposition of the audit.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix F.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate, the County has agreed to provide, or cause to be provided, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2005, to each nationally recognized municipal securities information repository and each Respository certain annual report, including the County's financial statements and (i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended; (ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended; (iii) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget; (iv) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year; (v) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and (vi) the ratio of the County's outstanding debt to total assessed valuations as of the most recently ended of the Fiscal Year of the County. See Appendix E – "Form of Continuing Disclosure Certificate" attached hereto.

In addition, the County has agreed to give, or cause to be given, to each Repository in a timely manner notice of the following listed events if determined by the County to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on the debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of any credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls other than mandatory sinking fund redemptions; (9) defeasances; (10) release, substitutions, or sale of property, if any, securing repayment of the respective series of the 2005 Series A Bonds; and (11) rating changes. These covenants have been made in order to assist the Underwriters in complying with the Rule. The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The County may amend the Continuing Disclosure Certificate, and any provision of the Continuing Disclosure Certificate may be waived, provided that the following conditions are satisfied: (a) if the amendment or waiver relates to the provisions in connection with the content and provisions of the Annual Reports or Significant Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2005 Series A Bonds, or the type of business conducted; (b) the undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2005 Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (i) is approved by the Owners of the 2005 Series A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the 2005 Series A Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 2005 Series A Bonds.

CERTAIN LEGAL MATTERS

The validity of the 2005 Series A Bonds and certain other legal matters are subject to the approving opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. The proposed form of opinion of Bond Counsel is contained in Appendix F hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the County and the Authority by County Counsel.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates served as the Financial Advisor to the County in connection with the delivery of the 2005 Series A Bonds, is a full service financial advisor, and is not engaged in the business of underwriting, trading or distributing municipal or other financial securities.

LITIGATION

To the best knowledge of the County and the Authority, there is no litigation pending or threatened against the County or the Authority concerning the validity of the 2005 Series A Bonds or challenging any action taken by the County or the Authority in connection with the authorization of the Indentures, the Sublease or any other document relating to the 2005 Series A Bonds to which the County or the Authority is or is to become a party or the performance by the County or the Authority of any of their obligations under any of the foregoing.

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

RATINGS

Fitch Ratings (“Fitch”), Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”), have assigned the 2005 Series A Bonds ratings of “AAA,” “Aaa” and “AAA”, respectively, based on the understanding that the Insurer will issue its Policy concurrently with the issuance of the 2005 Series A Bonds. Such ratings reflect only the views of Fitch, Moody’s and Standard & Poor’s, and do not constitute a recommendation to buy, sell or hold the 2005 Series A Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch Ratings, 33 Whitehall Street, 27th Floor, New York, New York 10004; Moody’s Investors Service, Inc., 99 Church Street, New York, New York 10007-2796 and Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2005 Series A Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the 2005 Series A Bonds from the County and the Authority at an aggregate purchase price of $420,723,425.16 (consisting of the aggregate principal amount thereof plus net original issue premium of $28,095,153.15 and less underwriters' discount of $686,727.99), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the 2005 Series A Bonds offered under the Bond Purchase Agreement if any of the 2005 Series A Bonds offered thereunder are purchased.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease and the Sublease may be obtained upon request from the Trustee at: U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the 2005 Series A Bonds.

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

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

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

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles was established by an act of the 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 9.9 million as of January 1, 2003, the County is larger than 42 states. As required under the County Charter, County ordinances, or by 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 and operates recreational and cultural facilities in and to the unincorporated areas of the County.

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 under 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, 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 which responds 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 maintains and operates a system of 15 major dams, 116 debris basins, 72,000 catch basins, 33 sediment placement sites, and over 2,400 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 73 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 also 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 20,000 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 Pavillion, Mark Taper Forum, Ahmanson Theater, and the newly opened Walt Disney Concert Hall; the Hollywood Bowl; and 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), 8 major regional parks, 80 local and community regional parks, 18 natural areas, and 19 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 January 25, 2005, the Board of Supervisors approved thirty-eight (38) collective bargaining agreements, which are represented by Local 660 and the Coalition of County Unions. Two (2) bargaining units have reached settlement and have ratified their contracts. Final preparations are being made to submit these 2 contracts to the Board for approval.

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.

Twelve (12) bargaining units (primarily safety) have not settled and are in various phases of the bargaining process, including negotiation, mediation and fact-finding. Due to the State budget crisis and the impact on County revenues, we anticipate protracted negotiations with the bargaining units which have not settled.

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 participating agencies: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District (collectively, "Participating Members"). 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 are based upon the date and age of entry into the plan and type of membership (general or safety).

LACERA's membership as of June 30, 2003 was 141,392. This membership consisted of 57,494 active vested members, 30,266 nonvested active members, 47,233 retired members and 6,399 terminated vested (deferred) members.

Actuarial Valuation

State law provides that the County contribute to the Retirement Fund on behalf of employees based on rates determined by the system's actuary. Such rates are required under the Retirement Law to be calculated in a triennial valuation. LACERA presently conducts annual interim valuations to assess changes in the Retirement Fund's portfolio.

The actuarial assumptions regarding interest and inflation rates, salary growth, demographic data and mortality impact the actuary's triennial valuation of the system. The valuation determines the amount needed to fund the normal retirement cost and any unfunded actuarial accrued liability ("UAAL"). UAAL is the actuarial accrued liability minus the actuarial value of assets of LACERA at a particular valuation date. The actuary uses the Entry Age Normal Method to determine the necessary contribution rates. Investment gains and losses are recognized using a 3-year actuarial asset smoothing method.

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 State law changes 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 UAAL. Each year the UAAL is 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.

On March 26, 2004, the Board of Investments approved an annual valuation dated as of June 30, 2003. This valuation reported that the actuarial accrued liability increased by 7.2% to $30.5 billion. The funded ratio decreased from 99.4% as of June 30, 2002 to 87.2% as of June 30, 2003. This reduction primarily results from losses on actuarial assets due to lower than targeted investment returns and recognition of losses deferred from prior years.

On January 26, 2005, the Board of Investments approved a package of economic and non-economic assumptions for the fiscal year beginning July 1, 2005 that are different from prior years. These assumptions will be used in establishing the funded ratio and amount of UAAL, as well as the employer and employee contributions for Fiscal Year 2005-06. The precise impact of these changes will not be known until the actuarial valuation as of June 30, 2004 is presented to the Board of Investments on March 23, 2005.

UAAL and Deferred Investment Losses

As of June 30, 2003, the date of the most recent valuation, the UAAL was $3.91 billion. The UAAL as of June 30, 2002 was $175 million. The increase in the UAAL is primarily a result of lower than expected investment earnings. The actuary's recommended contribution rates for the County currently are 4.66% of payroll, the amount necessary to finance the UAAL over 30 years from June 30, 2003, and 9.99% for the County's normal cost contribution. The County has included the recommended contribution rate of 4.66% in the budget for Fiscal Year 2004-05.

The valuation as of June 30, 2003 also identified $1.95 billion in deferred investment losses that will be smoothed in to the UAAL over the next 3 actuarial years.

Contributions

The employers and members contribute to LACERA based on unisex rates recommended by an independent actuary and adopted by the Board of Investments and Los Angeles County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Participating Members 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 paid 100% or more of its employer contributions to LACERA in each of the last six years. In Fiscal Year 2002-03, the County's total contribution to the Retirement Fund was $517,362,000. In Fiscal Year 2003-04, the County's total contribution to the Retirement Fund was $520,254,000. The County expects to apply approximately $400 million of excess earnings credit in Fiscal Year 2004-05 to fund a portion of the County's employer contribution to LACERA. The County has reduced its reliance on the excess earnings credit by $30 million for net cost to the County ("NCC") per year for the past six years. The County's Final Budget included a $50 million increase in NCC for Fiscal Year 2004-05.

Investments

The Board of Investments has exclusive control of all retirement system 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 members 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 March 31, 2004 are 33% domestic equity, 24% international equity, 27% fixed income, 10% real estate, 5% alternative investments and 1% cash. The total annualized return on system investments as of the June 30, 2003 valuation, was 3.6%.

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, 2003, there was $657 million available in the STAR Program Reserve to fund future benefits. Future *ad hoc* increases in 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. Excess earnings used to fund the STAR Program are presently non-valuation assets and are not included in the determination of the UAAL.

Post Retirement Health Care Benefits

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP includes medical and dental/vision plans for over 69,000 retirees or survivors and their eligible dependents. 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 $232.3 million in its Fiscal Year 2004-05 Budget for HBP related payments.

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 unfunded actuarial accrued liability (UAAL) of OPEB benefits has not been determined, nor have actuarial contribution rates been established to fund the UAAL. GASB 45, when implemented, would 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. 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.

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 this juncture, 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, and $1.2 billion remains to be used as an offset against future retirement fund payments.

The plaintiff unions sought to rescind the Agreement and require the County to pay LACERA the contributions it was relieved of paying because of the implementation of the Agreement. This would presumably make these funds available to pay for other employee retirement benefits.

In 2004, the Board of Supervisors authorized settlement in this case. In the settlement, the County agreed to pay attorney fees up to $35,000 (LACERA to pay a like amount), to "consult" with the unions next time the Agreement is modified, and to hire an actuary next time the Agreement is modified. On May 30, 2004, a "no opt-out" class action notice was sent to active and retired employees, who will be given the opportunity to oppose the settlement.

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 (because the firefighters had 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.

Judge Chaney of the Superior Court, who has both the *Local 1014* and *Talbot* cases pending before her, held a status conference on January 4, 2005, to determine whether settlement was possible or whether the parties intended to pursue the litigation. Both LACERA and the firefighters have advised Judge Chaney that, even though the County is no longer technically a party to LACERA's declaratory relief action in *Local 1014* (at least in the Superior Court), or in *Talbot,* the County's approval to any settlement would be necessary since it is the County which would be required to fund any such settlement.

Judge Chaney has continued the status conference to February 28, 2005, and has given the County notice to attend.

Finally, in September of 2003, plantiffs 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 Fall 2005.

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. This program conversion provides approximately $10 million in savings annually.

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.

COUNTY BUDGET PROCESS

The County is required by 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 budget, the Governor's budget, and other projected revenue and expenditure trends. Based 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 late Spring. 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 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 could be amended, which could affect the level of County revenues and budgetary appropriations.

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

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

The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or 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 by the voters voting on the proposition.

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes". The County's appropriation limit for "proceeds of taxes" for 2003-04 is $10,216,355,238. The 2003-04 County Budget reflects proceeds of taxes at $4,137,669,000, which is 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 Appeal 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 a tax subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought.

No challenge is 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 which 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 prejudice 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 district, 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 which 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 charges through the initiative process.

A recent appellate court decision has ruled that Proposition 218 did not supersede Proposition 62. Consequently, it cannot be advanced that simply by the adoption of Proposition 218 only voter-approval of general taxes adopted, increased, or extended after January 1, 1995, is required.

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 which was approved by a majority of voters, or assessments which were imposed exclusively to finance the capital costs or maintenance and operation of sidewalks, streets, sewers, water, flood control, or drainage systems. Existing assessments which are used to repay bonded indebtedness, of which failure to pay would violate the Contract Impairment Clause of the United States 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 Public Library's benefit charge by the required two-thirds majority. In September 1998, the Board of Supervisors approved ordinance amendments which 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 Appropriations by Fund" on page A-10 of this Appendix, $4.4 billion of the $13.8 billion Proposed 2004-05 General County Budget is received from the federal government and $4.4 billion is funded by the State. The balance of $5.0 billion in County financing is generated from property taxes and a variety of other sources. The fact that 64.2% of General County financing is provided by the federal and State governments underscores the County's high reliance on those outside funding sources.

In addition, 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 amount 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 which removed State funding for certain health and welfare programs from the State budget, 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. The program shifted approximately $2.2 billion out of 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 programs.

The authorizing legislation, however, included a provision that would repeal such an increase in vehicle license fees if a final judicial determination was made that the State is obligated to reimburse counties for the cost of providing medical services to medically indigent adults. This provision was incorporated to reflect the status of a 1987 claim filed by the County of San Bernardino with the Commission on State Mandates to gain recognition of the shift in responsibility from the State to counties for the treatment of medically indigent adults. The Commission determined that a mandate did not exist but was overruled by the Los Angeles Superior Court. The State and Commission appealed this ruling in 1990.

In 1992, the counties of Los Angeles and San Bernardino agreed to settle the dispute with the State and seek dismissal of the claim. The claim was renewed, however, by the County of San Diego. On February 28, 1997, the California Supreme Court ruled in favor of the County of San Diego. As a result of this ruling, the claim was referred back to the Commission to determine the level of mandated activities and reimburseable costs.

The impact of this ruling on the County 's budget will be dependent on the actions of the State and the Commission. If the State halts funding of the Realignment Revenue Program, the State would be required under the California Supreme Court's ruling, to reimburse the County for services provided to medically indigent adults at a level determined by the Commission.

The State has maintained that funding of the Realignment Revenue Program from Vehicle License Fees will not cease until the Commission determines the level of any additional costs. The County cannot predict the State's actions once the Commission completes its determination of costs.

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 and the four largest United States tobacco manufacturers agreed 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 which 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 have 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 $607.6 million in tobacco settlement proceeds and accrued interest. As of June 30, 2003, $252.9 million of the collected proceeds had 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. 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 reduced the County's primary source of discretionary revenue by $681.2 million. The reduction has been partially offset by $348.0 million in revenues from the County's share of the Proposition 172 one-half cent public safety sales tax.

Welfare System Downsizing

In 1995-96, the State initiated an effort to downsize the welfare program. County match requirements related to welfare administration were waived, welfare assistance payments were reduced, and assistance to teen parents and general relief recipients were restricted. County match requirements associated with the Aid For Dependent Children, Food Stamp, and In-Home Supportive Services programs were also partially waived. As a result of these reductions and waivers, the County's annual welfare program costs decreased by $70.0 million.

In 1997-98, the State also funded a major Welfare to Work Program in the California Work Opportunity and Responsibility to Kids Program (CalWORKs). The Program established aid limits and participation requirements on adults, and expanded child care and job training services. Performance incentives were also provided to encourage counties to generate programmatic savings.

Public Safety/Justice Programs

In terms of public safety programs, the State has provided $100.0 million in ongoing funding for county jail construction/operations and criminal prosecution. Such funds were allocated on a per capita basis and were restricted to the augmentation of existing programs.

The State also provided $61.0 million in one-time funding for local law enforcement grants and $38.0 million to reimburse counties for the detention of parole violators in local jails. Since 1996-97, the State has also budgeted approximately $76.2 million in grant funding for juvenile programs at the County's probation camps and juvenile halls.

The State Budget has also maintained appropriations for drug court operations, detention and transportation of State prisoners, the Citizens Option for Public Safety Program (COPS), and juvenile crime enforcement programs.

In addition, $96.0 million was allocated for the construction of a new crime laboratory in Los Angeles County and $75.0 million was appropriated for expansion or construction of juvenile detention facilities throughout the state.

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 future 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 affected county.

Health Programs / Disproportionate Share Hospitals

With respect to funding of county health programs, the State has focused on a restructuring of the administrative fees paid under the Disproportionate Share Hospital Program (DSH). Under State law, the DSH matches federal resources with State funds for allocation to public and private hospitals providing a disproportionate share of services to patients eligible for Medicaid assistance compared to other hospitals serving indigent patients.

Since 1996-97, the State has annually reduced DSH administrative fees which have reduced the County's annual costs by $23.4 million. In addition, the State has authorized the distribution of $15.0 million in interest earned on the County's contribution to the State's DSH account.

The State budget has also increased funding for the Healthy Families Program by $37.3 million and has provided $63.8 million in funding for prenatal care. An additional $31.6 million has been provided by the State for medical services to homeless adults and undocumented workers.

Vehicle License Fees

In 1998, the basis of Vehicle License Fees (VLF) was reduced from 2.0% to 0.65% of a vehicle's market value. The 1998 law provided that the State would hold local governments financially harmless from the VLF reductions through annual State funding, and if sufficient funding was unavailable, through an increase in the VLF rate.

Failure to reverse the reduction in VLF revenue was estimated to impact the County by $191.0 million in 2002-03 and $575.0 million in 2003-04. Such a revenue reduction, without an equivalent increase in the VLF rate, would require the County to reduce General Fund appropriations throughout departmental budgets by $760.0 million in 2004-05 and eliminate 3,801 budgeted positions.

In June, 2003, the State restored VLF rates to their 1998 levels based on an opinion released by the legal counsels of the State Department of Finance and State Controller. This opinion concluded that the VLF could be administratively increased if sufficient State funds were not available to reimburse local governments for the loss in VLF revenue.

In November, 2003, the Governor signed an Executive Order that rescinded the VLF rate increase and ordered refunds to taxpayers. In December, 2003, however, the Governor authorized a deficiency appropriation to restore funding to local governments in an amount equal to the lost VLF revenue.

2004-05 STATE BUDGET

On January 9, 2004, the Governor released a $99.1 billion Proposed Budget for 2004-05. The proposed 2004-05 spending plan addressed a $26.0 billion budgetary shortfall through:

- the issuance of $15.0 billion in Economic Recovery Bonds;
- the implementation of $4.6 billion in program curtailments;
- the realization of $5.1 billion in savings resulting from a deferral of payments to schools and transportation projects, deferral of reimbursement to local governments for mandated programs, debt service savings, and additional borrowing; and
- $1.3 billion in additional revenue generated through a shift in property taxes from local jurisdictions to the State.

In March, 2004, state voters approved the issuance of the $15.0 billion in Economic Recovery Bonds and issuance of the bonds has commenced. In response to the Governor's proposal to shift an additional $1.3 billion in local property taxes to the State, local governments have proposed an amendment to the State Constitution to preclude future shifts of local property taxes from local jurisdictions and to require the repeal of any mandates on local governments that are not funded by the State within 12 months.

On May 13, 2004, the Governor released revisions to the Proposed 2004-05 State Budget to address a projected budgetary shortfall that had grown to $29.6 billion. The revised spending proposal reflected an additional $3.1 billion in additional revenue and $756.0 million in program savings and operational efficiencies to offset the increase in the projected shortfall.

The revised budget plan also reflected an agreement with local governments to limit the proposed shift in property tax revenues to $1.3 billion for two years. After two years, 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 to limit the State's authority to reduce local sales tax rates or alter the 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 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 $2.09 billion in one-time funds from the Economic Recovery Bonds, and $170.0 million in other adjustments. It is estimated that curtailments contained in the Proposed State Budget could result in the loss of up to $161.1 million in revenue to the County in 2005-06.

THE COUNTY BUDGET

The County Budget is comprised of eight 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 Districts, Other Enterprise Funds and Other Funds.

The General County Budget accounts for approximately 80.2% of the Final 2004-05 County Budget and funds programs which are largely provided on a county-wide basis (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 (i.e., law enforcement, planning and engineering).

Special Funds represent approximately 8.2% of the Final 2004-05 County Budget and are used to account for the allocation of revenues which are restricted to specific purposes such as Public Library operations, courthouse construction programs and operations and specified automation projects.

Special Districts account for approximately 8.8% of the Final 2004-05 County Budget and are separate legal entities which are funded by specific taxes and assessments and provide public improvements and/or services which benefit 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 Enterprise Funds reflect only 0.6% of the Final 2004-05 County Budget and are distinct fiscal entities which account for the operations of certain governmental units and like a private business, 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 2.2% of the Final 2004-05 County Budget and include 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 2000-01		Final 2001-02		Final 2002-03	Final 2003-04	Final 2004-05
General Fund	$	11,023,135	$	11,875,704	$	12,129,125	12,104,810	12,616,794
Hospital Enterprise Fund		1,673,747		1,598,811		1,746,353	1,640,514	1,745,137
Debt Service Fund		43,111		46,463		44,489	43,521	44,362
Total General County Budget	**$**	**12,739,993**	**$**	**13,520,978**	**$**	**13,919,967**	**13,788,845**	**14,406,293**

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

		Final 2000-01		Final 2001-02		Final 2002-03	Final 2003-04	Final 2004-05
Requirements								
Social Services	$	4,667,551	$	4,821,194	$	4,647,236	4,696,224	4,711,572
Health		3,678,252		3,852,644		4,253,006	4,216,053	4,318,251
Justice		2,942,595		3,263,325		3,361,320	3,401,501	3,550,049
Other		1,451,595		1,583,815		1,658,405	1,475,067	1,826,421
Total	**$**	**12,739,993**	**$**	**13,520,978**	**$**	**13,919,967**	**13,788,845**	**14,406,293**
Revenue Sources								
Property Taxes	$	1,421,786	$	1,512,281	$	1,637,300	1,756,796	2,532,415
State Assistance		4,619,956		4,930,784		4,684,729	4,260,158	4,252,927
Federal Assistance		4,023,741		4,537,960		4,284,553	4,510,919	4,070,743
Other		2,674,510		2,539,953		3,313,385	3,260,972	3,550,208
Total	**$**	**12,739,993**	**$**	**13,520,978**	**$**	**13,919,967**	**13,788,845**	**14,406,293**

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

		Final 2000-01		Final 2001-02		Final 2002-03	Final 2003-04	Final 2004-05
Financing Requirements								
Salaries & Employee Benefits	$	5,255,338	$	5,790,267	$	6,091,773	6,245,540	6,607,111
Services & Supplies		4,089,373		4,420,085		4,532,836	4,539,358	4,619,687
Other Charges		3,827,177		3,816,776		3,772,010	3,779,382	3,782,145
Fixed Assets		499,007		474,459		444,208	372,395	490,517
Other Financing Uses		999,768		991,533		1,258,244	1,005,172	1,129,523
Residual Equity Transfers Out		558		343		377	370	299
Appropriation for Contingencies		0		146,071		100,322	22,526	16,221
Interfund Transfers		(1,473,627)		(1,485,337)		(1,715,532)	(1,584,315)	(1,728,744)
Gross Appropriation	$	13,197,594	$	14,154,197	$	14,484,238	14,380,428	14,916,759
Less: Intrafund Transfers		(658,209)		(749,733)		(738,466)	(697,293)	(708,686)
Net Appropriation	$	12,539,385	$	13,404,464	$	13,745,772	13,683,135	14,208,073
Reserves								
General Reserves	$	5,154	$	5,029	$	4,581	4,367	4,007
Designations		195,133		111,250		169,385	100,987	194,034
Estimated Delinquencies		321		235		229	356	179
Total Financing Requirements	**$**	**12,739,993**	**$**	**13,520,978**	**$**	**13,919,967**	**13,788,845**	**14,406,293**
Available Financing								
Fund Balance	$	410,549	$	534,709	$	605,949	681,196	874,846
Cancellation of Reserves/Designations		248,527		205,054		447,023	264,763	222,101
Property Taxes: Regular Roll		1,866,762		1,476,781		1,601,800	1,706,011	2,452,682
Supplemental Roll		33,950		35,500		35,500	50,785	79,733
Revenue		10,180,205		11,268,934		11,229,695	11,086,090	10,776,931
Total Available Financing	**$**	**12,739,993**	**$**	**13,520,978**	**$**	**13,919,967**	**13,788,845**	**14,406,293**

Source: Chief Administrative Office

RECENT COUNTY BUDGETS

Recent General County Budgets have reflected a conservative approach to maintaining a stable budgetary outlook in a volatile and uncertain fiscal environment. An ongoing structural imbalance in the County's budget, caused by the State's shift of property tax revenues, unfunded State and federal mandates, and inflexible Maintenance of Effort requirements, have generally been mitigated by the County's absorption of inflationary cost increases, curtailments in departmental operations and the development of new health revenues.

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 reduce and eliminate its reliance on surplus interest earnings from LACERA to fund ongoing costs by reducing the use of the interest credit by an additional $30.0 million in each fiscal year until the credit is eliminated. As of 2003-04, the County has reduced its use of the surplus interest credit by $220.0 million;

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

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

- reductions in General Relief grant levels due to statutorily authorized eligibility and time limits;

- 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;

- 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 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

- an extension to the 1115 Waiver until June 30, 2005 with the gradual elimination of Waiver funding over the five-year period.

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

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Health Services

The planned expiration of the 1115 Waiver Extension in 2005, combined with the structural imbalance in the Department of Health Services budget, represents the County's most difficult budgetary challenge. Following the expiration of the 1115 Waiver Extension, the County anticipates a operating deficit of $340.9 million in 2006-07 that would grow to $803.3 million in 2007-08. To address the projected shortfall, the Department developed a System Redesign plan which provided a focused, system-wide approach to restructure the County's health delivery system.

System Redesign

The Department's System Redesign represents an integrated and coordinated system of providing care for medically indigent and Medi-Cal patients through a balanced program of inpatient, outpatient, and emergency services. These services are provided through "basic care" hospitals which provide the minimum levels of service required under State law and "tertiary care" hospitals which offer a broad range of specialty care and research opportunities that exceed the levels offered at a basic care hospital.

Among the County's hospitals, LAC+USC, Harbor/UCLA, and Martin Luther King Jr./Drew Medical Centers are currently classified as tertiary care hospitals, while Olive View/UCLA Medical Center and High Desert Hospital are basic care hospitals. The size of the County's basic and tertiary care facilities, provides an opportunity to offer a wide array of ambulatory care services with greater economies of scale and improved service coordination. To achieve these economies and restructure the County's health system to address the projected shortfall, the System Redesign program assumed:

- designation of the LAC+USC Medical Center as the County's sole tertiary hospital with emergency and trauma services at a 600-bed level;

- retention of Martin Luther King Jr./Drew Medical Center as a basic acute care hospital with inpatient, emergency, and trauma services;

- transition of Rancho Los Amigos Rehabilitation Center to a public authority that is distinct from the County or closure of the facility;

- significant reductions in Public/Private Partnership Program costs;

- reductions in psychiatric service costs of 20% and overall health administration costs of 35%;

- conversion of Harbor/UCLA Medical Center from a tertiary care to a basic care hospital with emergency and trauma services;

- retention of Olive View/UCLA Medical Center as a basic care hospital with emergency services;

- retention of all comprehensive health centers, public health centers, and four health centers;

- reduction in health administration costs of 17%; and

- receipt of $404.9 million in State and/or federal revenue.

The Board of Supervisors endorsed the System Redesign program on June 26, 2002 and directed the Department to take any necessary actions, including the preparation of notices and scheduling of Beilenson hearings, to implement the System Redesign recommendations.

Based on the Board's actions, 11 additional health centers and four school based health clinics were closed. In addition, inpatient services at High Desert Hospital were eliminated and the number of inpatient beds at the LAC+USC Medical Center were ordered to be reduced from 700 to 650 by May 2003.

The Board also directed the Department on June 26, 2002, to continue studying the feasibility of transferring responsibility for Rancho Los Amigos Rehabilitation Center to a separate public authority with the condition that the County's annual operating subsidy be reduced from the then current level of $71.0 million to $14.7 million.

Property Tax for Emergency Services

The Board also 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. The Department has developed plans to maximize the benefit of the Measure B funds among private and public hospital trauma programs. The 2004-05 Final Budget includes $192.8 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 Department's bioterrorism preparedness activities.

Additional State and Federal Funding and Revision of Projected Deficit

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 will receive:

- $50.0 million in one-time funding under a settlement of 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.

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

Rancho Los Amigos Rehabilitation Center

On October 29, 2002, the Board of Supervisors directed the Department to proceed with the closure of Rancho Los Amigos Rehabilitation Center (Rancho) and scheduled a Beilenson Hearing in January 2003. The Board's action was based on the Department's 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 Department's conclusions. The independent review was completed in January 2003 and generally confirmed the results of the Department's analysis. It also concluded that the operation of the Rancho facility under an alternative operational structure would require significant reductions in costs and 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 also directed the Department, however, to concurrently work 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 levels, MediCal 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.

Injunction Against the Closure of Rancho Los Amigos Rehabilitation Center 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 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 or eliminating 100 beds at LAC+USC Medical Center. The County has filed an appeal (See "Litigation" in this Appendix).

2004-05 COUNTY BUDGET

The Final 2004-05 General County Budget, as approved by the Board of Supervisors on September 27, 2004, appropriates $18.0 billion. For General County purposes (General Fund, Hospital Enterprise Fund, and Debt Service Funds), the Final Budget appropriates $14.4 billion, which represents a 4.4% increase from the 2003-04 budget.

The Final 2004-05 General County Budget is supported by $2.5 billion in property taxes, $874.8 million in fund balance, $222.1 million in cancelled designations, and $10.8 billion in revenue. Overall, the Final 2004-05 General County Budget reflects an increase of $617.4 million in funding from the Final 2003-04 Budget and the restoration of 90 positions. The Final Budget also incorporates $167.5 million to absorb unavoidable cost increases of 17.3% in worker's compensation costs, 22.8% in retiree health insurance costs, and 87.0% in unemployment insurance costs.

The Final 2004-05 General County Budget also reflects an agreement between the State and local governments that limits the transfer of $1.3 billion in property taxes to the State to two years. Under the final agreement, the County will contribute $103.2 million in 2004-05 and 2005-06. The Final 2004-05 General County Budget incorporates $206.4 million to fund these contributions.

The following tables compare the Final General County Budgets for 2003-04 and 2004-05.

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2003-04 BUDGET TO FINAL ADOPTED 2004-05 BUDGET
Net Appropriation: By Function
(in thousands)

Function	2003-04 Final Budget (1)	2004-05 Adopted Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 652,086.0	$ 746,459.0	$ 94,373.0	14.47 %
General Services	170,105.0	209,957.0	39,852.0	23.43
Public Buildings	302,458.0	522,214.0	219,756.0	72.66
Total General	$ 1,124,649.0	$ 1,478,630.0	$ 353,981.0	31.47 %
Public Protection				
Justice	$ 3,213,181.0	$ 3,331,108.0	$ 117,927.0	3.67 %
Other Public Protection	88,207.0	107,363.0	19,156.0	21.72
Total Public Protection	$ 3,301,388.0	$ 3,438,471.0	$ 137,083.0	4.15 %
Health and Sanitation	$ 4,216,053.0	$ 4,318,251.0	$ 102,198.0	2.42 %
Public Assistance	4,696,224.0	4,711,572.0	15,348.0	0.33
Recreation and Cultural Services	176,600.0	117,855.0	(58,745.0)	(33.26)
Insurance and Loss Reserve	103,897.0	83,897.0	(20,000.0)	(19.25)
Reserves/Designations	105,710.0	198,220.0	92,510.0	87.51
Debt Service	41,798.0	43,176.0	1,378.0	3.30
Appropriation for Contingencies	22,526.0	16,221.0	(6,305.0)	(27.99)
Total Requirements	**$ 13,788,845.0**	**$ 14,406,293.0**	**$ 617,448.0**	**4.48 %**
AVAILABLE FUNDS				
Property Taxes	$ 1,756,796.0	$ 2,532,415.0	$ 775,619.0	44.15 %
Fund Balance	681,196.0	874,846.0	193,650.0	28.43
Cancelled Prior Year Reserves	264,763.0	222,101.0	(42,662.0)	(16.11)
Intergovernmental Revenues				
State Revenues				
In-lieu Taxes	$ 965,570.0	$ 447,083.0	$ (518,487.0)	(53.70) %
Homeowners' Exemption	20,576.0	20,572.0	(4.0)	(0.02)
Public Assistance Subventions	1,024,123.0	1,511,687.0	487,564.0	47.61
Other Public Assistance	318,444.0	337,567.0	19,123.0	6.01
Public Protection	688,555.0	729,673.0	41,118.0	5.97
Health and Mental Health	915,359.0	883,376.0	(31,983.0)	(3.49)
Capital Projects	40,408.0	41,299.0	891.0	2.21
Other State Revenues	35,558.0	52,446.0	16,888.0	47.49
Total State Revenues	$ 4,008,593.0	$ 4,023,703.0	$ 15,110.0	0.38 %
Federal Revenues				
Public Assistance Subventions	$ 2,490,503.0	$ 2,097,994.0	$ (392,509.0)	(15.76) %
Other Public Assistance	106,085.0	107,411.0	1,326.0	1.25
Public Protection	340,578.0	324,158.0	(16,420.0)	(4.82)
Health and Mental Health	561,855.0	575,329.0	13,474.0	2.40
Capital Projects	16,664.0	15,032.0	(1,632.0)	(9.79)
Other Federal Revenues	3,451.0	3,473.0	22.0	0.64
Total Federal Revenues	$ 3,519,136.0	$ 3,123,397.0	$ (395,739.0)	(11.25) %
Other Governmental Agencies	118,905.0	116,471.0	(2,434.0)	(2.05)
Total Intergovernmental Revenues	$ 7,646,634.0	$ 7,263,571.0	$ (383,063.0)	(5.01) %
Fines, Forfeitures & Penalties	$ 181,863.0	$ 183,198.0	$ 1,335.0	0.73 %
Licenses, Permits and Franchises	51,695.0	54,566.0	2,871.0	5.55
Charges for Services	1,720,730.0	1,680,637.0	(40,093.0)	(2.33)
Other Taxes	144,700.0	147,500.0	2,800.0	1.94
Use of Money and Property	107,635.0	104,329.0	(3,306.0)	(3.07)
Miscellaneous Revenues	685,286.0	812,909.0	127,623.0	18.62
Operating Contribution from General Fund	547,547.0	530,221.0	(17,326.0)	(3.16)
Total Available Funds	**$ 13,788,845.0**	**$ 14,406,293.0**	**$ 617,448.0**	**4.48 %**

(1) Reflects the Final Adopted 2003-04 Budget approved by the Board of Supervisors on September 16, 2003.

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

COUNTY OF LOS ANGELES
FINAL ADOPTED 2003-04 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	$	652,086.0	$	0.0	$	0.0	$	652,086.0
General Services		170,105.0		0.0		0.0		170,105.0
Public Buildings		302,458.0		0.0		0.0		302,458.0
Total General	$	1,124,649.0	$	0.0	$	0.0	$	1,124,649.0
Public Protection								
Justice	$	3,213,181.0	$	0.0	$	0.0	$	3,213,181.0
Other Public Protection		88,207.0		0.0		0.0		88,207.0
Total Public Protection	$	3,301,388.0	$	0.0	$	0.0	$	3,301,388.0
Health and Sanitation		2,575,539.0		0.0		1,640,514.0		4,216,053.0
Public Assistance		4,696,224.0		0.0		0.0		4,696,224.0
Recreation and Cultural Services		176,600.0		0.0		0.0		176,600.0
Insurance and Loss Reserve		103,897.0		0.0		0.0		103,897.0
Reserves/Designations		103,987.0		1,723.0		0.0		105,710.0
Debt Service		0.0		41,798.0		0.0		41,798.0
Appropriation for Contingencies		22,526.0		0.0		0.0		22,526.0
Total Requirements	**$**	**12,104,810.0**	**$**	**43,521.0**	**$**	**1,640,514.0**	**$**	**13,788,845.0**
AVAILABLE FUNDS								
Property Taxes	$	1,750,599.0	$	6,197.0	$	0.0	$	1,756,796.0
Fund Balance		678,361.0		2,835.0		0.0		681,196.0
Cancelled Prior Year Reserves		231,374.0		1,581.0		31,808.0		264,763.0
Intergovernmental Revenues								
State Revenues								
In-lieu Taxes	$	965,570.0	$	0.0	$	0.0	$	965,570.0
Homeowners' Exemption		20,500.0		76.0		0.0		20,576.0
Public Assistance Subventions		1,024,123.0		0.0		0.0		1,024,123.0
Other Public Assistance		318,444.0		0.0		0.0		318,444.0
Public Protection		688,555.0		0.0		0.0		688,555.0
Health and Mental Health		858,102.0		0.0		57,257.0		915,359.0
Capital Projects		40,408.0		0.0		0.0		40,408.0
Other State Revenues		35,558.0		0.0		0.0		35,558.0
Total State Revenues	$	3,951,260.0	$	76.0	$	57,257.0	$	4,008,593.0
Federal Revenues								
Public Assistance Subventions	$	2,490,503.0	$	0.0	$	0.0	$	2,490,503.0
Other Public Assistance		106,085.0		0.0		0.0		106,085.0
Public Protection		340,578.0		0.0		0.0		340,578.0
Health and Mental Health		561,296.0		0.0		559.0		561,855.0
Capital Projects		16,664.0		0.0		0.0		16,664.0
Other Federal Revenues		3,451.0		0.0		0.0		3,451.0
Total Federal Revenues	$	3,518,577.0	$	0.0	$	559.0	$	3,519,136.0
Other Governmental Agencies		118,905.0		0.0		0.0		118,905.0
Total Intergovernmental Revenues	$	7,588,742.0	$	76.0	$	57,816.0	$	7,646,634.0
Fines, Forfeitures & Penalties		181,863.0		0.0		0.0		181,863.0
Licenses, Permits and Franchises		51,685.0		10.0		0.0		51,695.0
Charges for Services		888,448.0		1,188.0		831,094.0		1,720,730.0
Other Taxes		144,700.0		0.0		0.0		144,700.0
Use of Money and Property		75,799.0		31,624.0		212.0		107,635.0
Miscellaneous Revenues		513,239.0		10.0		172,037.0		685,286.0
Operating Contribution from General Fund		0.0		0.0		547,547.0		547,547.0
Total Available Funds	**$**	**12,104,810.0**	**$**	**43,521.0**	**$**	**1,640,514.0**	**$**	**13,788,845.0**

(1) Reflects the Final Adopted 2003-04 General County Budget adopted by the Board of Supervisors on September 16, 2003.

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.

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 assessee.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County as shown on the 2003-04 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 $25,693,619,793.

Taxpayer	Total Tax Levy 2003-04
Southern California Edison Co.	$37,447,862
SBC California	26,658,526
Douglas Emmett Realty Fund	23,747,360
Chevron USA Inc.	23,136,149
BP Amoco Corporation	21,186,081
Exxon Mobil Corporation	20,334,825
Verizon California Inc.	17,716,265
Arden Realty LTD Partnership	17,159,472
Southern California Gas Co.	16,647,237
Maguire Thomas Partners	11,619,225
Phillips Petroleum Co.	10,824,607
Universal Studios Inc.	10,770,828
Equilon Enterprises LLC	9,133,228
Anheuser Busch Inc.	8,560,368
Macerich Lakewood LLC	8,470,298
Valero Energy	8,272,384
MCA Inc.	8,122,532
AES Alamitos, LLC	6,678,547
Kilroy Realty LP	6,073,224
One Hundred Towers LLC	6,053,649

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 1999-00 through 2003-04.

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	344,167,928 (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 January 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 through February 2005. 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 12/31/04
Property Taxes	$1,315,755.9	$1,430,710.1	$1,547,067.8	$1,640,242.3	1,785,967.3	$764,406.4
Other Taxes	130,687.8	138,826.0	148,975.1	166,217.0	187,564.4	77,923.3
Licenses, Permits and Franchises	44,405.0	44,714.6	45,750.8	52,681.1	56,620.9	20,843.7
Fines, Forfeitures and Penalties	188,924.9	177,039.3	191,734.1	188,681.2	201,931.0	55,101.8
Use of Money and Property	128,599.2	158,216.7	106,555.9	75,334.7	64,776.7	18,479.1
State In-Lieu Taxes	865,059.8	937,958.0	996,161.0	1,044,298.3	933,133.8	215,566.8
State Homeowner Exemptions	20,667.7	20,747.4	20,725.9	20,726.3	20,514.7	3,233.7
Charges for Current Services	961,185.0	1,147,764.0	1,204,609.8	1,146,235.6	1,255,964.0	457,962.0
Miscellaneous Revenues	273,027.4	247,699.2	175,529.4	175,932.7	219,914.3	48,487.1
TOTAL UNRESTRICTED RECEIPTS	$3,928,312.7	$4,303,675.3	$4,437,109.9	$4,510,349.0	4,726,387.1	$1,662,003.9

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 December 2004.

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	0.0	**Harbor/UCLA Medical Center**
683.0	85.0	1,317.0	904.0	(438.0)	0.0	**Olive View Medical Center**
(6,888.0)	2,048.0	(159.0)	(5,569.0)	(878.0)	0.0	**LAC + USC Medical Center**
3,194.0	607.0	678.0	244.0	(2,062.0)	0.0	**Martin Luther King Jr., Hospital**
239.0	612.0	390.0	(141.0)	182.0	0.0	**High Desert Hospital**
995.0	(56.0)	465.0	193.0	1,088.0	0.0	**South/West Network Hospital**
105,404.0	105,474.0	105,556.0	105,705.0	105,785.0		**ACO-LAC+USC Med Equip Fund**
105,067.0	106,314.0	110,572.0	101,190.0	104,657.0	0.0	**Subtotal**
1,967,257.0	**1,561,458.0**	**1,455,434.0**	**2,658,928.0**	**1,661,765.0**	**940,203.0**	**GRAND TOTAL**

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

	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-Various	19,317.0	19,463.0	19,520.0	19,553.0	19,626.0	19,620.0
Subtotal	394,973.0	516,654.0	519,278.0	519,494.0	525,057.0	508,776.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	6,648.0	5,716.0	2,976.0	289.0	1,028.0	(701.0)
Olive View Medical Center	3,421.0	(121.0)	577.0	99.0	(897.0)	(1,479.0)
LAC+USC Medical Center	804.0	17,628.0	1,125.0	(8,332.0)	(2,633.0)	1,425.0
Martin Luther King Jr., Hospital	2,146.0	2,977.0	551.0	1,563.0	(841.0)	(858.0)
High Desert Hospital	82.0	(150.0)	104.0	368.0	69.0	(134.0)
South/West Network Hospital	415.0	987.0	544.0	676.0	940.0	922.0
ACO-LAC+USC Med Equip Fund	106,050.0	106,130.0	106,285.0	106,418.0	106,555.0	106,735.0
Subtotal	119,566.0	133,167.0	112,162.0	101,081.0	104,221.0	105,910.0
GRAND TOTAL	**1,000,178.0**	**1,071,255.0**	**1,052,491.0**	**1,327,466.0**	**2,218,211.0**	**2,961,428.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	
						PROPERTY TAX GROUP
						Tax Collector's Trust Fund
						Auditor Unapportioned Money
						Unsecured Property Tax Fund
						Miscellaneous Fees & Taxes
						State Redemption Fund - TTC
						Educ Rev Augmentation Fund
						State Reimbursement Fund
						SUTC FD
						REBATE FUND
						Rebate Fund
0.0	0.0	0.0	0.0	0.0	0.0	**Subtotal**
						VARIOUS TRUST GROUP
						Departmental Trust Fund
						Payroll Revolving Fund
						Productivity Investment Fund
						ACO Fund-Motor Vehicle/ISD
						Civic Center Parking
						Reporters Salary Fund
						Cable TV Franchise Fund
						Megaflex-Various
0.0	0.0	0.0	0.0	0.0	0.0	**Subtotal**
						HOSPITAL GROUP
						Harbor/UCLA Medical Center
						Olive View Medical Center
						LAC + USC Medical Center
						Martin Luther King Jr., Hospital
						High Desert Hospital
						South/West Network Hospital
						ACO-LAC+USC Med Equip Fund
0.0	0.0	0.0	0.0	0.0	0.0	**Subtotal**
0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2003-04: 12 MONTHS ACTUALS
2004-05: 06 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 DECEMBER, 2004
(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	943,010.2	770,472.2	478,893.3	578,878.6	368,856.4	
520,643.9	111,354.5	23,479.7	599,631.3	511,806.4	2,015.4	2,569,020.1
12,449.7	12,862.8	13,236.6	11,439.1	14,152.3	11,380.6	158,000.0
4,167.0	6,407.6	7,028.1	3,354.4	9,221.1	7,531.8	60,000.0
9,760.7	17,608.3	17,989.0	8,149.7	12,442.3	12,378.1	182,000.0
8,716.8	5,495.2	5,558.3	6,176.6	5,271.2	9,064.9	72,750.0
197,350.9	233,552.8	180,006.1	191,686.3	202,987.8	162,670.1	2,800,874.0
91,857.7	119,889.4	93,170.7	90,303.5	78,090.0	154,524.7	1,192,500.0
3,441.1	3,227.3	4,490.7	106,098.8	5,058.6	5,431.5	236,016.0
14,361.0	28,911.0	165,002.7	25,138.6	6,802.1	588,974.6	1,886,771.0
350,276.2	320,749.2	340,336.7	329,908.8	318,006.4	312,919.7	3,851,000.0
926.0	9,349.3	8,565.5	36,087.8	20,411.5	25,169.9	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
1,213,951.1	869,407.2	858,864.2	1,407,974.7	1,184,249.7	1,910,011.1	14,426,881.1
160,393.6	149,545.4	160,179.8	216,681.6	217,067.7	220,706.9	2,205,000.0
405,215.4	397,091.9	389,644.5	425,031.6	420,082.1	411,369.7	5,004,227.1
264,113.4	261,934.8	309,848.9	260,763.7	252,731.7	251,508.5	3,311,000.0
163,356.5	165,373.2	217,769.9	246,562.5	504,390.5	143,269.2	3,022,892.8
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
1,102,078.8	1,041,945.3	1,150,443.0	1,307,989.4	1,394,272.0	1,644,804.3	14,779,019.9
943,010.2	770,472.2	478,893.3	578,878.6	368,856.4	634,063.2	
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 December 31, 2004, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	$ 7.862
Schools and Community Colleges	8.484
Independent Public Agencies	1.251
Total	$17.597

Of these entities, the involuntary participants accounted for approximately 92.88%, and all discretionary participants accounted for 7.12% 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 February 3, 2004, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return of 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 January 24, 2005, the December 31, 2004 book value of the Treasury Pool was approximately $17.597 billion and the corresponding market value was approximately $ 17.558 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 December 31, 2004, approximately 54.25% of the pool investments mature within 60 days, with an average of 175.27 days to maturity for the entire portfolio.

The following table identifies the types of securities held by the Pool as of December 31, 2004

Type of Investment	% of Pool
U.S. Government and Agency Obligations	47.81
Certificates of Deposit	17.66
Commercial Paper	27.44
Bankers Acceptances	0.00
Municipal Obligations	0.15
Corporate Notes & Deposit Notes	6.26
Asset Backed Instruments	0.00
Repurchase Agreements	0.68
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)
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	29,943
Total Assets	2,405,657	2,792,058	2,978,947		3,447,102	3,681,730
LIABILITIES						
Accounts Payable	212,889	274,050	304,943		304,857	238,415
Accrued Payroll	259,437	283,457	300,728		310,698	314,676
Other Payables	77,259	56,343	194,405		188,952	218,132
Accrued Vacation and Sick Leave	25,641	33,193	0	(1)	0	0
Due to Other Funds	561,298	616,742	283,710		524,204	615,635
Deferred Revenue	121,449	121,077	251,541		231,357	216,796
Advances Payable	0	0	105,629		162,673	167,613
Workers' Compensation Liability	137,475	175,559	0	(1)	0	0
Estimated Liability for Litigation and Self-Insurance Claims	69,099	63,944	0	(1)	0	0
Estimated Liability to Third-Party Payors	34,289	41,609	25,637		26,631	22,636
Total Liabilities	1,498,836	1,665,974	1,466,593		1,749,372	1,793,903
EQUITY						
Fund Balance (Deficit)						
Reserved	301,023	329,926	358,765		382,758	350,565
Unreserved						
Designated	432,331	529,748	595,040		668,807	659,006
Undesignated	173,467	266,410	558,549		646,165	878,156
Total Unreserved	605,798	796,158	1,153,589		1,314,972	1,537,162
Total Equity	906,821	1,126,084	1,512,354		1,697,730	1,887,727
Total Liabilities and Equity	2,405,657	2,792,058	2,978,947		3,447,102	3,681,630

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

COUNTY OF LOS ANGELES

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

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

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

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

DEBT SUMMARY

INTRODUCTION

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

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 January 1, 2005

The County's outstanding General County intermediate and long-term debt declined to $2.5 billion in principal as of January 1, 2005 reflecting debt issuance and payment activity during the fiscal year. An additional $600.0 million in Tax and Revenue Anticipation Notes and $15.0 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 January 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	15,000.0
Intermediate & Long-Term Obligations	
General Obligation Bonds	23,470.0
Special Fund Obligations	66,828.1
Pension Obligations	1,050,107.4
Lease Obligations	1,349,678.3
Total Outstanding Principal	$3,105,083.8

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
1994	$ 4,535,108,786	$ 456,800,860,478	0.993%
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 January 1, 2005, $15.0 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 January 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 January 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 is scheduled to expire on April 1, 2007.

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 $191.8 million in outstanding TECP. As of January 1, 2005, $209.4 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 January 1, 2005;

6. the County's overlapping debt statement as of January 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 JANUARY 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

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 & Refridgeration 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	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	1,062,983	1,062,983							
LAC/USC Medical Center Marengo Street Parking Garage	2,832,730			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	610,280				610,280				
Long Beach Comprehensive Health Center									
Van Nuys Courthouse	4,405,448				4,405,448				
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	891,935	891,935							
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	271,916	271,916							
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	1,090,421	1,090,421							
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	251,867	251,867							
Pitchess Honor Rancho: Vehicle Maintenance Facility	639,813	639,813							
Men's Central Jail Parking Structure	2,871,091	2,871,091							
Mira Loma Men's Medium Security Facility	515,719	515,719							
Pitchess Honor Rancho Laundry Expansion	288,283	288,283							
Pitchess Honor Rancho Visitors Center	713,910	713,910							
Pomona Municipal Courthouse	596,623				596,623				
Hutton Building - Registrar / Recorder Headquarters	3,720,489	3,720,489							
Temple City Sheriff Station	1,226,430	1,226,430							
Public Library Headquarters	515,808					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	34,560,000			34,560,000					
1998 Refg COPs: Disney Parking Project	3,075,323	3,075,323							
2000 Lease Rev Bonds Ser A, Mult Cap Facilities Proj VI:									
San Fernando Valley Courthouse (Chatsworth)	5,996,938				5,996,938				
Harbor Med Center E.P.S.	1,365,713			1,365,713					
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	320,365				320,365				
Sheriffs Training Academy	264,469	264,469							
San Fernando Court	442,967				442,967				
Total 2002 Lease Rev Bonds Ser B	1,027,800	264,469	0	0	763,331	0	0	0	0
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	1,176,726	799,604		344,505			32,616		
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	5,894,700	5,238,160		656,540					
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	5,601,663	3,230,066		2,371,596					
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 & Refridgeration 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	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

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 JANUARY 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	4,779,470	108,876	
1993 COPs, Series C - Marina del Rey	11,728,070	12,896,951	287,631	
Total Special Fund Obligations	66,828,095	75,277,783	396,507	
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				
1985 COPs, Series A - Anderson Gallery				(1)
1985 COPs, Series B - Japanese Pavilion				(1)
1987 COPs - Public Properties Refunding Project	4,090,135	13,840,000	13,840,000	
1992 Lease Rev Refg Bonds - 1992 Master Refunding Project	71,265,000	83,191,640	2,126,224	
1993 COPs - Disney Parking Project	51,428,204	204,580,000	2,235,000	
1993 Lease Rev Bonds - Multiple Capital Facilities Project IV	200,295,000	261,821,193	4,926,396	
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	34,855,000	46,947,169	3,002,856	
1996 Lease Rev Bonds, Series B - Multiple Capital Facilities Project V	106,340,000	191,140,906	2,748,071	
1997 Lease Rev Refg Bonds, Series A - 1997 Master Refunding Project	113,550,000	139,180,365	15,782,515	
1997 Tax-Exempt Commercial Paper Program	209,400,000	254,304,240	38,160,000	(3)
1998 Refg COPs - Disney Parking Project	60,015,000	107,731,464	1,534,021	
2000 Lease Rev Bonds, Series A - Multiple Capital Facilites Project VI	92,165,000	176,242,963	4,763,825	
2000 COPs, Series A - Antelope Valley Courthouse	113,700,000	225,886,890	2,980,784	
2002 Lease Rev Bonds, Series A - Edelman Court Project Refunding	23,980,000	28,491,863	3,102,813	
2002 Lease Rev Bonds, Series B - 2002 Master Refunding Project	17,130,000	27,066,900	513,900	
Total Long-Term Capital Projects	1,325,863,339	2,051,880,098	95,716,404	
Total Long-Term Obligations	$2,466,268,831	$4,323,844,216	$104,302,042	
Intermediate-Term Obligations				
Intermediate-Term Capital Projects				
1985 COPs - Southwest DPSS				
Equipment				
1998 Lease Rev Bonds, Series B - LAC CAL Equipment				
1999 Lease Rev Bonds, Series A - LAC CAL 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	2,490,083,831	4,348,565,367	112,838,121	

COPs = Certificates of Participation

(1) Outstanding 1985 COPs, Series A and 1985 COPs, Series B defeased in 2004.
(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 JANUARY 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 1/1/05	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT					
Los Angeles County	**100.000**	**%**	**$**	**23,470,000**	
Los Angeles County Flood Control District	100.000			136,175,000	
Metropolitan Water District	47.712			185,652,163	
Community College Districts	Various			1,261,160,518	
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			4,700,640,000	
Pasadena Unified School District	100.000			219,655,000	
Pomona Unified School District	100.000			134,790,000	
Other Unified School Districts	100.000			1,654,993,339	
Other School and High School Districts	Various	(1)		694,857,551	
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			13,764,709	
Community Facilties Districts	100.000			723,634,528	
Los Angeles County Regional Park & Open Space Assessment District	100.000			356,645,000	
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			$	12,907,267,970	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT					
Los Angeles County General Fund Obligations	**100.000**	**%**	**$**	**1,373,118,342**	(2)
Los Angeles County Pension Obligations	**100.000**			**1,320,852,395**	
Los Angeles County Office of Education Certificates of Participation	100.000			23,766,444	
Community College District Certificates of Participation	Various	(1)		124,349,315	
Los Angeles Unified School District Certificates of Participation	100.000			749,967,800	
Long Beach Unified School District Certificates of Participation	100.000			65,560,000	
Other Unified School District Certificates of Participation	100.000			411,629,034	
School and High School District General Fund Obligations	Various	(1)		202,868,958	
City of Beverly Hills General Fund Obligations	100.000			190,820,000	
City of Los Angeles General Fund and Judgement Obligations	100.000			1,261,968,000	
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			239,305,000	
City of Pasadena Pension Obligations	100.000			97,850,000	
Other Cities' General Fund Obligations	100.000			918,305,958	
Los Angeles County Sanitation Districts General Fund Obligations	100.000			419,765,000	
Other Special Districts General Fund Obligations	100.000			17,905,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$	7,820,511,246	
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				(200,744,223)	
Walnut Valley Water District General Fund Obligations				(16,900,000)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$	7,514,022,023	
GROSS COMBINED TOTAL DEBT			$	20,727,779,216	(3)
NET COMBINED TOTAL DEBT			$	20,421,289,993	

(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 lease revenue bond issue to be sold
(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		1.68%
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)		
Combined Gross Direct Debt ($2,717,440,737)		**0.39%**
Net Combined Direct Debt ($2,662,095,737)		**0.39%**
Gross Combined Total Debt		3.00%
Net Combined Total Debt		2.96%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04:	**$**	**1,609,401**

Source: California Municipal Statistics

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2002 Gross Product estimated at $356.0 billion, Los Angeles County's economy is larger than 42 states and all but 15 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 remains a leader in the communications industry, has established itself as a leading financial center and serves as the western headquarters for many national industrial and financial firms.

Since 2002, Los Angeles County experienced a modest recession with an unemployment rate of 6.8%. Compared to 2001, Los Angeles County lost approximately 26,600 nonfarm jobs. The County's 2004 economy appears to be slowly getting back on a recovery track with unemployment expected to decrease to 6.5%. The County is projected to increase jobs by 0.8% or about 31,300 jobs in 2004. Evidence for a modest recovery is supported by the defense and space work that has flowed into the County. In addition, support has also come from construction of major projects, including port expansions, the replacement of the County LAC/USC Medical Center, the UCLA Medical Center, and the engineering work on the Gold Line extension into East Los Angeles.

In terms of industry, diversity continues to be Los Angeles County's greatest strength. This year the best news for the County's economy is to be found in international trade and new homebuilding. International trade has continued to increase, making the ports of Los Angeles and Long Beach the busiest and most productive in the nation. On the other hand, housing permits issued in 2003 hit the highest level since 1989 and should level off, but still will turn in a sturdy performance in 2004.

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 the largest concentration of arts activity in the United States.

Los Angeles County boasts more major museums per capita than any other city in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities as well as provide a historical view 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 produces more annual theatrical productions and has more weekly openings than most cities in the world. Los Angeles is also home to the largest historical theater district in the nation, which features vaudeville houses, movie palaces, and nickelodeons.

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

Los Angeles County offers a full spectrum of recreational activities. Due to its geographic size, location, topography, and mild climate (an average of 329 days of sunshine), County residents and visitors can enjoy any form of outdoor recreation on a year-round basis. The County owns and maintains the world's largest manmade recreational harbor at Marina del Rey, which is home to more than 5,000 pleasure boats. More and more people visit Los Angeles County's 31 miles of public beaches along the County's 78 miles of shoreline each year and bike enthusiasts enjoy the County's 22-mile beach bikeway. The Department of Parks and Recreation offers 6,000 acres of natural areas and wildlife sanctuaries for hikers, picnickers, and horseback riders.

Millions of people visit the area's 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 1 Rose Parade and Rose Bowl game and the Academy Awards show. Los Angeles County has also hosted major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.

Population

Nearly 10.1 million people reside in the County of Los Angeles. It is California's most populous county with approximately 28.0% of the State's population residing within its borders and is larger in population than 42 states. Table A illustrates the recent historical growth in the County's population.

Employment

After two lean years, non-farm employment in the County should move back into a growth mode in 2004. Employment should increase by 0.8% or 31,300 jobs. The aerospace sector will enjoy modest employment growth, reflecting both major and minor contract awards and new homebuilding is expected to turn in a sturdy performance in 2004. Construction for the most part will continue to provide support with major projects such as County/USC Medical Center and UCLA Medical Center, and the Gold Line extension into East Los Angeles. The local unemployment rate should inch down to 6.5% for 2004.

Table F details the County's employment by industrial sector since 2000.

Personal Income

Total personal income in Los Angeles County continues to grow, with nearly $332.5 billion reported for Los Angeles County in 2004. Los Angeles County's total personal income in 2004 represents 28.0% of the total personal income generated in California. Table C provides a summary of the personal income levels in Los Angeles County since 2000.

Consumer Spending

Los Angeles County is a national leader in consumer spending. In 2004, Los Angeles County estimated $79.6 billion in retail sales, an increase of 4.4% from 2003 and an increase of 11.7% from 2000 levels. Table D provides a detail on the increasing levels of retail sales in Los Angeles County.

Industry

Los Angeles County is the industrial leader of the western United States. Its gross product of $356.0 billion in 2002 is higher than all but 15 countries and eight states. The County's business environment is distinguished by its diversity and balance and is a world leader in the high-technology, electronic, energy, communication, and entertainment industries. Table B provides the Gross Product of Los Angeles County.

Manufacturing

The County's manufacturing sector is a national leader. The world's largest toy manufacturer, Mattel, Inc. is headquartered in Los Angeles County along with the automobile design operations of the "Big Three" U.S. automobile manufacturers and Honda, Mazda, Nissan, Toyota, Volkswagen, and Volvo. In terms of manufacturing employment, Los Angeles County is ranked second among the nation's manufacturing centers.

Despite the most recent downturn in manufacturing employment, the strength of the manufacturing industry and expansion of other sectors of the economy fueled a steady decline in industrial vacancy rates from 4.25% in 2002 to 3.15% in 2003.

Services

Services such as accounting, architecture, engineering, law and management consulting, continue to cope with the sluggish economic situation, and a corporate focus on cost reduction. The job situation for 2004 will look better with all segments posting employment gains, although is some cases they will be modest. There has also been some good news for the local advertising industry, as non-auto advertising seems to be in a growth mode again.

In financial services there are hints of a rebound in IPOs, while venture capital firms are starting to become more active in bio-medical and technology. And, the recovery in the stock market has been good news for both brokers and local money managers.

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 dollar value of trade. It is the largest port complex in the U.S. and ranks as the third busiest in the world. The ports hit an important milestone in 2002, when more than 10.7 million TEUs (twenty-foot equivalent units) were moved. The total value of two-way trade at the Los Angeles Customs District is forecasted to increase by 8.7% in 2003 to $232.9 billion.

International trade and imports have been a powerful growth for the region. It is estimated that every $1 million dollar in export trade supports 18 jobs, thus 10% of the regional GDP is tied to goods 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. Extensive air, ship, integrated rail and highway facilities serve 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 and Glendale-Burbank-Pasadena Airport (Hollywood-Burbank Airport). Los Angeles International Airport is the third busiest and one of the most modern air terminals in the nation.

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The Ports of Los Angeles and Long Beach are contiguous to each other and together serve as the nation's largest harbor 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 some $102 billion. 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 ports 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. Being the busiest seaport is a gateway for trade between the United States and other countries. Their top trading area is eastern Asia, which the trade accounts for more than 90% of the shipments through the port. The top trading partners are China/Hong Kong, Japan, South Korea, and Taiwan. If the Port of Los Angeles and Port of Long Beach are combined, it would be the world's third busiest port complex, after Hong Kong and Singapore.

Together the Ports of Long Beach and Los Angeles represent the fastest growing port complex in the United States. Each of the ports currently has $1 billion expansion programs, which will allow further expansion of trade activity. This expansion should have a positive economic impact on the region and continue the creation of new jobs and expansion of trade-related employment.

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. Phase I is completed and Pier 400 is open for business. Upon completion of the second phase of construction in 2004, the area will span to 484 acres, with projected annual throughput at 2.4 million TEUs.

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 allow cargo to be transferred directly between ships and trains. Such transfers speed deliveries between Long Beach and markets nationwide.

Metro System – Infrastructure

The Metro System, a multi-modal, integrated passenger transportation system, is now in its operating stage for the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's highly diverse population 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 the continuous improvement of an efficient and effective transportation system for Los Angles 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. It currently employs more than 8,000 people in a broad range of technical specialties and services from Metro Bus and Metro Rail operators, mechanics, construction engineers, safety inspectors, transportation planning professionals, and customer information agents.

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 are attracted to Southern California each year, providing a significant contribution to the County's economy. In 2002, the Los Angeles Convention and Visitors Bureau reported that nearly 24.6 million overnight visitors stayed in Los Angeles with visitor expenditures exceeding $11.8 billion during the same period.

Travel and tourism in Los Angeles generates significant fees and taxes from travel related spending, including $751 million in State and local sales taxes and $212 million in federal taxes. Each 1% increase in visitors generates an additional $280 million in travel spending. According to the Los Angeles Economic Development Corporation, spending by Los Angeles visitors provides employment for 279,400 area residents.

Real Estate Market

The impact of the economic slow down in Los Angeles County did not affect the County's real estate market. In fact, it took an up swing. With continued high demand for housing, existing and new home sales increased strongly in 2003. It increased from 117,208 in 2002 to 118,131 in 2003. The increase in annual home sales is mirrored by a decline in industrial vacancy rates, defaults and foreclosures. The decline in vacant space reflects, in particular, the increasing space needs of the growing motion picture, multimedia, and business services industries. The annual default notices declined from 27,154 in 2002 to 21,313 in 2003.

Construction Activity

Low mortgage interest rates and population growth continue to support the southern California homebuilding industry. The trend of under building will not go away in the foreseeable future. Thus, the housing market will continue to rise as long as interest rates remain favorable. As a result, the number of residential building permits issued each year has increased significantly from 14,383 in 1999 to 21,260 in 2003. Annual building permit valuations for both residential and non-residential have steadily increased from $6.9 billion in 1999 to $8.0 billion in 2003.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

POPULATION LEVELS

GROSS PRODUCT

TOTAL PERSONAL INCOME

TAXABLE RETAIL SALES

UNEMPLOYMENT RATES

ESTIMATED AVERAGE EMPLOYMENT BY INDUSTRY

LARGEST PRIVATE SECTOR EMPLOYERS

AIRPORT ACTIVITY AND INTERNATIONAL TRADE

REAL ESTATE AND CONSTRUCTION

TABLE A: POPULATION LEVELS

	2000	2001	2002	*2003	**2004
Los Angeles County	9,487,400	9,653,900	9,817,400	9,979,600	10,142,600
California	33,753,000	34,385,000	35,000,000	35,591,000	36,176,000
Los Angeles County as a % of California	28.11%	28.08%	28.05%	28.04%	28.04%

* Estimated

**Forecasted

Sources: Los Angeles Economic Development Corporation

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

	1998	1999	2000	2001	2002
Los Angeles County	296.0	310.0	330.0	339.0	356.0
State of California	1,082.2	1,171.1	1,277.0	1,309.0	1,356.0
United States	8,782.0	9,274.0	9,825.0	10,082.0	10,446.0

Source: Los Angeles Economic Development Corporation

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

County	2000	2001	2002	*2003	**2004
Los Angeles County	282,700.0	296,233.0	303,635.0	316,088.0	332,525.0
Orange County	101,280.0	106,284.0	109,579.0	114,510.0	120,465.0
Riverside and San Bernardino Counties	76,881.0	80,842.0	85,773.0	89,375.0	94,201.0
Ventura County	24,197.0	24,828.0	25,347.0	25,501.0	25,705.0
California	1,100,679.0	1,129,868.0	1,155,247.0	1,194,525.0	1,239,917.0

* Estimated

**Forecasted

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

Taxable Retail Sales	2000	2001	2002	*2003	**2004
Los Angeles County	70,321.0	71,835.0	74,548.0	76,154.0	79,657.0

*Estimated

**Forecasted

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES IN LOS ANGELES COUNTY

	2000	2001	2002	*2003	**2004
Average Annual Unemployment Rate	5.3%	5.6%	6.8%	6.8%	6.5%

* 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	2000	2001	2002	*2003	**2004
Technology	195.3	187.8	173.3	164.5	165.7
Construction	131.7	136.8	134.9	136.0	138.5
Manufacturing	611.3	577.9	536.4	510.4	501.9
Information	242.6	226.3	208.8	199.0	204.0
Trade	610.4	614.2	616.8	620.6	628.6
Leisure & Hospitality	344.3	348.5	353.3	358.6	368.1
Government	581.3	598.3	605.9	598.0	586.0
Professional, Scientific, & Technical Services	227.4	233.6	231.6	231.3	234.4
Total	2,944.3	2,923.4	2,861.0	2,818.4	2,827.2

*Estimated

**Forecasted

Source: California Employment Development Department

TABLE G: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

		No. of employees		
Company	**Industry**	**L.A. County**	**Total**	**Headquarters**
Kaiser Permanente	Health Care Provider	29,225	146,475	Oakland
Boeing Co.	Aerospace High Technology	22,058	159,161	Chicago
Northrop Grumman Corp.	Aerospace/Defense Design and Manufacturing	20,000	120,000	Los Angeles
Ralphs Grocery Co.	Supermarket Operator	16,855	35,954	Cincinnati, OH
Target Corp.	Department Retailer	12,137	305,872	Minneapolis, MN
University of Southern California	Education-Private University	11,703	11,703	Los Angeles
Tenet Healthcare Corp.	Hospitals	11,673	116,500	Santa Barbara
Bank of America Corp.	Commercial Banking	11,110	132,583	Charlotte, NC
CPE	Employee Benefit Consultants	10,945	11,245	Los Angeles
SBC Communications Inc.	Communications	9,977	173,278	San Antonio, TX
ABM Industries, Inc.	Janitorial, Lighting, Parking and Security Service	9,650	66,000	San Francisco
Washington Mutual Inc.	Commercial Banking	8,129	55,595	Seattle, WA
Cedars-Sinai Health System	Medical Center	6,831	6,831	Los Angeles
Catholic Healthcare West	Hospitals	6,718	36,087	San Francisco
AOL Time Warner	Media and Entertainment	6,700	90,000	New York
Edison International	Electric Utility	5,956	14,990	Rosemead
Sempra Energy	Energy Services	5,877	11,747	San Diego
Amgen Inc.	Biotechnology	5,813	11,930	Thousand Oaks,CA
Countrywide Financial Corp.	Home Mortgage Origination and Service	5,661	36,313	Calabasas
Providence Health System	Full Service Medical Facilities	5,436	34,000	Seattle, WA
Daughters of Charity Health System	Health Care Provider	4,056	8,021	Lynwood, CA
Childrens Hospital Los Angeles	Medical Center	3,986	3,986	Los Angeles
Adventist Health	Hospitals	3,832	17,500	Roseville
Lockheed Martin Corp.	Defense, Space, Information, Technology	3,811	120,704	Bethesda, MD
Wellpoint Health Networks, Inc.	Health Plans	3,458	16,374	Thousand Oaks

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	1998	1999	2000	2001	2002
International Air Cargo (Tons)					
Los Angeles International Airport	863.9	928.6	1,003.3	949.6	974.8
Total Air Cargo (Tons)					
Los Angeles International Airport	2,051.9	2,138.2	2,247.8	1,956.6	1,962.4
Burbank-Glendale-Pasadena Airport	40.0	41.9	37.0	34.4	43.1
Total	2,955.8	3,108.7	3,288.1	2,940.6	2,980.3
International Air Passengers					
Los Angeles International Airport	14,898.2	15,815.1	17,376.4	15,950.2	14,844.7
Total Air Passengers					
Los Angeles International Airport	61,215.7	64,279.8	67,303.2	61,606.3	56,223.8
Burbank-Glendale-Pasadena Airport	4,731.7	4,736.3	4,748.7	4,487.3	4,620.7
Total	80,845.6	84,831.2	89,428.3	82,043.8	75,689.2
Port Tonnage					
Port of Los Angeles	52,319.6	59,090.7	70,998.0	74,019.3	84,414.8
Port of Long Beach	63,392.9	65,919.0	70,353.6	68,339.3	67,814.3
Total	115,712.5	125,009.7	141,351.6	142,358.6	152,229.1

Source: Los Angeles Economic Development Corporation

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

Customs District	1998	1999	2000	2001	2002
New York	180.3	189.6	225.6	214.1	209.8
Los Angeles	181.5	197.1	230.0	212.5	214.3
Detroit	145.7	164.3	176.9	168.5	179.3
Laredo	84.6	97.0	121.0	115.0	114.3
San Francisco	98.4	104.2	127.2	95.1	79.6
New Orleans	66.1	72.3	94.2	85.5	87.7
Seattle	79.8	81.7	81.1	79.7	76.1
Houston	55.4	55.5	75.1	71.1	69.4

Source: Los Angeles Economic Development Corporation

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

Port	1998	1999	2000	2001	2002
Los Angeles-Long Beach	115.3	125.0	141.4	142.4	152.2
Tacoma	19.2	23.3	24.2	23.1	24.3
San Francisco-Oakland	21.1	22.5	24.0	23.1	23.6
Seattle	20.3	21.0	21.0	18.5	18.2
Portland	18.1	19.0	19.2	18.1	17.5
San Diego	3.0	4.3	4.9	4.9	4.5

Source: Los Angeles Economic Development Corporation

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

Port	1998	1999	2000	2001	2002
Los Angeles-Long Beach	5,171.1	5,607.3	6,504.1	6,621.0	7,251.4
New York	1,884.1	2,027.3	2,242.4	2,323.0	2,632.8
Charleston	1,036.3	1,167.0	1,258.9	1,150.6	1,205.6
Oakland	904.2	921.6	991.1	959.7	981.4
Norfolk	794.1	828.2	884.0	883.6	989.4
Seattle	977.5	965.0	960.0	823.5	853.1
Savannah	557.9	624.1	720.9	811.5	1,019.0
Houston	657.5	715.8	777.9	762.8	849.3
Miami	601.5	616.8	688.4	710.8	759.6

Source: Los Angeles Economic Development Corporation

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

Indicator	1999	2000	2001	2002	2003
1. Construction Lending (in millions)	$3,850	$3,817	$3,430	$3,537	$4,486
2. Residential Purchase Lending (in millions)	$24,690	$25,584	$27,798	$35,714	$42,986
3. New & Existing Home Sales	112,568	108,790	107,439	117,208	118,131
4. New & Existing Home Prices	$254,430	$272,735	$288,359	$329,626	$376,819
5. Office Market Vacancy Rates	13.80%	12.58%	13.90%	16.40%	16.35%
6. Industrial Market Vacancy Rates	4.75%	4.23%	4.33%	4.25%	3.15%
7. Notices of Default Recorded	34,977	30,296	30,138	27,154	21,313

Sources: Real Estate Research Council of Southern California

TABLE M: BUILDING PERMITS AND VALUATIONS

	Type of Building	1999	2000	2001	2002	2003
1.	**Residential Permits (Units)**					
	a. New Single Family	7,858	8,417	8,184	8,217	10,235
	b. New Multi-Family	6,525	8,654	10,069	11,147	11,025
	Total	14,383	17,071	18,253	19,364	21,260
2.	**Residential Valuations (in millions of $)**					
	a. New Single Family	1,853	2,083	1,948	2,032	2,585
	b. New Multi-Family	587	819	1,079	1,095	1,171
	c. Alterations and Additions	865	934	972	1,172	1,386
	Total	3,305	3,837	3,999	4,299	5,142
3.	**Non-Residential Valuations (in millions of $)**					
	a. Office Buildings	393	268	547	209	182
	b. Retail Buildings	408	447	434	459	355
	c. Hotels and Motels	53	83	16	63	27
	d. Industrial Buildings	361	359	202	225	276
	e. Other	902	642	782	667	720
	f. Alterations and Additions	1,559	1,497	1,558	1,297	1,364
	Total	3,676	3,296	3,539	2,920	2,924
Total Building Valuations (in millions)		6,981	7,133	7,538	7,219	8,066

Source: Real Estate Research Council of Southern California

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX B

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

COUNTY OF LOS ANGELES

CALIFORNIA

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

CALIFORNIA

KPMG

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS-Continued

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

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

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

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.

- Discretely Presented Component Unit - Component units are separate entities for which the County is financially accountable. The Children and Families First Commission is the only component unit that is discretely presented.

FUND FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS-Continued

- Proprietary Funds - These funds are used to account for functions that were classified as "business type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's six Hospital Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

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

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

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

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

Capital Assets, Net of Related Debt

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

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

Restricted Net Assets

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

Unrestricted Net Assets (Deficit)

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

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

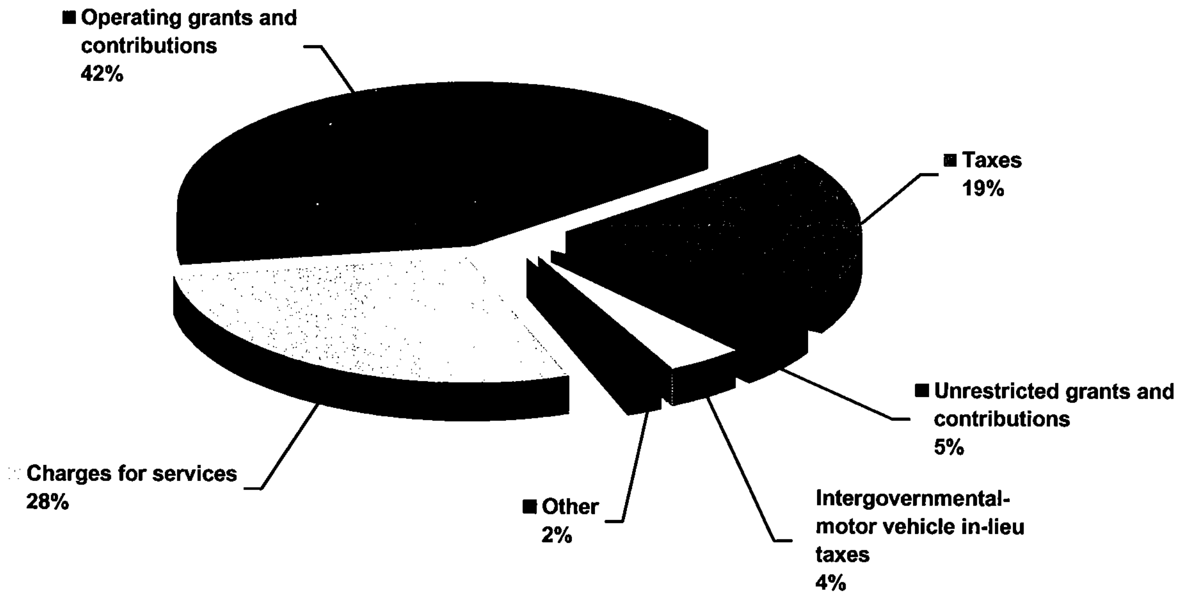
For the governmental activities, voter-approved bonds issued by the Regional Park and Open Space District have had the effect of creating additional deficits. Although the County is required to record liabilities of $376 million for outstanding bonds, the County's related assets are only $127 million.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

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

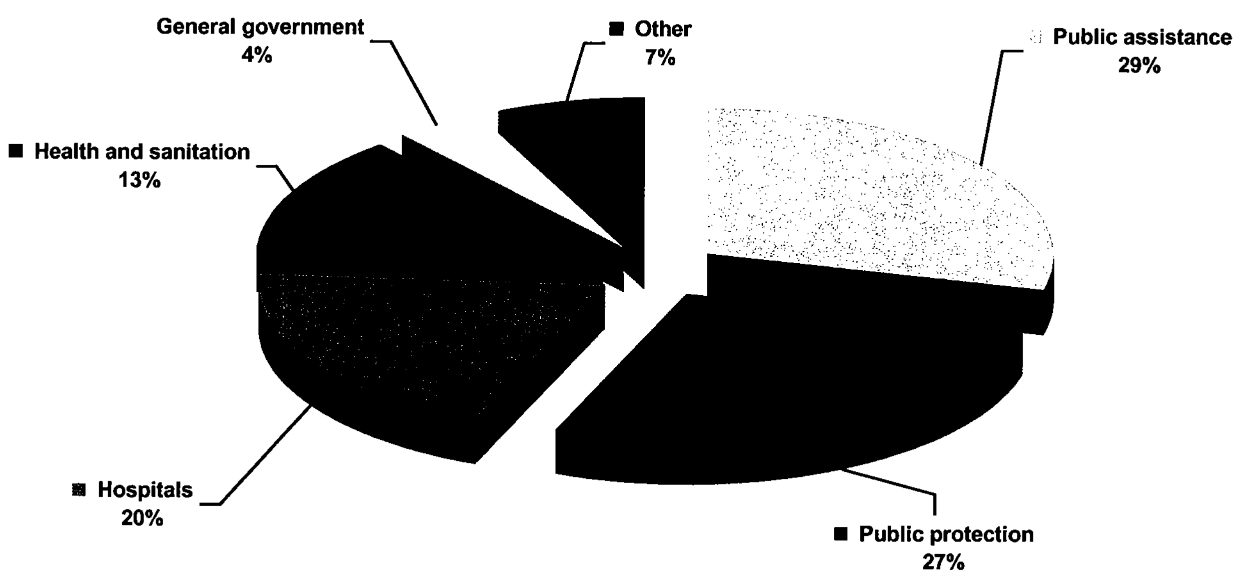
Summary of Changes in Net Assets
For the Years Ended June 30, 2003 and 2004
(in thousands)

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

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



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



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

Governmental Activities

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

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

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

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

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

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

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

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

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

<u>Business-type Activities</u>

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

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

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

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

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

Financial Analysis of the County's Funds

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

Governmental Funds

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

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

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

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

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

Following are significant changes in General Fund revenues and expenditures:

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

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

Governmental Funds-Continued

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

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

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

Budgetary Summary - Revenues/Financing Sources

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

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

Changes from Amounts Originally Budgeted

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

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

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

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

Actual Revenues/Financing Sources Compared with Final Budget Amounts

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

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

Budgetary Summary - Expenditures/Other Financing Uses

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

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

Changes from Amounts Originally Budgeted

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

Changes from Amounts Originally Budgeted-Continued

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

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

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

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

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

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

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

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

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

Capital Assets

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

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

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

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

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

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

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

Debt Administration

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

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

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

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

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

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

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

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

Bond Ratings

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

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

Economic Conditions and Outlook

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

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

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

GENERAL REVENUES:
Taxes:
Property taxes
Sales and use taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Intergovernmental - State motor vehicle in-lieu taxes, not restricted to specific purposes
Grants and contributions not restricted to special programs
Investment earnings
Miscellaneous
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET ASSETS
NET ASSETS (DEFICIT), JULY 1, 2003
NET ASSETS, JUNE 30, 2004

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

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

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

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

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

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

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

Fund balances - total governmental funds (page B-27)			$	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 B-23)			$	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	
				REVENUES:
$	253,294		$ 2,830,843	Taxes
	5,574		71,176	Licenses, permits and franchises
1,269	64,897		275,744	Fines, forfeitures and penalties
				Revenue from use of money and property:
2,882	33,605	(20,183)	57,654	Investment income (Note 4)
	41,622		71,029	Rents and concessions (Note 7)
	10		299	Royalties
				Intergovernmental revenues:
	91,544		3,148,842	Federal
	180,663		4,292,677	State
	13,202		113,576	Other
77,606	76,321		1,616,924	Charges for services
	73		73	Proceeds from property owners
	71,464		328,914	Miscellaneous
81,757	832,269	(20,183)	12,807,751	TOTAL REVENUES
				EXPENDITURES:
				Current:
	16,766		673,950	General government
	74,693		3,934,320	Public protection
	229,546		229,546	Public ways and facilities
	92,231		1,905,521	Health and sanitation
	121,623		4,325,241	Public assistance
			79,285	Education
56,367	4,672		231,210	Recreation and cultural services
				Debt service:
	138,336	(18,525)	280,274	Principal
	124,888	(20,183)	182,385	Interest and other charges
			13,830	Capital leases
	20,224		48,536	Capital outlay
56,367	822,979	(38,708)	11,904,098	TOTAL EXPENDITURES
25,390	9,290	18,525	903,653	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	202,027		303,956	Transfers in (Note 12)
(38,888)	(236,314)		(1,020,831)	Transfers out (Note 12)
			28,312	Capital leases (Note 7)
	4,354		7,765	Sales of capital assets
(38,888)	(29,933)		(680,798)	TOTAL OTHER FINANCING SOURCES (USES)
(13,498)	(20,643)	18,525	222,855	NET CHANGE IN FUND BALANCES
252,072	1,485,162	(394,735)	3,189,599	FUND BALANCE, JULY 1, 2003
$ 238,574	1,464,519	(376,210)	$ 3,412,454	FUND BALANCE, JUNE 30, 2004

COUNTY OF LOS ANGELES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

Net change in fund balances - total governmental funds (page B-31)		$ 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 B-25)		$ 382,829

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 190	27,510	$ 135,242	$ 45,132
Other (Note 1)	2,560	600	51,189	6,680
Total pooled cash and investments	2,750	28,110	186,431	51,812
Other investments (Note 4)		10,970	10,970	8,698
Taxes receivable		1,383	1,383	
Accounts receivable - net	60,484		728,933	
Interest receivable		55	367	139
Other receivables	2,201	17,485	39,019	82
Due from other funds (Note 12)	45,540	818	766,026	52,529
Advances to other funds (Note 12)		1,173	1,173	
Inventories	1,005		23,994	6,840
Total current assets	111,980	59,994	1,758,296	120,100
Noncurrent assets:				
Restricted assets (Note 4)	15,886		66,919	17,859
Net pension obligation (Note 6)	17,270		152,474	29,290
Capital assets: (Notes 5 and 7)				
Land	217	80,558	117,407	
Buildings and improvements	187,179	324,449	1,102,218	1,734
Equipment	10,566	2,220	186,351	196,668
Construction in progress	6,550	5,125	351,156	
Less accumulated depreciation	(90,652)	(222,563)	(799,383)	(108,191)
Total capital assets - net	113,860	189,789	957,749	90,211
Total noncurrent assets	147,016	189,789	1,177,142	137,360
TOTAL ASSETS	258,996	249,783	2,935,438	257,460
LIABILITIES				
Current liabilities:				
Accounts payable	2,461	9,094	72,911	5,082
Accrued payroll	6,173		82,657	17,857
Other payables	446	1,870	5,965	661
Accrued interest payable	309		1,341	357
Due to other funds (Note 12)	43,832	4,189	422,585	25,490
Advances from other funds (Note 12)	2,358		268,365	22,000
Deferred revenue (Note 6)	1,087	167	11,315	2,245
Current portion of long-term liabilities (Note 8)	29,236	1,288	369,614	55,855
Total current liabilities	85,902	16,608	1,234,753	129,547
Noncurrent liabilities:				
Accrued vacation and sick leave (Note 8)	7,514	218	97,635	31,085
Bonds and notes payable (Note 8)	66,470	6,880	212,712	17,711
Pension bonds payable (Notes 6 and 8)	45,265		399,635	76,769
Capital lease obligations (Notes 7 and 8)	617		1,096	504
Workers' compensation (Notes 8 and 15)	28,892		328,523	57,728
Litigation and self-insurance (Notes 8 and 15)	12,519		190,252	17,807
Third party payors (Notes 8 and 11)	22,177		339,167	
Total noncurrent liabilities	183,454	7,098	1,569,020	201,604
TOTAL LIABILITIES	269,356	23,706	2,803,773	331,151
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	45,141	182,520	617,145	63,293
Restricted	15,577	39,824	105,402	1,795
Unrestricted (Deficit)	(71,078)	3,733	(590,882)	(138,779)
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ (10,360)	226,077	131,665	$ (73,691)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			5,292	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-23)			$ 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	
				OPERATING REVENUES:
$ 183,975		$ 2,432,590	$	Net patient service revenues (Note 11)
	12,430	12,430	26,068	Rentals
	44,959	44,959	329,798	Charges for services
10,570	934	83,612		Other
194,545	58,323	2,573,591	355,866	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
91,893		1,223,850	257,581	Salaries and employee benefits
20,082	259,866	622,488	52,306	Services and supplies
20,269	1,683	438,280	10,576	Other professional services
2,404	10,911	23,455	30,226	Depreciation and amortization (Note 5)
(3,670)		13,666		Medical malpractice
1,815		20,104		Rent
3,868		17,670		Provision for bad debts
136,661	272,460	2,359,513	350,689	TOTAL OPERATING EXPENSES
57,884	(214,137)	214,078	5,177	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
	2,845	2,845		Taxes
185	612	2,989	224	Interest income
(8,829)	(356)	(60,847)	(9,575)	Interest expense
(72,779)		(917,307)		Intergovernmental transfers expense (Note 11)
				Intergovernmental revenues:
	67	8,480		State
	211,171	284,896	934	Federal
(81,423)	214,339	(678,944)	(8,417)	TOTAL NONOPERATING REVENUES (EXPENSES)
(23,539)	202	(464,866)	(3,240)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
47,203		723,239	4,159	Transfers in (Note 12)
	(8,480)	(8,892)	(1,631)	Transfers out (Note 12)
23,664	(8,278)	249,481	(712)	CHANGE IN NET ASSETS
(34,024)	234,355		(72,979)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2003
$ (10,360)	226,077		$ (73,691)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004
		(323)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 249,158		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)

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

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

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

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

Continued...

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Units

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

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

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

Discretely Presented Component Unit

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The County reports the following major governmental funds:

General Fund

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

Fire Protection District Fund

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

Flood Control District Fund

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

Public Library Fund

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

Regional Park and Open Space District Fund

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

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

Harbor/UCLA Medical Center

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

Olive View/UCLA Medical Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

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

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

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

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

The following fund types have also been reported:

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

Fiduciary Fund Types

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

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

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

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

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

Property Taxes

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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

Deposits and Investments

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

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Investments

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

Restricted Assets

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

Inventories

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

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

Capital Assets

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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

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

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

Vacation and Sick Leave Benefits

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

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

Cash Flows

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

Accounting Reclassifications

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

2. NET ASSET DEFICITS

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

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

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

3. ELIMINATIONS

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

Fund Financial Statements

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

3. ELIMINATIONS-Continued

Fund Financial Statements-Continued

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

Government-wide Financial Statements

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

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

4. CASH AND INVESTMENTS

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

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

Deposits

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

4. CASH AND INVESTMENTS-Continued

Deposits-Continued

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

Investments

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

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

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

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

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

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

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

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

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

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

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

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2004 totaling $3,511,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2004 to support the value of shares in the Treasurer's investment pool.

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

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

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2004 was 1.37%.

A separate financial report is not issued for the external investment pool. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2004 (in thousands):

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

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

Reverse Repurchase Agreements

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

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

Derivatives

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

4. CASH AND INVESTMENTS-Continued

Derivatives-Continued

The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2004, there were approximately $350,538,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gain in fiscal year 2004 was $80,400,000. At June 30, 2004, forward currency contracts receivable and payable totaled $196,000,000 and $198,000,000, respectively.

Securities Lending Transactions

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

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2004, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2004.

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

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

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

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

Summary of Deposits and Investments

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

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

5. CAPITAL ASSETS

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

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

5. CAPITAL ASSETS-Continued

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

5. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:	
General government	$ 13,140
Public protection, including depreciation of infrastructure assets	75,209
Public ways and facilities, including depreciation of infrastructure assets	6,176
Health and sanitation	6,152
Public assistance	5,852
Education	1,385
Recreation and cultural services	12,439
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	22,237
Total depreciation expense, governmental activities	$ 142,590

Business-type activities:	
Hospitals	$ 12,544
Aviation	1,250
Waterworks	3,039
Community Development Commission	6,622
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,989
Total depreciation expense, business-type activities	$ 31,444

Discretely Presented Component Unit

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

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

6. PENSION PLAN

Plan Description

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

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

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

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are extremely immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible employees. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

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

Funding Policy

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

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

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

The rates were determined by the actuarial valuation performed as of June 30, 2002 and are the same as those used to calculate the annual required contribution (ARC).

Employee rates vary by the option and employee entry age from 5% to 15% of their annual covered salary.

During 2003-2004, the County did not pay LACERA the full amount of the ARC. LACERA applied $126,916,000 in excess earnings reserves towards the County's required contribution.

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation

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

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

Trend Information (in thousands)

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

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

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

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Because it is negative, the net pension obligation represents an asset. Accordingly, a pension asset, "Net Pension Obligation," has been recognized in the government-wide financial statements and in the proprietary funds financial statements.

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately $1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds ($1,365,230,000) were fixed rate. The remaining $600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96.

In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received $79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as deferred revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2004, the unamortized balance was $37,053,000.

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

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

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

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

The following is a summary of future funding requirements for all outstanding pension bonds and certificates (in thousands):

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

Swap Transaction Related to Pension Bonds

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

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

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

6. PENSION PLAN-Continued

Swap Transaction Related to Pension Bonds-Continued

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

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

Post-Retirement Benefits

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

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

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

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

7. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2004 (in thousands):

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

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

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2004 (in thousands):

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

7. LEASES-Continued

Capital Leases-Continued

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

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

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

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

Leases of County-Owned Property

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

7. LEASES-Continued

Leases of County-Owned Property-Continued

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

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

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

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

8. LONG-TERM OBLIGATIONS

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

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

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

8. LONG-TERM OBLIGATIONS-Continued

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

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

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

General Obligation Bonds

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

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

8. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997 to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the proceeds of annual assessments levied on parcels within the District's boundaries.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2005	$ 19,565	19,208
2006	20,475	18,252
2007	21,475	17,175
2008	22,630	15,989
2009	23,845	14,726
2010-2014	140,405	51,890
2015-2019	111,565	15,285
2020-2024	16,250	406
Total	$ 376,210	152,931

Certificates of Participation

The County has issued certificates of participation through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. Principal and interest requirements on certificates of participation are as follows (in thousands):

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

8. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper

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

Community Development Commission notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD.

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

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of the LAC+USC Medical Center replacement facility. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days.

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

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

8. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

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

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

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2004, the amount of outstanding bonds and certificates of participation considered defeased was $161,490,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

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

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

8. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Liabilities-Continued

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

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued vacation and sick leave and litigation and self-insurance liabilities.

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

9. SHORT-TERM DEBT

On July 1, 2003, the County issued $600 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.9%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2003. The notes matured and were redeemed on June 30, 2004.

10. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2004, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $101,435,000 and limited obligation improvement bonds totaling $18,390,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County, and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

10. CONDUIT DEBT OBLIGATIONS-Continued

Community Facilities and Improvement District Bonds-Continued

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

Residential Mortgage Revenue Bonds

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

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

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2004, the amount of industrial development and other conduit bonds outstanding was $27,744,000.

11. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project

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

Medicaid Demonstration Project Extension

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

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

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

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

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project Extension-Continued

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

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

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

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

Medi-Cal and Medicare Programs

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

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

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

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

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

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

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

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

Office of Inspector General

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Office of Inspector General-Continued

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

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

Other Program Revenues

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

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

Intergovernmental Transfers

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

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Intergovernmental Transfers-Continued

The transfer of County General Funds to the State (IGT) is initially recorded as a health expenditure of the General Fund. At the time the Hospitals recognize the supplemental funding received (net patient services revenue) under one of the aforementioned programs, the General Fund distributes the cost of the IGTs to each of the Hospitals. This cost is reflected as a non-operating expense by each Hospital in its Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2004, the cost of the IGTs and the supplemental funding received are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project (SPP)	$ 53,323	$ 113,333
SB 855	425,509	621,949
SB 1255	438,475	852,475
Total	$ 917,307	$1,587,757

Charity Care

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

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2004, based on established rates, is as follows (in thousands):

Charges forgone	$1,456,953
Less: Federal and State subventions	13,086
Net charges forgone	$1,443,867

Restructuring of the County's Health Care Delivery System

As indicated in the "Medicaid Demonstration Project Extension" segment of this note, the County's augmented reimbursement for health services is scheduled to expire during fiscal year 2004-2005. To address projected budget deficits, the Board approved a strategic plan in January 2002 that provided several options for a redesigned Health Care Delivery System (System). The plan established the direction for the System's restructuring and included the immediate closure of five health centers, a two-phased administrative reduction, and the consolidation of certain clinical services.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Restructuring of the County's Health Care Delivery System-Continued

In June 2002, the Board adopted a redesign plan that contemplates a System based on four acute hospitals, the closure of an additional 11 health centers, and additional reductions focused on narrowing the projected deficit. The Board and County management are continuing to work closely with federal and State officials to collaborate on the resolution of the projected deficit, the restructuring process, and other matters that impact the viability of the System.

The Department's June 26, 2002, Proposed Savings Plan included reducing LAC+USC Medical Center by 100 acute beds and reducing the County's contribution to Rancho Los Amigos National Rehabilitation Center (Rancho) by either implementing an alternative governance structure or, failing that, by closing the hospital. As of June 30, 2004, the Department has not been able to implement either of these plans because of a preliminary injunction issued by a federal district court prohibiting any service reductions at these two facilities.

The County's cost of operating Rancho is approximately $60.4 million per year and the County's cost of maintaining the 100 beds at LAC+USC Medical Center is approximately $31.9 million per year.

12. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2004.

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2004 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 3,085
	Flood Control District	4,648
	Public Library	2,465
	Regional Park and Open Space District	3,593
	Internal Service Funds	5,773
	Harbor UCLA Medical Center	55,884
	Olive View UCLA Medical Center	32,688
	LAC+USC Medical Center	227,175
	M.L. King/Drew Medical Center	26,044
	High Desert Hospital	5,323
	Rancho Los Amigos Medical Center	43,271
	Nonmajor Enterprise Funds	317
	Nonmajor Governmental Funds	44,633
		454,899

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Fire Protection District	General Fund	5,600
	Flood Control District	2
	Internal Service Funds	4
	LAC+USC Medical Center	30
	Nonmajor Governmental Funds	16
		5,652
Flood Control District	General Fund	57
	Internal Service Funds	10,237
	Nonmajor Governmental Funds	47
		10,341
Public Library	General Fund	1,166
	Nonmajor Governmental Funds	444
		1,610
Regional Park and Open Space District	General Fund	208
Internal Service Funds	General Fund	8,637
	Fire Protection District	28
	Flood Control District	14,303
	Public Library	6
	Regional Park and Open Space District	5
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	60
	M. L. King/Drew Medical Center	5
	Rancho Los Amigos Medical Center	41
	Nonmajor Enterprise Funds	3,872
	Nonmajor Governmental Funds	25,570
		52,529
Harbor UCLA Medical Center	General Fund	114,133
	Fire Protection District	25
	Olive View UCLA Medical Center	11,539
	LAC+USC Medical Center	1
	M.L. King/Drew Medical Center	104
	Rancho Los Amigos Medical Center	34
	Nonmajor Governmental Funds	27,534
		153,370

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Olive View UCLA Medical Center	General Fund	85,335
	Fire Protection District	16
	Harbor UCLA Medical Center	446
	LAC+USC Medical Center	11
	High Desert Hospital	67
	Rancho Los Amigos Medical Center	4
	Nonmajor Governmental Funds	10,509
		96,388
LAC+USC Medical Center	General Fund	247,932
	Fire Protection District	49
	Internal Service Funds	8
	Harbor UCLA Medical Center	4,517
	Olive View UCLA Medical Center	2,653
	M.L. King/Drew Medical Center	2,545
	High Desert Hospital	1,709
	Rancho Los Amigos Medical Center	477
	Nonmajor Governmental Funds	86,567
		346,457
M. L. King/Drew Medical Center	General Fund	93,833
	Fire Protection District	35
	Harbor UCLA Medical Center	6
	Olive View UCLA Medical Center	28
	LAC+USC Medical Center	434
	Rancho Los Amigos Medical Center	5
	Nonmajor Governmental Funds	18,547
		112,888
High Desert Hospital	General Fund	10,525
	Harbor UCLA Medical Center	35
	Olive View UCLA Medical Center	3
	M. L. King/Drew Medical Center	2
		10,565
Rancho Los Amigos Medical Center	General Fund	45,533
	Flood Control District	2
	LAC+USC Medical Center	5
		45,540
Nonmajor Enterprise Funds	General Fund	14
	Internal Service Funds	804
		818

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	2,662
	Flood Control District	557
	Public Library	404
	Internal Service Funds	8,664
	Olive View UCLA Medical Center	3,248
	Nonmajor Governmental Funds	7,713
		23,248
Total Interfund Receivables/Payables		$1,314,513

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the six hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2004 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 18
	Public Library	25,566
	Internal Service Funds	247
	Harbor UCLA Medical Center	81,570
	Olive View UCLA Medical Center	77,671
	LAC+USC Medical Center	236,710
	M.L. King/Drew Medical Center	109,762
	High Desert Hospital	29,469
	Rancho Los Amigos Medical Center	47,203
	Nonmajor Governmental Funds	106,907
		715,123
Fire Protection District	Nonmajor Governmental Funds	6,816
Flood Control District	Internal Service Funds	1,306
	Nonmajor Governmental Funds	17,521
		18,827
Public Library	General Fund	4,070
	Nonmajor Governmental Funds	793
		4,863

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Regional Park and Open Space District	Nonmajor Governmental Funds	38,888
Internal Service Funds	General Fund	1,631
Olive View UCLA Medical Center	Nonmajor Governmental Funds	311
M. L. King/Drew Medical Center	Harbor UCLA Medical Center	6
	Nonmajor Governmental Funds	95
		101
Nonmajor Enterprise Funds	Internal Service Funds	252
	Nonmajor Governmental Funds	8,228
		8,480
Nonmajor Governmental Funds	General Fund	70,312
	Public Library	332
	Internal Service Funds	2,354
	Harbor UCLA Medical Center	27,629
	Olive View UCLA Medical Center	7,406
	LAC+USC Medical Center	87,266
	M.L. King/Drew Medical Center	18,547
	Nonmajor Governmental Funds	22,468
		236,314
Total Interfund Transfers		$ 1,031,354

Short-term Advances

Advances from/to other funds at June 30, 2004 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 3,863
	Harbor UCLA Medical Center	63,797
	Olive View UCLA Medical Center	69,569
	LAC+USC Medical Center	44,094
	M.L. King/Drew Medical Center	85,679
	High Desert Hospital	2,868
	Rancho Los Amigos Medical Center	2,358
		272,228
Flood Control District	Internal Service Funds	6,712
Nonmajor Enterprise Funds	Internal Service Funds	1,173
Nonmajor Governmental Funds	Internal Service Funds	10,252
Total Short-term Advances		$ 290,365

12. INTERFUND TRANSACTIONS-Continued

Short-term Advances-Continued

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations.

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.

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

- In conjunction with the sale of pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 6.

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

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

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

The following schedule is a reconciliation of the budgetary and GAAP fund balances (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 872,284	$ 71,543	$ 15,102	$ 4,418	$ 125,761
Reserves and designations	1,009,571	14,093	109,997	6,949	114,126
Subtotal	1,881,855	85,636	125,099	11,367	239,887
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	99,422	(254)		127	
Reversal of accrued vacation and sick leave benefits	39,501				
Deferral of unearned investment income	(24,155)	(1,193)		(265)	
Change in revenue accruals	(108,896)	(15,765)	(4,816)	(2,092)	(1,313)
Subtotal	5,872	(17,212)	(4,816)	(2,230)	(1,313)
Fund balance - GAAP basis	$1,887,727	$ 68,424	$ 120,283	$ 9,137	$ 238,574

14. COMMITMENTS

Construction Commitments

At June 30, 2004, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately $367,061,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2004, LACERA had outstanding capital commitments to various investment managers, approximating $2,340,000,000. Subsequent to June 30, 2004, LACERA funded $110,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2004, the County had open trade commitments (forward contracts) with various brokers to purchase investments approximating $190,423,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2004 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 20, 2004, the County had purchased such investments.

15. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2002-2003 or 2003-2004.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation and long-term disability, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County’s workers’ compensation liabilities as of June 30, 2004 were approximately $2.557 billion. This amount is undiscounted and is based on an actuarial study of the County’s self-insured program as of June 30, 2004. Approximately $256 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code. Workers’ compensation benefits and their related costs are significantly influenced by State laws and regulations. State legislation and legal decisions have lengthened the duration of claims managed by the County. In addition, the County’s program has experienced significant increases in medical and litigation expenses, as well as growth in utilization rates.

As of June 30, 2004, the County's best estimate of these liabilities is $3.163 billion. Changes in the reported liability since July 1, 2002 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2002-2003				
Workers' Compensation	$ 1,703,620	$ 855,142	$ 274,137	$ 2,284,625
Other	594,040	226,814	87,726	733,128
Total 2002-2003	$ 2,297,660	$ 1,081,956	$ 361,863	$ 3,017,753
2003-2004				
Workers’ Compensation	$ 2,284,625	$ 646,922	$ 374,946	$ 2,556,601
Other	733,128	60,458	186,793	606,793
Total 2003-2004	$ 3,017,753	$ 707,380	$ 561,739	$ 3,163,394

15. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $204 million (including the $98 million discussed in Note 11) are possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

In addition to the aforementioned lawsuits, there are unasserted claims approximating $150 million as a result of a federal court decision which ordered the California Secretary of State to decertify the use of punch card voting systems. The County has implemented an interim paper-based voting system to replace the punch card system and is continuing to evaluate new technologies in this area.

In November 2003 and May 2004, the Secretary of State issued directives that will require all existing and new touch screens to have an accessible voter verifiable paper audit trail. In the opinion of County Counsel, it is reasonably possible for the County to incur costs of approximately $150 million to comply with the regulatory requirements if the County were to replace the current paper-based voting system to a touch screen voting system. However, it is also reasonable to assume that both federal and State funding would be available to offset at least a portion of such costs. During 2003-2004, the County received approximately $15.8 million from the State as advance funding to comply with some of the new requirements. County management believes that the timing of this matter is uncertain and its final outcome will not have a material affect on the County's financial condition.

Litigation Related to Pension Benefits

In addition to the aforementioned claims, the County and LACERA have been named as defendants in a number of lawsuits that seek to expand the types of employee benefits which are applied in determining pension compensation. On July 20, 2000, the Superior Court held that the following items are not includable in pension compensation: 1) the cash-out of accrued benefits (primarily unused vacation and sick leave benefits), 2) flexible benefit plan payments for insurance benefits, and 3) employer payment of member-required contributions to LACERA.

The Court subsequently held that certain contributions and benefits must be applied retroactively in Los Angeles County.

On July 11, 2003, the California Court of Appeal affirmed the trial court judgment in all respects. The California Supreme Court denied review and the judgment is now final.

LACERA's actuary has estimated that the present value of benefit increases required by the judgment is approximately $190 million and represents an unfunded actuarial accrued liability (UAAL). This estimate was included in the actuarial valuation of the County's pension plan conducted as of June 30, 2003. Revised County contribution rates were recommended by the actuary and included a provision to fund the UAAL over a rolling thirty year period. On May 18, 2004, the Board of Supervisors adopted the revised employer contributions that were recommended by the actuary and those rates became effective July 1, 2004.

16. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition. Accordingly, there is uncertainty about the validity of taxes currently being collected and as of June 30, 2004, a portion ($190 million) of the general fund's designation for budgetary uncertainties pertained to such collections.

17. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2004, the County issued $600,000,000 in 2004-05 TRANS which will mature on June 30, 2005. The TRANS are collateralized by taxes and other revenues attributable to the 2004-05 fiscal year and were issued in the form of Fixed Rate Notes at an interest rate of 1.6%.

Capital Asset Leasing Corporation Lease Revenue Bonds, 2004 Series A

On August 17, 2004, the Corporation issued $12,240,000 in lease revenue bonds. The bond proceeds, collected lease revenue and unexpended equipment acquisition funds were used to retire $20,000,000 in outstanding bond anticipation notes. The bonds were issued in conjunction with the operations of the Equipment Acquisition Internal Service Fund and will be repaid through equipment rental charges received from various other County funds. The bonds mature from December 2004, to December 2007, with interest rates ranging from 2.50% to 4.00%.

Tax-Exempt Commercial Paper

On August 20, 2004 and September 29, 2004, the Los Angeles County Capital Asset Leasing Corporation issued an additional $26,000,000 and $34,000,000, respectively, in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of the LAC+USC Medical Center Replacement Project.

The commercial paper, which was initially issued at an average rate of 1.22% and 1.69%, respectively, is secured by a long-term lease of County real estate and a letter of credit. The County pays debt service in the form of lease payments.

Capital Asset Leasing Corporation Bond Anticipation Notes

On August 24, 2004, the Corporation issued a $5,000,000 Bond Anticipation Note with an initial interest rate of 2.14%. The rate is adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2007. Proceeds of the note are being used to purchase equipment. The note is to be repaid from the proceeds of lease revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited - See accompanying independent auditors' report)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded/ (Overfunded) AAL [UAAL/(OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/(OAAL) as a Percentage of Covered Payroll ((b-a)/c)
06/30/01	26,490,000	26,489,976	(24)	100.0%	4,398,443	0.0%
06/30/02	28,262,129	28,437,493	175,364	99.4%	4,744,340	3.7%
06/30/03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES
CALIFORNIA

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions contained in the Lease, the Sublease, the Indenture and the Agency Agreement. Such summaries are not intended to be definitive, and reference is made to the complete documents for the complete terms thereof. In addition to the provisions summarized below, certain terms of the documents are described in earlier sections of this Official Statement.

Definitions of Certain Terms

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

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

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

"Agency Agreement" means the Agency Agreement, dated as of March 1, 2005, between the Authority and the County.

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

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

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

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

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

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

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

"Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2005 Master Refunding Project), Series A, authenticated and delivered by the Trustee pursuant to the Indenture.

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

"Certificate of Component Completion" means each notice filed with the Trustee by a County Representative, stating that a Component of the Project has been substantially completed and is ready for use and possession by the County.

"Certificate of Project Completion" means the notice filed with the Trustee by a County Representative, stating that all of the Components of a Project have been substantially completed and are ready for use and possession by the County.

"Closing Date" means March 2, 2005.

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

"Component" means each component of the Project as generally described in Exhibit B to the Sublease and as more particularly described in the Plans and Specifications for such Component, as such Exhibit B and as such Plans and Specifications may be amended from time to time, and such other public capital improvements as may be specified by the County from time to time.

"Construction and Acquisition Costs" means the amounts paid or to be paid for the design, acquisition, construction, installation, delivery or financing of the Projects and include: reimbursement to the County for any payments made by the County for the design, acquisition, construction, installation, delivery or financing of the Projects prior or subsequent to the execution of the Sublease; the payment of the principal of and interest on any indebtedness incurred by the County or the Authority, the proceeds of which were applied to the costs of the design, acquisition, construction, installation, delivery or financing of the Projects; the costs of site preparation necessary for the construction or installation of the Projects; and all other costs, fees and expenses, including administrative, engineering, legal and financial fees and expenses, incurred in connection with the design, acquisition, construction, delivery, installation and financing of the Projects.

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

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate of the County, dated as of March 1, 2005.

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

"Costs of Issuance Account" means the account of that name established in the Construction and Acquisition Fund for the payment of the Costs of Issuance.

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

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

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

"Deposit Date" means each April 15 and October 15 during the Term of the Sublease, commencing April 15, 2005, or, if any such date is not a Business Day, the next succeeding Business Day.

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

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

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

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

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

"Escrow Agreements" means, collectively, the 1993 Bonds Escrow Agreement, the 1996 Series A Bonds Escrow Agreement, the 1996 Series B Bonds Escrow Agreement and the 2000 Bonds Escrow Agreement.

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

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

“Facilities” means the Property together with the improvements currently thereon or to be designed, constructed, acquired, delivered and installed thereon, as described in Exhibit A to the Sublease, as such Exhibit A may be amended from time to time.

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

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

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

“General Account” means the account of that name established in the Construction and Acquisition Fund pursuant to the Indenture.

“Government Obligations” means: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury), including United States Treasury Securities — State and Local Government Securities (“SLGS”); (b) noncallable obligations of a state, a territory or a possession of the United States of America, or any political subdivision of any of the foregoing, or of the District of Columbia, within the meaning of Section 103(c) of the Code, which are rated AAA by S&P and Aaa by Moody’s and which are not guaranteed directly or indirectly by direct or indirect obligations of the United States of America within the meaning of Section 149(b) of the Code; (c) noncallable obligations of, or obligations guaranteed as to principal and interest by, any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, (i) all direct or fully guaranteed U.S. Treasury Obligations, Farmers Home Administration certificates of beneficial ownership, General Services Administration participation certificates, U.S. Maritime Administration guaranteed Title XI financing, Small Business Administration - guaranteed participation certificates and guaranteed pool certificates, Government National Mortgage Association (“GNMA”) - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U.S. Department of Housing and Urban Development local authority bonds, Washington Metropolitan Area Transit Authority guaranteed transit bonds and State and Local Government Series; (ii) non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government, including, but not limited to, Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly Federal Land Banks, Intermediate Credit Banks and Banks for Cooperatives) consolidated systemwide bonds and notes, Federal Home Loan Banks (FHL Banks) consolidated debt obligations, Federal National Mortgage Association (FNMA) debt obligations, and Resolution Funding Corp. (REFCORP) debt obligations; and (iii) certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e., CATs, TIGERS, unit investment trusts and mutual funds, etc.; (d) such other federal securities as may be permitted under regulations issued pursuant to Section 149(b) of the Code which, in the opinion of Independent Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds; or (e) pre-refunded tax-exempt municipal obligations for which a defeasance opinion has been rendered by nationally recognized bond counsel.

“Indenture” means the Indenture of Trust, dated as of March 1, 2005, by and among the County, the Authority and the Trustee, as it may from time to time be amended or supplemented in accordance with its terms.

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

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

"Insurer" means MBIA Insurance Corporation, or any successor thereto or assignee thereof.

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

"Interest Payment Date" means June 1 and December 1 in each year, commencing June 1, 2005, until the maturity or earlier redemption date of the Bonds.

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

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

"Lease" means the Lease, dated as of March 1, 2005, by which the County has leased the Facilities to the Authority, as it may from time to time be amended or supplemented in accordance with its terms.

"Lease Payment" means the payment to be made by the Authority to County pursuant to the Lease.

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

"Master Repurchase Agreement" means a repurchase agreement that is in accordance with the Public Securities Association Standard Repurchase Agreement.

"Maximum Annual Debt Service" means the largest of the sums obtained for any year beginning July 1 and ending June 30 for the Bonds after totaling the following for each such year:

(a) The principal amount of all Outstanding Bonds maturing or required to be redeemed by mandatory sinking account redemption in such year; and

(b) The interest which would be due during such year on the aggregate principal amount of Bonds which would be Outstanding in such year if the Bonds Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Bonds already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

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

"1993 Bonds" means the $352,450,000 Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Facilities Project IV).

“1993 Bonds Escrow Agent” means the Escrow Agent under the 1993 Bonds Escrow Agreement.

“1993 Bonds Escrow Agreement” means the Escrow Agreement, dated as of March 1, 2005, by and between the County and U.S. Bank National Association, pertaining to the prepayment of the 1993 Bonds.

“1993 Bonds Indenture” means the Indenture of Trust, dated as of December 1, 1993, by and between the Authority and U.S. Bank National Association, as successor trustee.

“1996 Leased Premises” means that portion of the Facilities leased and subleased pursuant to the 1996 Master Refunding Lease and the 1996 Master Refunding Sublease, respectively, described in Exhibit D hereto.

“1996 Master Refunding Lease” means the Lease, dated as of August 1, 1996, by and between the County as lessor and the Financing Authority as lessee, recorded as document no. 96-1427256 in the official records of the County.

“1996 Master Refunding Sublease” means the Lease and Option to Purchase, dated as of August 1, 1996, by and between the County as lessee and the Authority as lessor, recorded as instrument no. 96-1427257 in the official records of the County Recorder.

“1996 Series A Bonds” means the $52,690,000 Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series A.

“1996 Series A Bonds Escrow Agent” means the Escrow Agent under the 1996 Series A Bonds Escrow Agreement.

“1996 Series A Bonds Escrow Agreement” means the Escrow Agreement, dated as of March 1, 2005, by and between the County and The Bank of New York Trust Company, N.A., pertaining to the prepayment of the 1996 Series A Bonds.

“1996 Series A Bonds Indenture” means the Indenture of Trust, dated as of September 1, 1996, by and among the Authority, the County and The Bank of New York Trust Company, N.A., as trustee.

“1996 Series B Bonds” means the $115,680,000 Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Facilities Project V), 1996 Series B.

“1996 Series B Bonds Escrow Agent” means the Escrow Agent under the 1996 Series B Bonds Escrow Agreement.

“1996 Series B Bonds Escrow Agreement” means the Escrow Agreement, dated as of March 1, 2005, by and between the County and The Bank of New York Trust Company, N.A., pertaining to the prepayment of the 1996 Series B Bonds.

“1996 Series B Supplemental Indenture” means the First Supplemental Indenture of Trust, dated as of May 1, 1997, by and among the Authority, the County and The Bank of New York Trust Company, N.A., as trustee.

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

"Nonarbitrage Certificate" means the Tax and Nonarbitrage Certificate referenced in the Indenture.

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

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

"Plans and Specifications" means the plans and specifications prepared for each Component of the Project and on file at the administrative offices of the County on the Closing Date, as the same may be implemented and detailed from time to time and as the same may be revised from time to time prior to the delivery of each Certificate of Component Completion in accordance with the Agency Agreement.

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

"Project" means, collectively, the Project, and the Components thereof.

"Property" means, collectively, the parcels of real property identified in Exhibit A to the Sublease, as such Exhibit A may be amended from time to time.

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

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

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

a. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

b. Federal Housing Administration Debentures (FHA)

c. General Services Administration

Participation certificates

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

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations (participation certificates)

e. U.S. Maritime Administration

Guaranteed Title XI financing

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

Project Notes

Local Authority Bonds

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

a. Federal Home Loan Bank System

Senior debt obligations (Consolidated debt obligations)

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

Participation Certificates (Mortgage-backed securities)

Senior debt obligations

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

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

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

Senior debt obligations

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

f. Farm Credit System

Consolidated systemwide bonds and notes

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

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

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

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

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

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

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

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

Repurchase Agreements must satisfy the following criteria:

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

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

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

b. The written Repo contract must include the following:

i. Securities which are acceptable for transfer are:

(1) Direct U.S. governments

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

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

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

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

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

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

vii. Valuation of Collateral

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

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

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

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

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

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

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

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

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

“Refunded Obligations” means, collectively, the 1993 Bonds, the 1996 Series A Bonds, the 1996 Series B Bonds and the 2000 Bonds.

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

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

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

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill, Inc., a New York corporation, and its successors and assigns.

“Sinking Account Installment” means the principal amount of the Bonds required to be paid on any Sinking Account Installment Date pursuant to the Indenture.

“Sinking Account Installment Date” means each date on which a Sinking Account Installment is due, determined as set forth in the Indenture.

“Sublease” means the Sublease and Option to Purchase, dated as of March 1, 2005, between the Authority and the County, as it may from time to time be amended or supplemented in accordance with its terms and the terms of the Indenture.

“Surety” means the Credit Instrument, if any, provided by the Insurer to satisfy the Reserve Requirement for the Bonds.

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

“2000 Bonds” means the $96,180,000 Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Facilities Project VI), 2000 Series A.

“2000 Bonds Escrow Agent” means the Escrow Agent under the 2000 Bonds Escrow Agreement.

“2000 Bonds Escrow Agreement” means the Escrow Agreement, dated as of March 1, 2005, by and between the County and The Bank of New York Trust Company, N.A., pertaining to the prepayment of the 2000 Bonds.

“2000 Bonds Indenture” means the Indenture of Trust, dated as of April 1, 2000, by and among the Authority, the County and The Bank of New York Trust Company, N.A., as trustee.

Lease

Lease. The County has leased certain real property and certain buildings, fixtures and improvements currently thereon to the Authority, all in accordance with the terms of the Lease, for a term expiring upon the earlier of (i) December 1, 2031 or (ii) the date of termination of the Sublease. The term of the Lease shall automatically be extended ten years if, on December 1, 2031, the Indenture has not been fully discharged and shall terminate on the date when the Indenture has been fully discharged. The Lease specifies that at the termination thereof any title to and any interest of the Authority in the Facilities, including all buildings, improvements and fixtures thereon at the time of termination of the Lease, shall vest in the County. In consideration to the County for the lease of the Facilities, the Authority agreed to pay to the County the Lease Payments and executed and delivered the Sublease to the County.

Sublease

Term. The term of the Sublease shall commence on the Closing Date. The term of the Sublease will end on December 1, 2031, or with respect to all or any portion of the Facilities, at such earlier time as (i) the Bonds payable from Base Rental attributable to such portion of the Facilities shall have been paid or provision for their payment shall have been made in accordance with the Sublease and the Indenture as determined by the Authority and as provided in writing to the Trustee and the County by the Authority Representative, or (ii) the date on which the County has exercised its right to purchase the whole of the Authority's rights, title and interest in the Facilities pursuant to the Sublease. The term of the Sublease shall automatically be extended ten years if, on December 1, 2031, the Indenture has not been fully discharged, and shall terminate on the date when the Indenture has been fully discharged. At the end of the term of the Sublease with respect to all or any portion of the Facilities, all of the Authority's rights, title and interest in and to the Facilities and any other improvements thereon or additions thereto, including all of the Authority's leasehold interest therein granted pursuant to the Lease and the Sublease, shall be transferred directly to the County, or, at the option of the County, to any assignee or nominee of the County, free and clear of any interest of the Authority.

Rental. Under the Sublease, the County shall pay to the Authority the Base Rental payments for the right to use and possession of the Facilities. The County shall also pay Additional Rental payments to the Authority. The Sublease is intended to be a triple net lease. The County agrees that the Base Rental provided for in the Sublease shall be an absolute net return to the Authority free and clear of any expenses, charges or setoffs whatsoever.

Base Rental. The County agrees to pay from legally available funds Base Rental for the right to use and possession of the Facilities in the amounts, at the times and in the manner set forth in the Sublease. The Base Rental payable by the County under the Sublease shall be due on June 1 and December 1 of each year commencing June 1, 2005. In order to secure its obligation to pay the Base Rental due in each year, the County shall deposit amounts in respect thereof with the Trustee on or prior to the Deposit Date. In no event shall the aggregate Base Rental payments in any Fiscal Year exceed the fair rental value of the Facilities as set forth in a certificate delivered by the County to the Authority on the Closing Date.

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

Additional Rental. In addition to the Base Rental, the County agrees in the Sublease to pay to the Authority as Additional Rental all of the following: (i) all taxes and assessments of any nature whatsoever, including but not limited to, excise taxes, ad valorem taxes, ad valorem and specific lien special assessments, and gross receipts taxes, if any, levied upon the Facilities or upon any interest of the Authority, the Trustee or the Owners therein or in the Sublease or the Lease; (ii) insurance premiums, if any, on all insurance required under the provisions of the Sublease; (iii) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Bonds) of the Trustee in connection with the Indenture, the Lease or the Sublease; and (iv) any other fees, costs or expenses incurred by the County (including, without limitation, the provision pursuant to the Sublease of monies to or for the benefit of the Authority in an amount sufficient to enable compliance with the requirements of Section 148(f) of the Code, relating to the payment of rebate to the United States) or the Authority in connection with the execution, performance or enforcement of the Sublease or any assignment thereof, the Lease, the Agency Agreement or the Indenture or any of the transactions contemplated thereby or related to the Facilities, including amounts owed to the Insurer pursuant to the Indenture or pursuant to the Financial Guarantee Agreement, and including any amounts required to replenish the Reserve Fund pursuant to the Indenture.

Amounts constituting Additional Rental shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts of Additional Rental when due or at such later time as such amounts may be paid without penalty or, in any case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental then due and payable and the purpose thereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

Replacement, Maintenance and Repair of the Facilities. The County shall, at its own expense, maintain the Facilities, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition thereof will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Facilities without cost to the Authority. The County shall apply, from any source of legally available funds, an amount sufficient to repair or replace the Facilities or any portion thereof which is destroyed, damaged or stolen to such an extent that there is substantial interference with the use and right of possession by the County of the Facilities or any portion thereof which would result in an abatement of rental payments or any portion thereof; provided, however, that the County shall not be required to repair or replace any such portion of the Facilities if there shall be applied to the redemption of Outstanding Bonds insurance proceeds or other legally available funds sufficient to redeem (i) all of the Bonds Outstanding, or (ii) any portion thereof and the resulting Base Rental payments in any Lease Year following such partial redemption are sufficient to pay the Bonds to remain Outstanding after such partial redemption.

The County shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Facilities. The Authority shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Facilities other than as specified in the Plans and Specifications. The County shall keep the Facilities free and clear of any and all liens senior to the lien of the Sublease except that Permitted Encumbrances and any laborers' and mechanics' liens shall be permitted.

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

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

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

Liens. Other than sums of money due in connection with the Permitted Encumbrances the County shall promptly pay or cause to be paid all sums due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Facilities and which may be secured by any mechanic's, materialman's or other lien against the Facilities or any portion thereof or the interest of the County or the Authority therein, and shall cause each such lien to be fully discharged and released; provided, however, that the County or the Authority (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County shall forthwith pay and discharge such judgment or lien; or (ii) may delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

Laws and Ordinances. The County agrees to observe and comply with all rules, regulations and laws applicable to the County with respect to the Facilities and their operation, including without limitation the Environmental Regulations. The County further agrees to place, keep, use, maintain and operate the Facilities in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If the Business Day on which the County intends to exercise its option to purchase under the Sublease is a date on which Bonds are subject to optional redemption, the County shall give notice to the Trustee of its intention to exercise its option not later than five days prior to the date on which the Trustee is required to send notice of redemption to the Owners pursuant to the Indenture, and on such purchase date the County shall deposit with the Trustee an amount equal to the option price, which amount shall be in addition to the Base Rental due on such date.

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

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

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

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

Indenture

Pledge. Under the Indenture, the Authority, pledges to the Trustee, for the benefit of the Owners, but subject to the application thereof as provided therein, all of its rights, title and interest in and to all amounts on hand from time to time in the funds, accounts and subaccounts established under the Indenture (other than the Excess Earnings Account of the Earnings Fund).

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

The Construction and Acquisition Fund consists of the Costs of Issuance Account and the General Account. Within the General Account. the Trustee shall establish separate subaccounts for each Component. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance pursuant to the written request of an Authority Representative. The Trustee also shall disburse money from the appropriate subaccount within the General Account to pay Construction and Acquisition Costs for the corresponding Component pursuant to the written request of a County Representative. Amounts remaining in a subaccount in the General Account upon the earlier of (i) delivery to the Trustee of the corresponding Certificate of Component Completion and (ii) the third anniversary of the issuance of the Bonds, shall be transferred to one or more of the following uses, as directed by notice in writing signed by a County Representative, or, absent such direction, shall be transferred to the following uses in the following order of priority (a) to any subaccount or subaccounts within the General Account related to a Component which is not then completed the amount as specified by the County (provided that no such transfer shall be made after the third anniversary of the issuance of the Bonds), (b) to the Reserve Fund to the extent the amount therein is less than the Reserve Requirement, (c) to the Base Rental Fund to the extent necessary to make the amount on deposit therein equal to the amount of Base Rental to become due within the next twelve months, (d) for use in connection with any capital expenditure of the County whether or not related to the Facilities if there is delivered to the Trustee a certificate of a County Representative to the effect that the fair rental value of the Facilities is, or upon completion of funded improvements will be, at least equal to 100% of the maximum Base Rental due in the then current year or (e) to the Redemption Account.

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

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

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

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

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

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

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

Application of Earnings Fund. Amounts on deposit in the Investment Earnings Account within the Earnings Fund shall be transferred to the Excess Earnings Account pursuant to written instructions of a County Representative in accordance with the provisions of the Nonarbitrage Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount in the Excess Earnings Account which exceeds the amount required to be maintained therein as set forth in the written direction of an Authority Representative in accordance with the provisions of the Nonarbitrage Certificate shall be transferred as designated in writing by an Authority Representative, or, in the absence of such written instructions, first, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, second, pro rata to the subaccounts of the General Account of the Construction and Acquisition Fund pertaining to Components for which a Certificate of Project Completion has not been delivered (except that, no such deposit shall be made to any subaccount of the General Account of the Construction and Acquisition Fund after the third anniversary of the issuance of the Bonds), and finally to the Interest Account of the Bond Fund for application to the payment of interest on the Bonds on the next succeeding Interest Payment Date. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall be applied only to payments made to the United States of America in accordance with written instructions of an Authority Representative.

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

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

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

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

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

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

(1) A copy of a supplement or amendment to the Indenture authorizing such series of Additional Bonds which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Bonds, (ii) the purpose for which such Additional Bonds are to be executed, authenticated and delivered, (iii) the maturity date or dates of such Additional Bonds, (iv) the source of security of such Additional Bonds, (v) the interest payment dates for and the interest rate or rates or the maximum rate of interest payable on the Additional Bonds of such series, (vi) the denominations of and the manner of dating and numbering such Additional Bonds, (vii) the redemption provisions and redemption dates and prices and any defeasance provisions for such Additional Bonds, (viii) the form of the Additional Bonds, (ix) the establishment of any provisions concerning additional funds, accounts and subaccounts in the Bond Fund or a bond fund created pursuant to such supplement or amendment, held by the Trustee under the Indenture to provide for the payment of principal, premium, if any, and interest on such Additional Bonds, (x) the establishment of any provisions concerning additional funds, accounts and subaccounts in the Reserve Fund or a reserve fund created pursuant to such supplement or amendment and held by the Trustee under the Indenture so that such Additional Bonds are secured by a reserve requirement calculated on the same basis as the Reserve Requirement, and (xi) the establishment of any provisions concerning such other funds, accounts and subaccounts as the Authority shall deem necessary or desirable for such Additional Bonds, including, without limitation, construction and acquisition funds.

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

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

(4) If such Additional Bonds are being executed, authenticated and delivered to finance the construction or acquisition of new Facilities, additions or improvements to the Facilities, either (i) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Facilities, without taking into account such new Facilities, additions or improvements, is at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds, (ii) a certificate of a County Representative, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Facilities, including any new Facilities, additions or improvements which are completed and are available for use and possession by the County, is at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds, or (iii) a certificate of a County Representative, accompanied by a written appraisal from a qualified

appraiser, who may but need not be an employee of the County, evidencing that the fair rental value of the Facilities, including such new Facilities, additions or improvements, when completed, will be at least equal to the Base Rental payable under the Sublease, as amended, and that such Base Rental is sufficient to pay all principal and interest on the Outstanding Bonds and Additional Bonds, which certificate shall be accompanied by (1) an executed copy of a fixed price construction contract for such new Facilities, additions or improvements, which contract includes a scheduled completion date and provides for liquidated damages sufficient to pay the portion of Base Rental attributable thereto for each day from the scheduled completion date to the date on which such new Facilities, additions or improvements are accepted by the County, and (2) the deposit of a sufficient amount of capitalized interest to pay interest on the Additional Bonds until such scheduled completion date.

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

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

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

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

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

Events of Default. The following are events of default under the Indenture and the terms "Events of Default" and "default" shall mean any one or more of the following events: (i) default in the due and punctual payment of the interest on any Bond or the principal or premium, if any, on any Bond when and as the same become due and payable; provided, however, that any default in such due and punctual payment which is due to a rental abatement under the Sublease shall not be considered an Event of Default under the Indenture; (ii) an event of default shall occur under the Sublease with respect to the failure by the County to make any deposit of Base Rental or to pay Additional Rental when due under the Sublease; or (iii) an event of default shall occur under the Sublease, or the Authority shall fail to observe or perform any covenants, conditions or agreements on its part to be observed or performed under the Indenture (other than such failure as may constitute an Event of Default under clause (i) or clause (ii) as described above), and failure to remedy any such breach within a period of 30 days after written notice thereof to the Authority or the County, as applicable, and by the Trustee, or to the Authority or the County, as applicable, and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided, however, if such failure cannot be remedied within such 30 day period, then such period shall be extended so long as the Authority or the County, as applicable, shall institute corrective action within such 30 day period and diligently pursue the same until the default is corrected, but only if such extension would not materially adversely affect the interests of any Owner.

Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in clause (ii) under the caption "Events of Default" above, the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default under the Indenture, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and upon being indemnified to its satisfaction by such Owners shall proceed) to exercise the remedies set forth in the Sublease or available to the Trustee under the Indenture.

Upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct all remedies granted to the Owners of the Bonds or the Trustee or their assignee under the Sublease as applicable.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee under the Indenture or the Sublease is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Sublease, or now or hereafter existing at law or in equity.

Action by Owners. In the event the Trustee fails to take any action to eliminate an Event of Default under the Sublease or under the Indenture, including the collection of Base Rental when due, the Owners of a majority in aggregate principal amount of the Outstanding Bonds may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Sublease or the Indenture, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Sublease or the Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in the Indenture, the right of any Owner to receive payment in accordance with the terms of the Owner's Bond or to institute suit for the enforcement of any such payment on or after such payment becomes due shall not be impaired or affected without the consent of such Owner.

Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal of and interest then due and unpaid on all Outstanding Bonds and to make the deposits into the Base Rental Fund required to be made pursuant to the Sublease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Indenture or the Sublease shall be deposited by the Trustee into the Bond Fund and transferred first to the Interest Account therein and then to the Principal Account therein to pay the principal and interest due on the Bonds. If the amount deposited in the Bond Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of such interest due and unpaid to such Owners. If the amount deposited into the Bond Fund is not sufficient to pay all overdue payments of principal, the amounts deposited shall be distributed pro rata to the Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Bond Fund as described in the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Indenture or the Sublease shall be applied as follows in the order of priority indicated: (i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (ii) to the payment of Additional Rental then due and payable; and (iii) deposited into the Bond Fund for application to the payments due on the Bonds on the next succeeding payment dates therefor.

No Liability of Trustee for Base Rental Payments by County. Except as provided in the Indenture, the Trustee has no obligation or liability to the Owners with respect to the payment of Base Rental by the County when due, or with respect to the performance by the County or the Authority of any other covenant made by any of them in the Sublease or the Indenture.

Defeasance. If all Bonds shall be paid and discharged as provided in the Indenture, then all obligations of the Trustee and the Authority under the Indenture with respect to all Bonds shall cease and terminate, except the obligation of the Trustee to pay or cause to be paid to the Owners thereof all sums due with respect to the Bonds and to register, transfer and exchange Bonds pursuant to the Indenture and the obligations of the Authority to pay certain amounts owing to the Trustee and to comply with certain covenants relating to tax matters. Any Bond or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding if paid or discharged in any one of the following ways: (i) by paying or causing to be paid the principal of and interest on such Bond which have become due and payable; (ii) by depositing with the Trustee, in trust, cash which, together with the amounts then on deposit in the Base Rental Fund, the Bond Fund and the Reserve Fund and dedicated to this purpose, is fully sufficient to pay when due all principal of, premium, if any, and interest on such Bond to the maturity or earlier redemption date thereof; or (iii) by depositing with the Trustee, in trust, cash and/or noncallable Obligations and/or pre-refunded municipal bonds rated Aaa by Moody's and AAA by S&P in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue on such Government Obligations, without the need for reinvestment, be fully sufficient to pay when due all principal of, premium, if any, and interest on such Bond to the maturity or earlier redemption date thereof.

Notwithstanding the foregoing, no deposit under clauses (ii) and (iii) above shall be deemed a payment of such Bond until the earlier to occur of: (a) if such Bond is by its terms subject to redemption or will be affected pursuant to the option to purchase under the Sublease within 45 days, proper notice of redemption of such Bond or of such purchase and its effect on such Bond, as applicable, shall have been previously given in accordance with the Indenture or the Sublease, as applicable, to the Owner thereof or, in the event such Bond is not by its terms subject to redemption or will be affected pursuant to the option to purchase under the Sublease within 45 days of making the deposit under clause (ii) or (iii) above, the Authority shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owner of such Bond as soon as practicable stating that the deposit required by clause (ii) or (iii) above, as applicable, has been made with the Trustee and that such Bond is deemed to have been paid and further stating such redemption date or dates upon which money will be available for the payment of the principal and accrued interest thereon or the date on which such option to purchase will be exercised pursuant to the Sublease; or (b) the maturity of such Bond.

Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Bonds, which are not required for payment to Owners, or for payment to be made to the Trustee by the Authority, shall be passed over to the Authority.

Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture.

Agency Agreement

Under the Agency Agreement, the Authority appoints the County as its agent to carry out or cause to be carried out all phases of the design, construction, acquisition, delivery and installation of the Project in accordance with the Plans and Specifications and any contracts the County determines necessary or appropriate in connection therewith. The County, as agent of the Authority, assumes all rights, duties, liabilities and responsibilities of the Authority regarding the design, construction, acquisition, delivery and installation of the Project, except as limited in the Agency Agreement. The County is authorized and directed to apply the proceeds from the sale of the Bonds and the other moneys on deposit in the appropriate subaccount of the General Account of the Construction and Acquisition Fund for that purpose. The County has covenanted not to make any changes to the Plans and Specifications for any Component which would substantially alter the nature of any Component of the Project, delay the completion date for any Component, reduce the fair rental value of the Facilities, or increase the total acquisition and construction costs for any Component unless the County deposits sufficient funds to pay such increased costs in the appropriate subaccount of the General Account of the Construction and Acquisition Fund prior to making such changes.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and the Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2005 Series A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2005 Series A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2005 Series A Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 2005 Series A Bonds. The 2005 Series A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the 2005 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2005 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2005 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2005 Series A Bonds, except in the event that use of the book-entry system for the 2005 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2005 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2005 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2005 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2005 Series A Bonds may wish to ascertain that the nominee holding the 2005 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2005 Series A Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the 2005 Series A Bonds by the Authority will reduce the outstanding principal amount of the 2005 Series A Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interest in the 2005 Series A Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the 2005 Series A Bonds for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 2005 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such

Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the 2005 Series A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 2005 SERIES A BONDS FOR PREPAYMENT.

None of the Authority, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the 2005 Series A Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the 2005 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

None of the Authority, the Trustee or the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the 2005 Series A Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the Trustee or the Underwriters are responsible or liable for the failure of DTC or any Participants to make any payment or give any notice to a Beneficial Owner with respect to the 2005 Series A Bonds or an error or delay relating thereto.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Continuing Disclosure Certificate”) is executed and delivered by the County of Los Angeles (the “County”) as of March 1, 2005 in connection with the offer and sale of $393,315,000 Los Angeles County Public Works Financing Authority Lease Revenue Bonds (2005 Master Refunding Project) Series A (the “Bonds”). The offer and sale of the Bonds is being effected pursuant to the terms of an Indenture of Trust, dated as of March 1, 2005 (the “Indenture”), among the County, the Los Angeles County Public Works Financing Authority (the “Authority”) and U.S. Bank National Association, Los Angeles, California, as Trustee (the “Trustee”). The County hereby covenants and agrees as follows:

Section 1. Purpose of Continuing Disclosure Certificate. This Continuing Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Certificate, unless otherwise defined in this Section, the following capitalized terms have the following meanings:

“Annual Report” means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Certificate.

“Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any person appointed in writing by the County to act as the County’s agent in complying with the filing requirements of the Rule. As of the date of this Continuing Disclosure Certificate, the County has not appointed a Dissemination Agent.

“Listed Event” means any of the events listed in Section 5(a) of this Continuing Disclosure Certificate.

“National Repository” means, at any time, a then-existing nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories currently approved by the Commission are set forth in the Commission’s web site located at www.sec.gov/info/municipal/nrmsir.htm.

“Participating Underwriter” means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offer and sale of the Bonds.

“Repository” means each National Repository and each State Repository.

“Rule” means Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, including any official interpretations thereof issued either before or after the effective date of this Continuing Disclosure Certificate which are applicable hereto.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Continuing Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2005, provide to each Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Continuing Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Continuing Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to each Repository, the County shall provide such Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories an Annual Report by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit A to this Continuing Disclosure Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Annual Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Continuing Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the fiscal year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax status of the Bonds;

(vii) modifications to the rights of Owners of the Bonds;

(viii) bond calls other than scheduled sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and

(xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

(d) Each notice of the occurrence of a Listed Event shall be so captioned and prominently state the title, date and CUSIP numbers of the Bonds or, with respect to a notice of the occurrence of a Listed Event relating to all issues of the County, the CUSIP number of the County.

(e) The County may satisfy its obligations hereunder to file any notice, document or information with each Repository by filing the same with any dissemination agent or conduit, including the Municipal Advisory Council of Texas or any other "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to each applicable Repository, to the extent permitted by the Commission or Commission staff or required by the Commission. For this purpose, permission shall be deemed to have been granted by the Commission staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the Commission staff to the effect that using the agent or conduit to transmit information to each Repository will be treated for purposes of the Rule as if such information were transmitted directly to each Repository.

Section 6. Termination of Reporting Obligation. The County's obligations under this Continuing Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty days written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Continuing Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Certificate, the County may amend this Continuing Disclosure Certificate, and any provision of this Continuing Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Continuing Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Continuing Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Certificate, the County shall have no obligation under this Continuing Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Continuing Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Continuing Disclosure Certificate. A default under this Continuing Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Continuing Disclosure Certificate in the event of any failure of the County to comply with this Continuing Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Continuing Disclosure Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Continuing Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Continuing Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 15. Effective Date. This Continuing Disclosure Certificate shall be effective upon the issuance of the Bonds.

IN WITNESS WHEREOF, the County of Los Angeles has executed this Continuing Disclosure Certificate as of the date first set forth above.

COUNTY OF LOS ANGELES

By:____________________________________
Mark J. Saladino, Treasurer and Tax Collector

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Los Angeles County Public Works Financing Authority

Name of Issue: $393,315,000 Lease Revenue Bonds (2005 Master Refunding Project) Series A

Date of Issuance: March 2, 2005

NOTICE IS HEREBY GIVEN that the COUNTY OF LOS ANGELES, CALIFORNIA (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated as of March 1, 2005, executed and delivered by the County. [The County anticipates that the Annual Report will be filed by ____________________.]

Dated: ____________________

COUNTY OF LOS ANGELES

By:______________________________
Title:_____________________________

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES
CALIFORNIA

FORM OF OPINION OF BOND COUNSEL

[dated the closing date]

Board of Directors
Los Angeles County Public Works
Financing Authority
500 West Temple Street
Los Angeles, California 90012

Board of Supervisors
County of Los Angeles
500 West Temple Street
Los Angeles, California 90012

$393,315,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Refunding Bonds
(2005 Master Refunding Project)
Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles County Public Works Financing Authority, a joint exercise of powers entity established under the Constitution and the laws of the State of California (the "Financing Authority"), in connection with the issuance of $393,315,000 aggregate principal amount of Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2005 Master Refunding Project) Series A (the "Bonds").

The Bonds are being issued by the Financing Authority pursuant to Article 4, Chapter 5, Division 7, Title 1 of the California Government Code and an Indenture of Trust, dated as of March 1, 2005 (the "Indenture"), among the Financing Authority, the County of Los Angeles (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are payable from Base Rental payments to be made by the County pursuant to a Sublease and Option to Purchase, dated as of March 1, 2005, between the County and the Financing Authority (the "Sublease"). The County has leased certain real property together with the improvements thereon (the "Facilities") to the Financing Authority pursuant to a Lease, dated as of March 1, 2005, between the County and the Financing Authority (the "Lease").

The County has entered into the Sublease for the purpose of financing and refinancing the design, acquisition, construction, delivery and installation of certain capital improvements (the "Project") to certain County facilities, including the Facilities, and to sublease the Facilities as so improved. The County is obligated under the Sublease to pay Base Rental to the Financing Authority for the use and possession of the Facilities, subject to abatement in certain circumstances, as described in the Sublease. The Financing Authority has assigned its rights to receive Base Rental payments and certain other rights and obligations under the Lease and the Sublease to the Trustee pursuant to the Indenture. Pursuant to an Agency Agreement, dated as of March 1, 2005 (the "Agency Agreement"), by and between the Financing

Authority and the County, the Financing Authority has appointed the County as its agent to carry out the design, acquisition, construction, delivery and installation of certain Improvements not yet completed.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Financing Authority and the County in connection with the issuance of the Bonds. We have also examined such certificates of officers of the Financing Authority and the County and others as we have considered necessary for the purposes of this opinion. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture or the Sublease, as applicable.

We are of the opinion that:

1. Each of the Lease, the Sublease, the Indenture and the Agency Agreement has been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery thereof by, and the validity and enforceability thereof with respect to, the other party or parties thereto, constitutes a valid and binding obligation of the County enforceable against the County in accordance with its terms.

2. Each of the Lease, the Sublease, the Indenture and the Agency Agreement has been duly authorized, executed and delivered by the Financing Authority and, assuming due authorization, execution and delivery thereof by, and the validity and enforceability thereof with respect to, the other party or parties thereto, constitutes a valid and binding obligation of the Financing Authority enforceable against the Financing Authority in accordance with its terms.

3. The Financing Authority is duly authorized and entitled to issue the Bonds, and the Bonds have been duly and validly authorized and issued by the Financing Authority in accordance with the Constitution and laws of the State of California and the Indenture. The Bonds constitute valid and binding obligations of the Financing Authority as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture, and are entitled to the benefits of the Indenture.

4. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. The Financing Authority has covenanted in the Indenture, and the County has covenanted in the Sublease, to maintain the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenants, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes.

We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. The receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

Except as stated in the preceding three paragraphs, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other bond counsel.

The opinions expressed in paragraphs 1, 2, and 3 above are qualified to the extent the enforceability of the Lease, the Sublease, the Agency Agreement, the Indenture and the Bonds may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Lease, the Sublease, the Agency Agreement, the Indenture and the Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California. We advise you that we have not made or undertaken to make any investigation of the state of title to any of the real property or ownership of any property described in the Lease or the Sublease, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

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

We call attention to the fact that the opinions expressed herein and the exclusion from gross income of the interest on the Bonds as described above may be affected by actions taken or omitted or events occurring or not occurring after the date hereof. We have not undertaken to determine, or to inform any person or entity, whether any such actions or events are taken, omitted, occur or fail to occur.

Very truly yours,

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX G

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

COUNTY OF LOS ANGELES

CALIFORNIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-CA-7
12/04

COUNTY OF LOS ANGELES
CALIFORNIA