In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel, Los Angeles, California, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings:
Fitch: "A+"
Moody's: "A2"
Standard & Poor's: "A+"
(See "RATINGS" herein.)

$55,475,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

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

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program) (the "Bonds"), are being issued to finance the acquisition of certain equipment, machinery, vehicles and other tangible personal property to be leased to the County of Los Angeles, California (the "County") pursuant to a Lease Agreement, dated as of December 1, 2011 (the "Lease") by and between the County, as lessee, and the Los Angeles County Capital Asset Leasing Corporation, as lessor (the "Corporation"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County pursuant to the Lease and from certain other sources, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued in authorized denominations of $5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on June 1, 2012. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS" herein and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

The Bonds are not subject to optional redemption prior to maturity. The Bonds are subject to mandatory redemption prior to maturity, as described herein. See "THE BONDS-Redemption" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE 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 AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

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

The Bonds will be offered when, as and if issued subject to the approval as to their legality by Squire, Sanders & Dempsey (US) LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. Certain legal matters will be passed upon for the County and the Corporation by County Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about December 21, 2011.

Dated: December 6, 2011

MATURITY SCHEDULE

$55,475,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

Maturity	Principal Amount	Interest Rate	Yield	CUSIP[†]
6/1/2012	$8,245,000	1.500%	0.450%	54466LEN3
12/1/2012	8,025,000	1.500	0.550	54466LEP8
6/1/2013	7,145,000	3.000	0.730	54466LEQ6
12/1/2013	6,710,000	3.000	0.790	54466LER4
6/1/2014	5,100,000	4.000	1.070	54466LES2
12/1/2014	4,685,000	4.000	1.130	54466LET0
6/1/2015	4,595,000	5.000	1.430	54466LEU7
12/1/2015	4,195,000	5.000	1.460	54466LEV5
6/1/2016	3,830,000	5.000	1.600	54466LEW3
12/1/2016	2,945,000	5.000	1.670	54466LEX1

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

Board of Supervisors

Zev Yaroslavsky
Third District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

County Officials

William T Fujioka
Chief Executive Officer

Andrea Sheridan Ordin
County Counsel

Wendy L. Watanabe
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Fieldman, Rolapp & Associates, Inc.
Financial Advisor

The Bank of New York Mellon Trust Company, N.A.
Trustee

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. 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 Corporation.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. All estimates, projections, forecasts or matters of opinion are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future.

Certain of the information set forth herein has been obtained from official sources which are believed 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 Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. 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 the Corporation.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 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 UNDERWRITER.

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COUNTY OF LOS ANGELES
CALIFORNIA

$55,475,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2011 SERIES A
(LAC-CAL Equipment Program)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire 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 and any documents referred to in this Official Statement 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 shall have the meanings set forth in the Indenture and the Lease. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Definitions."

General Description

This Official Statement, including the cover page and attached Appendices (the "Official Statement"), provides certain information concerning the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $55,475,000. The Bonds will be issued pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the California Government Code and an Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used to (1) redeem certain bond anticipation notes of the County (the "BANs"), whose proceeds were originally used to finance the acquisition of certain equipment, machinery, vehicles, and other tangible personal property (as more fully described herein, the "Equipment"), (ii) fund the Reserve Fund established pursuant to the Indenture and (iii) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Equipment will be leased pursuant to the Lease Agreement, dated as of December 1, 2011 (the "Lease"), by and between the Corporation and the County of Los Angeles (the "County").

General Terms of the Bonds

The Bonds are dated and will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1, commencing on June 1, 2012 (each, an "Interest Payment Date"). The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Bonds will be delivered in book-entry form only and when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds are not subject to optional redemption prior to maturity, but are subject to mandatory redemption as described herein. See "THE BONDS" herein.

Security and Sources of Payment for the Bonds

Under the Lease, in consideration for the use and possession of the Equipment, the County is required to make certain payments designated as Base Rental ("Base Rental") in the amounts, at the times and in the manner set forth in the Lease. The County is also required to make certain payments designated as Additional Rental ("Additional Rental") pursuant to the Lease. Pursuant to the Indenture, the Trustee will apply Base Rental payments received from the County to pay principal of and interest on the Bonds.

The County has covenanted in the Lease to pay the Base Rental due thereunder from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental 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 as described herein). However, the County is not obligated to levy or pledge any form of taxation in order to pay such Base Rental and Additional Rental for the rental of the Equipment, nor has the County done so.

Payments under the Lease, except for certain moneys more particularly described in the Lease, will be abated in whole or in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,084 square miles. The County was established under an act of the State Legislature on February, 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

Limited Liability

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE 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 AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

Continuing Disclosure

The County has covenanted to provide, or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB"), for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission ("Rule 15c2-12"), certain annual financial information and operating data and notice of certain material events in a timely manner. These covenants have been made in order to assist the underwriters of the Bonds in complying with Rule 15c2-12. See "CONTINUING DISCLOSURE" herein and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

ESTIMATED SOURCES AND USES OF FUNDS

The Bond proceeds and other funds are expected to be applied approximately as set forth below:

SOURCES:	
Principal Amount of Bonds	$55,475,000.00
Original Issue Premium	3,512,395.15
County Contribution	24,152,436.81
TOTAL SOURCES	**$ 83,139,831.96**
USES:	
Redemption of BANs	80,894,683.92
Debt Service Reserve Fund	2,000,000.00
Costs of Issuance Account[(1)]	161,965.99
Underwriter's Discount	83,182.05
TOTAL USES	**$ 83,139,831.96**

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(1) Includes rating agency fees, certain legal fees, financial advisory fees, trustee fees, electronic bid fees and printing costs.

THE BONDS

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

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on each Interest Payment Date, commencing on June 1, 2012. The Bonds will be delivered in book-entry form only and when issued, authenticated and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive Bonds representing their ownership interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity in whole on any date or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, from amounts deposited in the Redemption Account of the Bond Fund pursuant to the Indenture following an event of theft, damage or destruction of the Equipment or a portion thereof. The Bonds shall only be subject to mandatory redemption to the extent that Base Rental payments with respect to the remaining Outstanding Bonds do not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed, as determined by the County.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected proportionately among maturities, and within a maturity, the Trustee shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. When redemption is required pursuant to the Indenture, the Trustee shall give notice of the redemption of the Bonds to each owner of a Bond to be redeemed. The notice shall specify: (a) that the Bond or a designated portion thereof (in the case of redemption of a Bond in part but not in whole) is to be redeemed, identifying each such Bond by its Bond number unless all Outstanding Bonds or all Outstanding Bonds of the particular maturity or maturities are to be redeemed, in which case the notice need only indicate that all Outstanding Bonds, or all Outstanding Bonds of a particular maturity or maturities (specifying each such maturity) are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original date and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified redemption date, the redemption price, together with interest accrued to the redemption date, shall become due and payable and that, from and after such date, interest on the Bonds to be redeemed on the redemption date shall cease to accrue and be payable. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers set forth therein or on the Bonds. Such redemption notice may state that such redemption may be conditional upon the receipt by the Trustee of moneys sufficient to pay the principal of, and interest on such Bonds to be redeemed.

The Trustee shall give notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the owners of Bonds designated for redemption at their addresses appearing on the Bond Register as of the close of business on the day before such notice is given. Neither failure to receive any such notice nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of any Bond.

Such redemption notice shall also be given at least 30 days before the redemption date, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to DTC and to one of the Information Services.

Neither failure to give the notice described in the immediately preceding paragraphs nor any defect in the notices shall in any manner affect the redemption of any Bond.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the owner thereof a new Bond or Bonds of authorized denominations equal in aggregate principal amount, maturity and interest rate to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment or provision of the payment of the amount required to be paid to such Bondowner, and the Lessor and the Trustee shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. Notice having been given as prescribed by the Indenture, and the money for the redemption (including the interest to the applicable date of redemption) having been set aside in the Redemption Account in the Bond Fund or otherwise segregated for such purpose, the Bonds or portions thereof to be redeemed shall become due and payable on the date of redemption.

If on the redemption date, money for the redemption of all Bonds to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor, and if notice of redemption thereof shall have been given as described in the Indenture, then, from and after the redemption date, no additional interest shall become due on the Bonds to be redeemed. All money held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Bondowners to be so redeemed.

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

Base Rental and Additional Rental

The Lease requires the County to pay Base Rental for the use and possession of the Equipment and to pay, as Additional Rental, any taxes, assessments and insurance premiums with respect to the Equipment and to the extent not paid out of proceeds of the Bonds, the fees and expenses of the Trustee and any paying agent in connection with the authentication of the Bonds and the performance and enforcement of the Lease and the Indenture. The County has agreed to deposit the Base Rental payable under the Lease on each Lease Payment Date with the Trustee. "Lease Payment Date" under the Lease means a date on or before each Interest Payment Date. The County's obligation to pay Base Rental under the Lease shall commence on the date of issuance of the Bonds. The County has covenanted in the Lease to pay Base Rental from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental Payments for the Equipment in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Lease). See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease - Abatement."

Base Rental payments are scheduled to be paid as set forth below:

Lease Payment Date[1]	Principal Component	Interest Component	Base Rental Payment
06/01/2012	$8,245,000	$813,044.44	$9,058,044.44
12/01/2012	8,025,000	852,837.50	8,877,837.50
06/01/2013	7,145,000	792,650.00	7,937,650.00
12/01/2013	6,710,000	685,475.00	7,395,475.00
06/01/2014	5,100,000	584,825.00	5,684,825.00
12/01/2014	4,685,000	482,825.00	5,167,825.00
06/01/2015	4,595,000	389,125.00	4,984,125.00
12/01/2015	4,195,000	274,250.00	4,469,250.00
06/01/2016	3,830,000	169,375.00	3,999,375.00
12/01/2016	2,945,000	73,625.00	3,018.625.00

(1) Due on or before each Interest Payment Date.

Pursuant to the Indenture, the Corporation has assigned to the Trustee, for the benefit of the Bondowners, all of its rights in and to the Lease, including the right to receive Base Rental payments and the right to enforce payment of Base Rental when due, but excluding the Corporation's rights to the payment of its expenses, to indemnification and certain other rights set forth in the Indenture. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS— Indenture."

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease 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 and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Any component of the Equipment may be modified for the County's use after the execution and delivery of the Lease, provided that such modification is in compliance with the terms of the Lease, which requires, among other things, that any such modification will not cause the modified Equipment to have a value less than its value prior to the modification.

Reserve Fund

Amounts on deposit in the Reserve Fund established pursuant to the Indenture are pledged to pay principal of and interest on the Bonds. The Reserve Fund will initially be funded from the proceeds of the Bonds in the amount of $2,000,000.00. The Reserve Requirement means, as of any date of calculation, the lesser of (i) $2,000,000.00 or (ii) the total remaining unpaid principal and interest on the Bonds. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts if available to make up the deficiencies. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is less than the Reserve Requirement, the Trustee shall promptly notify the Lessor and Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture - Funds and Accounts."

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any component of the Equipment by the County. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the County and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, does not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed. Such abatement shall commence on the date of theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment or any affected portion of the Equipment, or the delivery of replacement Equipment or portions thereof. Additional Rental shall not be abated so long as a significant portion of the Equipment or portions thereof remains available for the use and possession of the County. Except as provided in the Lease, in the event of any such theft, damage or destruction, the Lease shall continue in full force and effect and the County waives any right to terminate the Lease by virtue of any such theft, damage or destruction. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease - Abatement" and RISK FACTORS - "Abatement."

Insurance

Pursuant to the Lease, the County has agreed to obtain certain types of insurance, including not less than two years of rental interruption insurance and all-risk insurance including theft insurance, from private insurers, as long as such insurance is commercially available at a reasonable cost. No assurance can be given that such insurance will be commercially available at a reasonable cost during the entire term of the Lease. If any such insurance is not commercially available at a reasonable cost, the County has covenanted in the Lease to self-insure, and has further covenanted in the Lease that reserves for such self-insurance, other than with respect to workers' compensation insurance, will, in the opinion of the County's risk manager, be adequate. The County may not self-insure for rental interruption insurance.

Investment of Funds and Accounts

County General Fund moneys are generally deposited into the County Treasury to the credit of the County and invested in accordance with County investment policies. Pursuant to the Indenture, moneys held by the Trustee in any fund or account under the Indenture shall be invested in Qualified Investments pending application as provided therein, which investment may include the County Treasury Pool. See APPENDIX A - "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT - Los Angeles County Pooled Surplus Investments" and APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Description of the Equipment

The proceeds of the Bonds are to be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property used by various departments of the County of Los Angeles, including Department of Beaches and Harbors, the Department of Health Services, the Internal Services Department, the Department of Coroner, the Department of Probation, and the Sheriff Department. Such property consists of more than one thousand individual items and includes motor vehicles, medical equipment, and computer systems. The aggregate average useful life of such equipment will not be less than the weighted average maturity of the Bonds, and the individual useful life of such equipment ranges from three to seven years.

THE CORPORATION

The Los Angeles County Capital Asset Leasing Corporation is a California nonprofit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California (constituting Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was formed in February 1983 to assist the County, among other things, in financing the purchase of necessary equipment.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board") appointed by the Board of Supervisors of the County. The Board members receive no compensation. The Corporation has no employees. All staff work is performed by employees of 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 Bonds.

Not a Pledge of Taxes

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease 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 and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Equipment is available for its use and possession, the County will take such action as may be necessary to include all Base Rental payments due under the Lease in any Fiscal Year during the term of the Lease in its annual budgets for the Fiscal Year and to make the necessary annual appropriations for all such Base Rental payments. 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 Lease (including payment of costs of repair and maintenance of the Equipment, taxes and other governmental charges levied against the Equipment) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due.

Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

Under the terms of the Lease, the Trustee has the right to recover Base Rental payments as they become due under the Lease. The County will be liable only for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

Additionally, enforceability of the rights and remedies of the Bondowners, and the obligations incurred by the Corporation 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.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Equipment. 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 or if the County receives insufficient commercial insurance proceeds to repair or replace any portion of the Equipment which is damaged or destroyed, the amount of Base Rental payable under the Lease could be abated. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Abatement" herein and "-Abatement" below.

Abatement

Except to the extent of amounts held in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and in the Reserve Fund, amounts received from rental interruption insurance, and amounts which may otherwise be legally available to the County and transferred to the Trustee for the purpose of paying Base Rental payments under the Lease will be abated in whole in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof. In the event of an abatement, the amount of rental abatement will be such that the resulting total Base Rental payments do not exceed the total fair rental value of the remaining portions of the Equipment not damaged, destroyed or taken. Abatement will continue for the period commencing with the date of damage, destruction or theft and shall end with the substantial completion of the work of repair or the delivery of a replacement for the affected portion of the Equipment.

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 Equipment, if any, to pay principal of and interest on the Bonds in the amounts and at the rates set forth thereon. In such an event, all Bondowners 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 Bonds matured during a period of abatement, such Bondowners 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 constitute a default under the Lease or the Indenture.

State Budget

On-going weak economic conditions have resulted in significant revenue shortfalls to the State, upon which the County relies for a substantial portion of its revenues. The Governor declared a "fiscal emergency" and called special sessions of the Legislature to consider budget actions to address the problems. As of the date hereof, a budget balancing agreement has been reached between the Governor and leaders of the State legislature. This agreement incorporates certain reductions in County revenues. Given the current state of the State's economy, the County cannot fully anticipate the resolution of the State's budget challenges and its impact on the revenues or expenditures of the County. Decreases in County revenues from the State and increases in required County expenditures from the levels assumed by the County may require the County to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A-"THE COUNTY OF LOS ANGELES INFORMATION STATEMENT".

General. The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2011-12 State Budget (the "2011-12 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2011-12 State Budget on the County's financial outlook. In the event the 2011-12 State Budget requires decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A — "COUNTY OF LOS ANGELES INFORMATION STATEMENT — BUDGETARY INFORMATION – Federal and State Funding.”

2011-12 State Budget. The State’s 2011 Budget Act, enacted on June 30, 2011, projected that the State would end fiscal year 2011-12 with a $543 million reserve for the special fund for economic uncertainties. General Fund revenues and transfers for fiscal year 2011-12 were projected at $88.5 billion, a reduction of $6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at $85.9 billion – a reduction of $5.5 billion compared to the prior year.

The State’s 2011 Budget Act projected an additional $4 billion in fiscal year 2011-12 General Fund revenues since the May Revision to the Governor’s Proposed 2011-12 Budget (“May Revision”), based on higher than expected revenues and updated expenditure projections. This amount was estimated on an aggregate basis, and was not allocated to specific tax sources. The 2011 Budget Act recognized the potential risk to the State’s fiscal condition if the higher revenues did not materialize by including a “trigger mechanism” to provide certain automatic expenditure reductions described below if projections of the fiscal year 2011-12 revenues to be updated in November/December 2011 are at least $1 billion lower than projected under the 2011 Budget Act.

The first step in this process will be a determination by the State’s Director of Finance by December 15, 2011 forecasting whether revenues will meet the projections. This determination will use the higher of the Department of Finance’s own updated revenue projections which are prepared every fall, and the revenue projections of the Legislative Analyst’s Office, which will be released in mid-November 2011. If revenues are projected to fall short of expectations by an amount between $1 billion and $2 billion (first “tier”), a fixed amount of $600 million in cuts to higher education, health and human services, and public safety would be implemented by the Director of Finance beginning in January 2012. If revenues are projected to fall short by more than $2 billion (second “tier”), additional cuts would occur. A fixed amount totaling $320 million in cuts would come from eliminating the home-to-school transportation program and reducing community college apportionments. Up to an additional $1.5 billion in cuts would come from shortening the school year by up to seven days, but this cut would be done on a proportionate scale of approximately seventy-five cents in reduction for every dollar of revenue that does not materialize past the $2 billion threshold, up to a maximum of approximately $1.5 billion in reductions. As noted, once the $1 billion or $2 billion dollar shortfall tiers are reached, the entire trigger reduction for each tier is made (not proportionate), except for shortening of the school year.

Impact of Fiscal Year 2011-12 State Budget on the County. The estimated impact to the County of the State budget cuts identified in the State’s 2011 Budget Act and the May Revision in Fiscal Year 2011-12 is approximately $366.3 million. Most of the State budget actions will result in funding reductions to County administered health and social services programs. Given the County's policy to not backfill cuts to State programs, the estimated $366.3 million of funding reductions will be passed through to local constituents. The estimated impact to the County of the implementation of additional cuts due to State revenue shortfalls are an overall impact of $0.4 million for first tier shortfalls. Any shortfalls due to second or third tier budget cuts, if enacted, are not expected to have an impact on the County. See APPENDIX A — "COUNTY OF LOS ANGELES INFORMATION STATEMENT —2011-12 Proposed Budget."

Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2011-12 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

TAX MATTERS

General

The following describes certain federal income and state tax matters relating to the Bonds. The following does not describe any federal income or state tax matters relating to the Taxable Bonds. In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel, Los Angeles, California, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

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

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County or the Corporation may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Corporation and, subject to certain limitations, the County have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, on September 13, 2011, legislation proposed by President Obama called the American Jobs Act of 2011 was introduced into the Senate that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County, the Corporation, or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Original Issue Premium

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds by the Corporation are subject to the approval of Squire, Sanders & Dempsey (US) LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX D hereto. Certain legal matters will be passed upon for the County and the Corporation by the County Counsel.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc. served as Financial Advisor in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

No litigation is pending, or to the best knowledge of the County and the Corporation, threatened against the County or the Corporation concerning the validity of the Bonds or challenging any action taken by the County or the Corporation in connection with the authorization of the Indenture or the Lease or any other document relating to the Bonds to which the County or the Corporation is or is to become a party or the performance by the County or the Corporation 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 also Note 17 of "Notes to the Basic Financial Statements" included in APPENDIX B, which discusses this liability as of June 30, 2010. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

RATINGS

Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "A+," Moody's Investors Service ("Moody's") has assigned the Bonds a rating of "A2" and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds a rating of "A+." Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective rating agencies at: Fitch, Inc., One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, telephone number (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2124. In order to obtain such ratings, the County furnished certain information and materials to the rating agencies, some of which has not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and their own investigation, studies and assumptions. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The County undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the Bonds.

The County expects to furnish to each rating agency such information and materials as it may request. The County, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate"), the County has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the County by not later than February 1st of each year, commencing February 1, 2012, for the prior fiscal year, in the form of an annual report (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the County with the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). Information about and filing made with EMMA can be found at http://emma.msrb.org. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the County's continuing disclosure obligations are set forth in Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12. In the last five years, the County has not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events.

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

ADDITIONAL INFORMATION

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

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Bondowner 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 and approved by the Board of Supervisors of the County and the Board of Directors of the Corporation.

GLENN BYERS
ASSISTANT TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES
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COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES
CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 9.8 million in 2010, the County is the most populous of the 58 counties in California and has a larger population than 43 states. As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

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

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving three consecutive terms commencing as of December 2002. On September 27, 2011, the Board of Supervisors adopted a final Supervisorial District Boundary Plan based on the results of the 2010 census. The redistricting plan, which took effect on October 27, 2011, reduced the total variance in population among the five districts from 9.97% to 1.59% and moved approximately 277,600 residents to new supervisorial districts.

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

COUNTY SERVICES

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

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

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

Health and Welfare

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

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services ("DHS") is a major supplier of health care professionals throughout California.

Disaster Services

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

Public Safety

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

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 4.1 million registered voters and maintains 5,000 voting precincts for countywide elections.

Culture and Recreation

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

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by certified employee organizations. These organizations include sixty (60) collective bargaining units, which are represented either by the Services Employees International Union ("SEIU") Local 721, which covers the vast majority of County employees, the Coalition of County Unions ("CCU"), which represents nine (9) unions, or one of eight (8) Independent Unions. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

In March 2009, the Board of Supervisors approved amendments to eight (8) Memoranda of Understanding ("MOU") covering wages, salaries and special pay practices with the Independent Unions representing fire fighters, peace officers, public defender investigators, beach lifeguards and deputy probation officers (the "Public Safety Unions"). The amendments extended the terms and conditions of the existing MOUs for an additional two-year period through December 31, 2010 or January 31, 2011, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

In December 2009, the Board of Supervisors approved successor fringe benefit agreements with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions. Under the terms of the new fringe benefit agreements, which expire on September 30, 2011, County employees agreed to forego any cost of living increases through the 2-year contract term; and the County has agreed to increase its contribution for employee health care by 8% in Fiscal Year 2009-10 and 7.2% in Fiscal Year 2010-11.

On February 1, 2011, the Board of Supervisors approved amendments to eight (8) MOUs covering wages, salaries and special pay practices for the Public Safety Unions. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through December 31, 2011 or January 31, 2012, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

On March 15, 2011, the Board of Supervisors approved amendments to forty-eight (48) MOUs covering wages, salaries and special pay practices with most of the collective bargaining units represented by SEIU Local 721, the CCU and the Independent Unions representing non public safety personnel. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through September 30, 2012, and provided for the continuation of existing salaries with no cost-of-living adjustments.

RETIREMENT PROGRAM

General Information

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

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

LACERA's total membership as of June 30, 2010 was 160,604, consisting of 66,074 active vested members, 28,336 non-vested active members, 54,196 retired members and 11,998 terminated vested (deferred) members. Of the 94,410 active members (vested and non-vested), 81,413 are general members in General Plans A through E, and 12,997 are safety members in Safety Plans A or B. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of the Plan A options. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of March 31, 2011, approximately 65% of general members were enrolled in General Plan D, and 99% of all safety members were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits and no benefit reductions following 61 years of age. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. As a result, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary. A Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

In an internal survey completed by the CEO in Fiscal Year 2010-11, it was determined that the benefit structures of other public retirement plans in California differ considerably from the County's two primary contribution-based plans (General Plan D and Safety Plan B). For example, the CEO found that six of the ten largest counties in the State, and nine of the ten largest cities in the State, provide their general employees with at least 2.0% annual increases, and no reduction in benefits for those employees who retire at age 55 or younger. In addition, seven of the ten largest counties, and seven of the ten largest cities, provide their public safety personnel with annual benefit increases of 3.0%, and no reduction in benefits for employees who retire at age 50 or younger.

Contributions

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

Investment Policy

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

Actuarial Valuation

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

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

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

Beginning with Fiscal Year 2006-07, the Board of Investments adopted a revised series of economic and demographic assumptions to be used in LACERA's actuarial valuations. The economic assumptions for the investment return rate, wage growth rate and price inflation were set at 7.75%, 3.75% and 3.50%, respectively. Changes to the demographic assumptions included higher merit salary increases for safety members with 20 or more years of service, an increase in retirement rates and lower mortality rates for disabled retirees. The net effect of the change in actuarial assumptions was to increase both the actuarial accrued liability ("AAL") for the Plan and the total County contribution rate. In Fiscal Year 2007-08, the assumed wage growth rate was increased from 3.75% to 4.00%. The economic and demographic assumptions were unchanged for the actuarial analysis completed for Fiscal Year 2008-09.

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

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

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

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. Based on the Investigation of Experience for the three-year period ended June 30, 2010, Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment return, and some changes to the demographic assumptions.

For the June 30, 2010 actuarial valuation (the "2010 Actuarial Valuation"), Milliman recommended a decrease in the assumed rate of inflation from 3.5% to a range of 3.00% to 3.25%, and a decrease in the assumed investment rate of return from 7.75% to a range of 7.25% to 7.5%. In December 2010, the Board of Investments decided to leave the assumed rate of inflation and the assumed investment rate of return unchanged at 3.5% and 7.75%, respectively. However, the Board of Investments voted to adopt Milliman's recommendations regarding changes to the demographic assumptions, which are reflected in the 2010 Actuarial Valuation.

On October 12, 2011, the Board of Investments decided to lower the assumed investment rate of return from 7.75% to 7.5%, and to phase in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return will be 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively. The lower assumed rates of return are projected to increase the County's required contribution to LACERA by $13.4 million in Fiscal Year 2012-13, $53.4 million in Fiscal Year 2013-14, and $88.8 million in Fiscal Year 2014-15. The cumulative impact of the lower assumed rates of return is projected to be $155.6 million for the three-year period ended June 30, 2015.

UAAL and Deferred Investment Returns

The 2009 Actuarial Valuation reported a rate of return on Retirement Fund assets of negative 18.3% for the Fiscal Year ended June 30, 2009, which corresponds to an $8.226 billion reduction in the market value of assets from June 30, 2008. Under the 2009 Funding Policy, the actuarial value of Retirement Fund assets decreased by $120 million to $39.542 billion as of June 30, 2009, and the Funded Ratio decreased by 5.6% from 94.5% to 88.9% as of June 30, 2009. The actuarial value does not include $9.819 billion of deferred investment losses that will be recognized over the next four fiscal years.

The 2009 Actuarial Valuation reported that the AAL increased by $2.494 billion to $44.469 billion, and the UAAL increased from $2.313 billion on June 30, 2008 to $4.927 billion as of June 30, 2009. The $2.614 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-10.

The 2009 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2010. In Fiscal Year 2010-11, the County's required contribution rate increased by 2.14% to 14.22% of covered payroll. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 1.99% to 4.12%, and an increase in the normal cost contribution rate from 10.09% to 10.10%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of significant actuarial investment losses, which account for 3.91% of the 14.22% total contribution rate. The impact of the actuarial investment losses on the required contribution rate was partially offset by the transition to a five-year smoothing period (-1.16%) as a result of the 2009 Funding Policy.

The 2010 Actuarial Valuation reported a rate of return on Retirement Fund assets of 11.6% for the Fiscal Year ended June 30, 2010, which corresponds to a $2.935 billion or 9.6% increase in the market value of assets from June 30, 2009. The market rate of return compares favorably to the 7.75% assumed rate of return, but was more than offset by large deferred asset losses from prior years that were partially recognized in the current actuarial valuation. The actuarial value of Retirement Fund assets decreased by $703 million to $38.839 billion as of June 30, 2010, and the Funded Ratio decreased by 5.6% from 88.9% to 83.3% as of June 30, 2010. The actuarial value does not include $6.211 billion of net deferred investment losses that will be recognized over the next three fiscal years.

The large deferred loss is primarily due to the fact that the 5-year asset smoothing method has recognized only two-fifths of the substantial investment losses that occurred in the Fiscal Year ended June 30, 2009. To demonstrate the impact of utilizing an asset smoothing period, the actuary estimates that the Funded Ratio would have been 69.9% as of June 30, 2010, and the required County contribution rate would be 20.9% for Fiscal Year 2011-12, if the actual market value of Retirement Fund assets was used as the basis for the actuarial calculations.

The 2010 Actuarial Valuation reported that the AAL increased by $2.177 billion to $46.646 billion, and the UAAL increased from $4.927 billion on June 30, 2009 to $7.807 billion as of June 30, 2010. The $2.88 billion increase in the UAAL was primarily the result of the significant investment losses in Fiscal Year 2008-09. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-10.

Based on the 2010 Actuarial Valuation, the County's required contribution rate will increase by 2.09% to 16.31% of covered payroll in Fiscal Year 2011-12. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 4.12% to 6.47%, and a decrease in the normal cost contribution rate from 10.10% to 9.84%. The increase in the contribution rate to fund the UAAL was primarily driven by the recognition of the significant actuarial investment losses from prior years, which caused an increase in the required contribution rate of 2.51%. The impact of the actuarial investment losses on the required contribution rate was partially offset by strong investment returns in Fiscal Year 2009-10 and other positive variances from the economic and demographic assumptions. The changes in the demographic assumptions adopted by LACERA from the 2010 Investigation of Experience resulted in a .27% reduction in the required contribution rate.

The strong performance of the equity markets has continued in Fiscal Year 2010-11, with LACERA reporting a 20.4% return on Retirement Fund assets for the Fiscal Year ended June 30, 2011. The asset allocation percentages for the Retirement Fund as of June 30, 2011 were 23.2% domestic equity, 28.7% international equity, 25.1% fixed income, 8.5% real estate, 10.0% private equity, 2.7% commodities and 1.8% cash.

A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-10

Pension Funding

The County has funded 100% or more of its annual required contribution to LACERA in each of the last twelve years. In Fiscal Years 2009-10 and 2010-11, the County's total contributions to the Retirement Fund were $802.5 million and $898.8 million, respectively. For Fiscal Year 2011-12, the County's required contribution payments are estimated to increase by $122.1 million to $1.021 billion.

A summary of employer contributions for the seven years ended June 30, 2011 is presented in Table 3 ("County Pension Related Payments") on page A-10.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, however, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") that can be used by the County to fund retirement program costs is $470.71 million as of June 30, 2010. The future use of these funds will not be affected by the 2009 Funding Policy and have never been included in the actuarial valuation of Retirement Fund assets.

With a strong cash position at the beginning of Fiscal Years 2007-08 and 2008-09, the County decided to prepay $400 million of its annual required contribution to LACERA. The payments were made in July of each year and served to reduce monthly transfers during the second half of the fiscal year. In Fiscal Year 2009-10, the County returned to its historical practice of making payments to LACERA for the required contribution on a monthly basis throughout the fiscal year.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2010, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits that may be granted in the future in the 2010 Actuarial Valuation. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase by .52% to 16.83%, and the Funded Ratio would decrease by 1.4% to 81.9% in Fiscal Year 2011-12. At its October 12, 2011 meeting, the Board of Investments also decided to continue including the entire STAR Program Reserve as a valuation asset of the Retirement Fund. The exclusion of the STAR Program Reserve from the valuation assets would have required the County to increase its required contribution to LACERA by approximately $34 million in Fiscal Year 2012-13.

Pension Obligation Securities

In California, the obligation of the County to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The County has previously issued pension obligation bonds and certificates and transferred the proceeds to LACERA to reduce its UAAL. In July 2010, the County deposited an advance payment in the amount of $372.13 million with the trustee for its 1994 Pension Obligation Certificates, representing the final payment of its outstanding pension obligations. The final payment to investors was made on June 30, 2011.

An eight-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-10.

Postemployment Health Care Benefits

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

For Fiscal Year 2007-08, total payments from the County to LACERA for retiree health care were $352.0 million, including a $9.0 million transfer from excess earnings. Total payments for Fiscal Years 2008-09, 2009-10, and 2010-11 were $365.7 million, $384.0 million, and $405.6 million, respectively. For Fiscal Year 2011-12, the County is estimating $424.9 million in payments to LACERA for retiree health care. Since Fiscal Year 2006-07, the County has discontinued its practice of using supplemental contributions from the County Contribution Credit Reserve with LACERA to fund its postemployment health care benefit obligations.

Financial Reporting for Other Postemployment Benefits

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits ("OPEB"), which are defined to include many post retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

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

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

The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 43 and GASB 45, LACERA engaged Milliman to complete the initial actuarial valuation of OPEB liabilities for the LACERA plans as of July 1, 2006 (the "2006 OPEB Valuation"). In May 2007, Milliman presented the first actuarial calculation of the County's unfunded accrued liability for post retirement health care and life insurance benefits paid to its employees.

In the 2006 OPEB Valuation, Milliman provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefits plan. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for such percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions in the 2006 OPEB Valuation were modeled on the assumptions used by LACERA for its pension program in Fiscal Year 2007-08, which assumed a 3.75% general wage increase for County employees and a 3.5% implied inflation rate. The healthcare cost assumptions in the 2006 OPEB Valuation were based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

The 2006 OPEB Valuation determined the AAL for LACERA's healthcare and life insurance benefits using a 5% discount rate and the Projected Unit Credit actuarial cost method. Using this methodology, the AAL for LACERA's OPEB program (including employees of the Los Angeles Superior Court) was $21.215 billion as of July 1, 2006, of which $20.301 billion was the County's share of the liability. The total annual required contribution for the County to fund its OPEB liability (referred to in GASB 45 as the "ARC") was estimated to be $1.55 billion as of July 1, 2006, which represented approximately 31.2% of the County's annual payroll costs.

The standards set forth under GASB 45 affect the County's financial statements. However, GASB 45 does not impose requirements on the funding of any OPEB liability and there is no mandatory payment associated with the implementation of this standard. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. Accordingly, for the Fiscal Year ended June 30, 2008, the County reported a total OPEB ARC of $1.615 billion, which also includes the unfunded liability for the County's long-term disability benefits. The total OPEB ARC, when reduced by the $381 million "pay-as-you-go" County contribution, resulted in an initial Net OPEB liability of $1.234 billion for retiree health care and long-term disability benefits as of June 30, 2008. The $381 million County contribution represented 23.6% of the OPEB ARC.

In accordance with the requirements of GASB 43, LACERA engaged Milliman to complete its second OPEB actuarial valuation as of July 1, 2008 (the "2008 OPEB Valuation"), which was issued in June 2009. In the 2008 OPEB Valuation, Milliman reported an AAL of $21.864 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability, $20.902 billion represented a 3% increase from the 2006 OPEB Valuation. The OPEB ARC as of July 1, 2008 was estimated to be $1.66 billion, which represents approximately 28% of the County's payroll costs, and a 7% increase from the 2006 OPEB Valuation.

The 2008 OPEB Valuation utilized the Projected Unit Credit actuarial cost method and a 5% discount rate. The increase in the OPEB AAL from 2006 to 2008 was caused by several offsetting factors, which include changes to retirement benefit assumptions, cost increases due to the passage of time, demographic changes, and claim cost experience gains, including lower than expected increases in health insurance premiums. However, as a result of an increase in the assumed total wage growth from 3.75% to 4% in 2008, the OPEB ARC as a percentage of annual payroll costs was reduced to 28% from 31% in 2006.

In accordance with the requirements of GASB 45, the County reported an OPEB ARC of $1.628 billion and a net increase in the OPEB liability $1.231 billion for the Fiscal Year ended June 30, 2009. With a $397 million "pay-as-you-go" contribution, the County funded 24.4% of its OPEB ARC, representing a slight increase from the 23.6% funding level in the previous Fiscal Year. As of June 30, 2009, the County reported an unfunded net OPEB obligation of $2.465 billion.

For the Fiscal Year ended June 30, 2010, the County reported an OPEB ARC of $1.75 billion and a net increase in the OPEB liability of $1.333 billion. The $417 million "pay-as-you-go" contribution equals 23.9% of the County's OPEB ARC, representing a slight decrease from the 24.4% funding level in Fiscal Year 2008-09. As of June 30, 2010, the County is reporting an unfunded Net OPEB obligation of $3.798 billion.

In March 2011, Milliman issued the third OPEB actuarial valuation as of July 1, 2010 (the "2010 OPEB Valuation"). In the 2010 OPEB Valuation, Milliman reported an AAL of $24.031 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $22.94 billion, which represents a 9.8% increase from the 2008 OPEB Valuation. The OPEB ARC as of July 1, 2010 was estimated to be $1.86 billion, which represents approximately

29% of the County's payroll costs, and a 12% increase from the 2008 OPEB Valuation.

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

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB AAL, including the establishment of a tax-exempt trust to pre-fund the County's OPEB liability. The authority to establish a tax-exempt trust is provided by California Government Code Sections 31694.3 and 31694.4. Under the provisions contained therein, the County will seek to create either a Section 115 Trust or an Integral Part Entity Trust. With each of these options, it is the intention of the County to contract with LACERA for the administrative and investment services related to the trust. Prior to the establishment of the trust, , the County must secure the support of its employee organizations , as required by Government Code Section 31694.4.

In Fiscal Year 2006-07, the Board of Supervisors gave its support to the development of a specific fiscal policy to pre-fund retiree health benefits. The County is planning to use the remaining $470.71 million of County Contribution Credit Reserve with LACERA to fund an initial deposit to an OPEB trust. In April 2010, the Board of Supervisors instructed the CEO to resume work with LACERA and the County labor unions to establish an OPEB trust fund and to take the necessary steps to fund the OPEB trust with the remaining balance in the County Contribution Credit Reserve. Beyond these measures, the County may also consider applying general fund revenues to supplement an initial trust fund deposit.

The County is also evaluating various cost-reduction options in relation to its retiree health benefits. For new hires to the County, certain potential changes include the following: 1) changing the benchmark health insurance; 2) requiring retirees to enroll in Medicare at age 65; 3) reducing dependent coverage; 4) reducing the annual County contribution; and 5) requiring employees to contribute up to 2.0% of their salaries towards retiree health. Furthermore, the County is also considering a requirement that both active employees and new hires enroll in Medicare at age 65. Under this scenario, the County would pay only the Medicare Part B premium for all future retirees. If this requirement were established for the County, it is estimated that the OPEB liability would be reduced by more than 22% over the next thirty years.

Long-Term Disability Benefits

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

Following completion of the 2006 OPEB Valuation, the County engaged Buck Consultants to prepare an actuarial valuation of the long-term disability portion of its DBP. As of July 1, 2007, the AAL of the County's long-term DBP was $929.3 million. The County determined that this liability is an additional OPEB obligation and included the ARC for long-term DBP obligations as a component of the $1.615 billion OPEB ARC reported on the June 30, 2008 CAFR. As of July 1, 2009, the most recent actuarial valuation of the County's long-term DBP reported an AAL of $951.8 million, which represents a 2.4% increase from the previous valuation. In Fiscal Years 2007-08, 2008-09 and 2009-10, the County made $29 million, $32 million and $33 in DBP payments, respectively. The $951 million AAL for the County's long-term DBP is reported as a component of the $3.798 net OPEB obligation as of June 30, 2010. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation.

LITIGATION

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

Wage and Hour Cases

In 2007 and 2008, several collective action lawsuits were filed against the County by Deputy Sheriffs, the Association for Los Angeles Deputy Sheriffs ("ALADS") and the Los Angeles County Professional Peace Officers Association (the "PPOA"). In 2010, the County was able to successfully defeat the "class certification" in the PPOA lawsuit based on the recent decision from the Ninth Circuit in *Bamonte v. City of Mesa,* which held that the time police officers spend before and after their paid shifts donning and doffing their police uniforms and related protective gear is not compensable under the Federal Fair Labor Standards Act ("FLSA") as long as the officers have the option and ability to don and doff their uniform and gear off of the employer's premises. Following the Bamonte decision, both ALADS and PPOA have filed "class action grievances" under their respective Memorandums of Understanding against the County. These collective action lawsuits and grievances seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, there is the potential that the number of claimants to the collective actions may include as many as 9,000 public safety personnel. While the PPOA class action lawsuit will most likely settle for a nominal amount, the two remaining class actions and all the class grievances are still in the early litigation stages and extensive discovery must still occur.

Various lawsuits have been filed against the County alleging that certain classes of employees were not compensated for overtime worked in excess of forty hours per week, as required by the FLSA. These lawsuits seek overtime pay for a three-year period, liquidated damages (double damages), attorneys' fees and costs. In 2008, two lawsuits entitled *Ellerd v. County of Los*

Angeles and Ali v. County of Los Angeles were filed by 104 adult protective services social workers in the Department of Community and Senior Services and by 242 children's social workers in the Department of Children and Family Services. The plaintiffs in both suits allege that they worked extra unrecorded hours for which they should have been paid overtime at time and one-half. In *Ellerd v. County of Los Angeles*, the County's collective action decertification motion was granted on February 17, 2011. The 104 adult protective services social workers who were the plaintiffs must now decide whether to pursue their overtime pay litigation on an individual basis. In 2011, *Ali v. County of Los Angeles* was settled for a maximum amount of $2.5 million, if all 242 plaintiffs choose to participate. The period for plaintiffs to individually elect to settle will end in May 2011, unless it is extended.

Other Litigation

In 1999, a lawsuit entitled *Roger E. Bacon v. Alan T. Sasaki* was filed against the County challenging the Auditor-Controller's method of calculating interest on property tax refunds. A bench trial was held on January 9, 2006 regarding two test claims, and the trial court only partially sustained the Auditor-Controller's position. On August 11, 2009, the Board of Supervisors approved a settlement of the case. The trial court has preliminarily approved the proposed settlement, which provides for a total maximum payout amount, including all fees and costs, of $45 million. It is anticipated that a final fairness hearing prior to entry of final judgment will be held in June 2011. The County has reserved $35 million for the expected fees and costs to settle this lawsuit.

In March, 2008, a lawsuit entitled *Natural Resources Defense Counsel v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "Flood Control District") under the citizen suit provision of the Federal Clean Water Act. The case was bifurcated to first determine liability, and if liability was found, then to determine the penalties and remedies. The trial judge has issued rulings on cross-motions for summary judgment that disposed of most of the liability issues. The County and the Flood Control District were found to have violated water quality standards at one location in Malibu. Part of the summary judgment granted to the County and Flood Control District was appealed to the Ninth Circuit, which upheld the trial court's ruling with the exception of deciding that the Flood Control District was liable for violations in two additional watersheds. If the Court does not correct what the Flood Control District believes to be a judgment based on a factual error, the Flood Control District may be liable for these additional watersheds. If the Ninth Circuit does not correct this error, it is likely the Flood Control District will seek review in the U.S. Supreme Court. The plaintiffs will be entitled to attorneys fees and costs to the extent they prevail on the liability issues. The cost of the injunctive relief sought has yet to be determined, in the event that such relief is ordered. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 64 cities and public entities for equitable indemnity and contribution. If the only liability found is for the Malibu site, the complaint for indemnity against those entities will be dismissed. No trial dates have been set in either the federal action or the state lawsuit.

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory payments due to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's Petition for Review was denied by the California Supreme Court. The County's actual liability is still undergoing review, but is expected to be in the range of $24 to $38 million.

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandate* against the County alleging that the County and its Auditor-Controller deducted excessive administrative fees from the property tax allocations of the 88 incorporated cities within Los Angeles County. In June 2009, a judgment denying the writ was entered in favor of the County. The plaintiffs filed a notice of appeal in August 2009, and in July 2010, the Court of Appeal reversed the trial court ruling. In October 2010, the County's Petition for Review with the California Supreme Court was granted. The case has been fully briefed and is awaiting a hearing date.

In 1997, the County sued insurance companies to obtain policy benefits arising out of damage to the County's buildings caused by the Northridge Earthquake. At trial, the County failed to realize a net recovery and the insurers were awarded $5.9 million, plus interest, in litigation costs and fees. Both the County and the insurer appealed the decision. The Court of Appeal ruled against the County on all grounds. The County filed a petition to the California Supreme Court to contest the award of litigation costs. In July 2011, the California Supreme Court denied the County's petition for review. The County paid the defendant insurers the judgment amount of $7.96 million, inclusive of accrued post-judgment interest and appellate costs from reserves that were previously set-aside to cover any potential liability related to this case.

In November 2010, the County was named, along with various State entities and three local school districts, as a defendant in a class action lawsuit brought in federal district court by a number of non-profit legal advocacy groups on behalf special education students. The suit alleged that defendants were denying these students their federal right to a free and appropriate public education. The suit followed the Governor's October 8, 2010 veto of $133 million in funding appropriated by the Legislature for State mandated educationally related mental health services, commonly known as AB 3632 services. The County took the position that the State's failure to fund these services operated to suspend the mandate on counties to provide them; and further, as a consequence of federal law, responsibility to pay for or provide these services rested with the school districts. To this end, the County engaged in efforts with numerous local school districts to enter into MOUs related to the continuing provision of these services. Under the terms of the MOUs, the school districts agree to reimburse the County for continuing to provide mental health services, with the County agreeing to repay the districts if a binding legal decision determines that the mandate is not suspended.

In addition, the County, along with a number of other counties, filed an action against the State in Sacramento Superior Court seeking a judgment to declare declaring that the counties are relieved from this service mandate. On February 25, 2011, in a third legal action stemming from the Governor's veto, the Court of Appeal published an opinion concluding that the Governor properly exercised his veto authority and that it had the legal effect of suspending operation of the AB 3632 mandate. This finding permits the County to seek compensation from the districts for continuing to provide mental health services. Thereafter, the County settled the federal lawsuit, and the suit was dismissed. On March 25, 2011, the Sacramento Superior Court provided the counties with declaratory relief, finding that the counties were relieved from the AB 3632 mandate. Nonetheless, a handful of school districts have asserted the position that the County remains fiscally responsible for these services.

Subsequently, the California Legislature enacted legislation clarifying that counties no longer have a mandate to provide educationally related mental health services and that this mandate belongs to local school districts. The County is in the process of transferring these services to the local districts. The districts also will have the option of continuing to obtain the services from the County, and to pay for them under negotiated MOUs.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims 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 service obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2005	$32,026,105	$29,497,485	$34,375,949	$4,878,464	85.81%
06/30/2006	35,185,589	32,819,725	36,258,929	3,439,204	90.51%
06/30/2007	40,908,106	37,041,832	39,502,456	2,460,624	93.77%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%
06/30/2009	30,498,981	39,541,865	44,468,636	4,926,771	88.92%
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2010.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
2004-2005	$32,026,105	11.0%
2005-2006	35,185,589	13.0%
2006-2007	40,908,106	19.1%
2007-2008	38,724,671	-1.5%
2008-2009	30,498,981	-18.3%
2009-2010	33,433,888	11.6%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2010.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year	Cash Payment to LACERA	Transfer From Excess Earnings	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
2004-05	$527,810	$222,542	$336,329	$1,086,681	-
2005-06	676,667	179,368	356,883	1,212,918	11.6%
2006-07	751,851	111,775	381,235	1,244,861	2.6%
2007-08	827,789	-	381,603	1,209,392	-2.8%
2008-09	805,300	-	320,339	1,125,639	-6.9%
2009-10	802,500	-	358,165	1,160,665	3.1%
2010-11	898,803	-	372,130	1,270,933	9.5%
2011-12	1,020,530 *	-	-	1,020,530	-19.7%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2010 and County of Los Angeles Chief Executive Office.

* Estimated

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. Upon release of the Governor's Proposed State Budget in January, the CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the Governor's budget, and other projected revenue and expenditure trends. Expanding on this forecast, a target County budget for the ensuing fiscal year, beginning July 1st, is developed, and projected resources are tentatively allocated to the various County programs and services.

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

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors adopts the Final County Budget by August 1st.

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

COUNTY BUDGET OVERVIEW

The County Budget is comprised of seven fund groups through which the County's resources are allocated and controlled. These groups include the General and Hospital Enterprise (which represents the General County Budget), Special, Special District, Other Enterprise, Other Proprietary, and Other Funds.

The General County Budget accounts for approximately 76.0% of the 2011-12 Final Adopted Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 12.0% of the 2011-12 Final Adopted Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, courthouse construction programs and operations, and specific automation projects.

Special District Funds account for approximately 8.6% of the 2011-12 Final Adopted Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Other Proprietary and Other Funds account for 3.4% of the 2011-12 Final Adopted Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

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

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

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2011-12 is $16,707,944,966. The 2011-12 Final Adopted Budget includes proceeds from taxes of $6,376,512,000, which is well below the allowable limit.

Proposition 62

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

In February 2005 a claim was filed, and it was followed in May 2005 by a lawsuit entitled *Oronoz v County of Los Angeles* that contends the County's Utility User Tax ("UUT") did not meet the requirements of Proposition 62 and is therefore invalid. In November 2006, the trial court certified the case as a class action. In July 2008, the parties agreed to a tentative settlement of the case, which was finally approved by the court in

March 2009. The settlement, which is currently in the process of being implemented, calls for a total expenditure by the County of $75 million to be used for tax refunds to class members and enhanced services within the areas of the County from which the tax was collected. Claim processing is expected to be finalized in the summer of 2011. At the outset of this lawsuit, the County established a separate reserve account to fund any liabilities resulting from the litigation, with the reserve more than sufficient to fully fund the entire $75 million settlement. The claim processing for the settlement is now completed and all refunds have been issued. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62. Plaintiffs have filed a motion alleging that the 2008 election was improperly conducted.

On August 11, 2009, a lawsuit, *Patrick Owens and Patricia Munoz v. County of Los Angeles* was filed in Los Angeles Superior Court, challenging the imposition of the County's UUT after its passage at the election held on November 4, 2008. The complaint alleges that the impartial analysis prepared by County Counsel failed to inform the voters that: 1) the material provisions of the prior UUT were being rescinded regardless of the outcome of the election; and 2) it was not a "continuation" of an existing tax, but rather was the enactment of a completely new UUT. The County filed a demurrer and motion to strike plaintiffs' complaint on October 16, 2009. A hearing was held on April 15, 2010 in which the Court denied the County’s demurrer in light of the early phase of the litigation process. The County then filed a motion on November 12, 2010 to dispose of the issues challenging the legality of the election. A hearing was held on February 16, 2011 in which the Court denied the County's motion as the plaintiff's raised a constitutional question, which the Court determined must be ruled on together with the election issue. The case has proceeded with the discovery phase and it is anticipated that the matter will be set for a bench trial to take place in the Spring of 2012. Issues regarding a potential class certification will be deferred until after the trial. Since the November 4, 2008 election, the County estimates that $163 million in UUT revenue has been collected and continues to be collected at an average rate of $5 million per month.

On March 4, 2011, a new lawsuit filed as a class action alleges that the County’s 2% increase to the Transient Occupancy Tax (“TOT”) violated Proposition 62 by not receiving voter approval. The County demurred to the complaint on all theories on October 12, 2011. The court sustained the County's demurrer as to all theories except for one. The Court ruled that the alleged Proposition 62 violation survived demurrer and could proceed on a class basis. The County anticipates that it will defend the action on the grounds that a class claim in this matter is barred from local ordinance, and that the increase in the TOT does not impose a new tax subject to Proposition 62.

Proposition 218

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

- precluded special purpose districts or agencies, including school districts, from levying general taxes;

- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;

- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and

- ensured that voters may reduce or repeal local taxes, assessments, or fees through the initiative process.

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

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

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

Proposition 1A 2004

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

Proposition 1A Securitization

In July 2009, the State adopted legislation pursuant to the requirements of Proposition 1A that authorized the State to borrow eight percent of the property tax revenues apportioned to cities, counties, special districts and affiliated public agencies. The State is required to repay the property tax revenue by June 30, 2013. Under the terms of the borrowing, the California Statewide Communities Development Authority was authorized to issue bonds that were secured by the State's obligation to repay the property tax revenue to the affected public agencies (the "Proposition 1A Securitization"). The participating local governments and affiliated agencies received their share of the borrowed property tax apportionment in a timely manner from the bond proceeds. All of the costs related to the Proposition 1A Securitization, including interest costs were paid by the State.

The total exposure to the County and all of its affiliated public agencies from the eight percent loss in property tax revenue was \$365.6 million. The County, the Consolidated Fire Protection District and the Flood Control District participated in the Proposition 1A Securitization, accounting for \$363.3 million or 99.37% of the County's total property tax revenue borrowed by the State. The County and its affiliated districts received their \$363.3 million share of the bond proceeds in two installments, with fifty percent paid on January 15, 2010 and the balance remitted on May 3, 2010. The remaining 37 dependant districts and public agencies in the County, which account for less than 1% or \$2.3 million of the lost property tax revenue, will be paid in full by the State on June 30, 2013.

Proposition 26

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

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

Future Initiatives

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

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page A-21 of this Appendix A, \$4.5 billion of the \$18.0 billion 2011-12 Recommended General County Budget is received from the Federal government and \$4.6 billion is funded by the State. The remaining \$8.9 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 51% of General County funding is provided by the State and Federal governments underscores the County's significant reliance on outside funding sources.

Federal Budget Update

On August 2, 2011, the Budget Control Act (BCA) of 2011, which increased the Federal debt limit and included provisions aimed at reducing the Federal deficit by at least \$2.1 trillion over the next 10 years, was signed into law. The BCA established annual discretionary spending caps for Federal Fiscal Years (FFY) 2012 through 2021, which would reduce the deficit by an estimated \$917 billion, and also established a Joint Select Committee on Deficit Reduction (the "Joint Committee"), which will be responsible for drafting legislation to reduce the deficit by at least \$1.2 trillion over 10 years. If the \$1.2 trillion in deficit reduction legislation is not enacted, annual across-the-board budget reductions, divided equally between defense and non-defense spending, would be triggered beginning in FFY 2013 and spread evenly over nine years through FFY 2021.

The fiscal impacts to the County from the BCA and any future Federal deficit reduction measures are unknown at this time, and will ultimately depend on the process and composition of any deficit reduction initiatives. If the Joint Committee is unable to achieve the \$1.2 trillion in budgetary savings through new legislation, the impact on Net County Cost (NCC) would be minimal. The County receives most of its Federal revenue to fund low-income entitlement programs, such as Medicaid, Title IV-E Foster Care and Adoption Assistance, and Temporary Assistance for Needy Families, and such programs are exempt from across-the-board budget cuts. Furthermore, Federal discretionary programs generally do not fund services that, otherwise, would have to be financed by County-generated revenues.

State Budget Process

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. Over the past twenty years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in that decade, the 2001 recession and recovery, and the current economic downturn. The State's budgetary decisions during the current economic downturn will have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year (FY) 1991-92, the State and county governments collectively developed a program realignment system (the

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

Property Tax Shift

In response to the 1993-94 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. The reduction in State funding has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax. The Proposition 172 public safety tax, which was approved in 1993, was the State's response to help lessen the impact of the shift in property tax revenue to education.

2011-12 STATE BUDGET

On January 10, 2011, Governor Brown released his 2011-12 Proposed Budget (the "Proposed State Budget"), which projected an estimated $8.2 billion budget deficit for FY 2010-11 and a $17.2 billion budget deficit in FY 2011-12 absent corrective action.

The Proposed State Budget included proposals to (i) reduce expenditures by approximately $12.5 billion; (ii) generate an additional $3.0 billion in revenues for FY 2010-11 and $12.0 billion in revenues for FY 2011-12 by extending certain temporary tax increases, subject to voter approval, and shifting funding and responsibility for certain services to local governments; and (iii) to borrow $1.9 billion from special funds and other sources. The Proposed State Budget estimated a carryover FY 2010-11 budget deficit of $4.1 billion, projected State General Fund revenues and transfers for FY 2011-12 of $89.7 billion (a decrease of approximately 4.8 percent from the projected revenues and transfers in FY 2010-11) and State General Fund expenditures of $84.6 billion (a decrease of approximately 8.2 percent from the projected expenditures in FY 2010-11), and a deposit to the Reserve for Economic Uncertainties of approximately $1 billion.

Approximately $12 billion of the additional revenue included in the Proposed State Budget was dependent upon voter approval at a June 2011 special election of a constitutional measure to extend certain temporary tax increases for sales tax, personal income tax and the Vehicle License Fee ("VLF") for an additional five-year period. The Governor proposed that revenue from the sales tax and the VLF be transferred directly to local governments to finance the first phase of a major realignment plan. The Governor was unable to generate the required two-thirds support to authorize a June 2011 ballot initiative.

The Proposed State Budget included a plan to realign government services (the "Realignment Plan"), which transfers the authority and funding responsibility for certain State programs to counties, cities, special districts and school districts. The first phase of the Realignment Plan was expected to restructure over $5.9 billion in public services in FY 2011-12, including a realignment of specific public safety, fire protection and mental health service programs; and a transfer of the funding responsibility for court security, low-level and juvenile offender and adult parole programs to the counties. The Proposed State Budget also included a plan to eliminate redevelopment agencies effective July 1, 2011, remove the State's financial commitment to such programs, and to provide for new local authority to allocate resources to local projects. The Governor estimated that, after payment of redevelopment agency debts and contractual obligations, $3 billion in tax increments would be available for statutory pass-through payments to local governments.

In March 2011, the Legislature passed the Governor's proposed package of bills that authorized $13.4 billion in budgetary solutions, including an estimated $10.0 billion in expenditure reductions, increased revenues of $500 million and $2.9 billion of other budgetary solutions. Health and human service programs incurred the largest share of the budget cuts ($5.5 billion), with significant expenditure reductions to Medi-Cal, CalWORKS, Proposition 10 health services, Proposition 63 mental health services, developmental services and the In-home Support Services (IHSS) program.

On May 16, 2011, Governor Brown released his May revision to the Proposed State Budget (the "May Revision"). After accounting for budgetary actions adopted by the State Legislature, higher than expected tax revenues and updated expenditure projections, the May Revision projected a significantly lower budget deficit of $9.6 billion through FY 2011-12, consisting of a $4.8 billion deficit for FY 2010-11 and a $4.8 billion deficit for FY 2011-12. The May Revision proposed a $1.2 billion reserve, which would require an estimated $10.8 billion of additional solutions to balance the State budget through June 30, 2012.

The May Revision estimated that the State would end FY 2010-11 with revenues and transfers of $95.740 billion, total expenditures of $91.566 billion and a year-end deficit of $2.776 billion, which includes a $6.950 billion State General Fund deficit from FY 2009-10. The May Revision projected FY 2011-12 revenues and transfers of $93.623 billion, total expenditures of $88.803 billion and a year-end surplus of $2.044 billion (net of the $2.776 billion deficit from FY 2010-11), of which $770 million would be reserved for the liquidation of encumbrances and $1.274 billion will be deposited in a reserve for economic uncertainties.

The May Revision emphasized the need for the State Legislature to authorize a ballot measure for California voters to consider the continuation of temporary tax extensions, fund a modified Realignment Plan for the delivery of government services, and to provide increased funding for K-12 Education consistent with Proposition 98 requirements. The Governor's proposal to eliminate redevelopment agencies as of July 1, 2011 was unchanged in the May Revision.

The May Revision proposed a revised ballot initiative for voters to consider a constitutional amendment to extend the temporary increases for the sales tax and the VLF for a five-year period commencing in FY 2011-12 and a reinstatement of the increase in the personal income tax for the 2012 through 2015 tax years. The revised ballot initiative proposal did not include an extension of the personal income tax for the 2011 tax year, and did not provide a specific timeframe for voters to consider the ballot proposition.

The May Revision included a modified Realignment Plan, in which the State would shift $5.6 billion in program responsibilities to the counties in FY 2011-12, compared to the $5.9 billion outlined in the Proposed State Budget. The modified Realignment Plan would be funded for a five-year period from the proposed extension of the sales tax increase and the increase in the VLF. After the five-year extension period, the State would resume responsibility for providing funding to the counties in an amount equal to the increased revenue from the sales tax and VLF extensions.

On June 30, 2011, the Governor signed the FY 2011-12 State Budget Act (the "State Budget Act"). After accounting for budgetary actions adopted by the State Legislature, higher than expected revenues and updated expenditure projections, the FY 2011-12 State Budget estimates revenues and transfers of $88.456 billion, total expenditures of $85.937 billion and a year-end surplus of $1.313 billion (net of the negative $1.206 billion prior-year State General Fund balance). The FY 2011-12 State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances ($770 million) and the special fund for economic uncertainties ($543 million).

The financial impact to the County from the State Budget Act is an estimated funding reduction of $363.3 million in FY 2011-12. The major elements of the cuts would reduce Medi-Cal, redirect Mental Health Services Act Funds, reduce CalWORKS grants and provide program reductions to the IHSS. Although the financial impact was estimated at $363.3 million, the 2011-12 Final Adopted County Budget (the "2011-12 Final Adopted Budget") included funding reductions of only $141.5 million. This difference is primarily related to the redirection of Mental Health Services Act funding that would have been available to the County for Proposition 63 mental health services but had not yet been programmed into the County budget.

If the State's Director of Finance estimates that the State's revenues for FY 2011-12 will be less than $87,452,500,000, but will be at least $86,452,500,000, the State Budget Act authorizes approximately $601.0 million in funding reductions in the areas of higher education, health and human services and public safety, beginning in January 2012. If the State's Director of Finance estimates that revenues for FY 2011-12 will be less than $86,452,500,000, the FY 2011-12 State Budget authorizes an additional $1.86 billion in education reductions. The State's Director of Finance will make a determination whether the State's revenues meet or exceed such levels by December 15, 2011.

The State funding reductions would be implemented in three tiers, with the majority of the cuts impacting K-12 education, community colleges and higher education. The following table provides an estimate of the potential budgetary effect on County programs if Tier I budget cuts are enacted. Any Tier 2 or Tier 3 State budget cuts, if enacted, are not expected to have an impact on the County budget.

Program Description	Budget Cost/(Savings)
Medi-Cal Managed Care Plan	$1.0 million
IHSS Anti-Fraud Initiatives	(1.5) million
Reduction to IHSS Service Hours	(20.1) million
Youthful Offenders Placements	20.0 million
Vertical Prosecution Grants	0.7 million
Public Library Grants	0.3 million
Overall Estimated Impact	**$0.4 million**

The Governor and the State Legislature also approved Assembly Bills 109 and 117 related to the Realignment Plan ("Public Safety Realignment"), which transferred responsibility for supervising specific low-level inmates and parolees, from the California Department of Corrections and Rehabilitation (CDCR) to counties. The State Budget Act provides $5.5 billion to fund Public Safety Realignment and is financed by redirecting 1.06% of the existing State sales tax ($5.1 billion) and a portion of Vehicle License Fee (VLF) revenues ($453.0 million) from the State to counties. The Public Safety Realignment legislation provides $500.0 million of funding for local public safety programs previously funded by the additional 0.15% increase to the VLF that expired on June 30, 2011. Although the State budget plan does not provide constitutional funding protections to counties for the Public Safety Realignment, the Governor has proposed a November 2012 ballot initiative to seek voter approval for a constitutional amendment to provide such funding protection.

On August 30, 2011, the County adopted the Los Angeles County Public Safety Realignment Implementation Plan, and on October 11, 2011 approved a budget and staffing plan from October to December 2011, which added 497 budget positions and increased both the revenue and appropriation by $33.7 million. Until constitutional funding protection is established by the State for Public Safety Realignment, all required staff will be hired either as temporary monthly employees or existing departmental staff will be offered temporary promotions pursuant to County Code. The County has decided to develop and approve the Public Safety Realignment budget on a quarterly basis to better implement and manage this transfer of responsibilities from the State.

As a result of the current economic conditions and the continuing fiscal crisis in California, the financial condition of the State remains highly uncertain. Many future events will affect the amount of funding that is actually received by the County from the State and Federal governments. As a result, the information in this Official Statement (including this Appendix A) relating to State and Federal funding is based upon the County's current expectations and is subject to change due to the occurrence of future events.

RECENT COUNTY BUDGETS

Recent General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. County budgets have improved stability due to the passage of Proposition 1A 2004, which secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. Proposition 1A 2004 provides the County with a more reliable funding source by substituting VLF revenue with property taxes, which have historically been one of the least volatile sources of revenue.

The reliability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that has not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the current economic downturn. To illustrate this point, average median home prices in the County declined by 45% from their peak in August 2007 ($562,346) to a cyclical low in January 2011 ($308,173), but the value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in FY 2009-10 and 2010-11, respectively. In the FY 2010-11 tax roll, the County Assessor estimates that approximately 14.6% of all residential parcels and 17.5% of commercial-industrial parcels are 1975 base-year parcels, indicating a significant amount of stored value that can be realized on future tax rolls when these parcels are sold.

In FY 2011-12, the Assessor is reporting an increase in the Net Local Roll of 1.36% or $14.153 billion from the previous fiscal year. The largest factors contributing to the increase in assessed valuation in FY 2011-12 are transfers in ownership ($12.8 billion), new construction ($3.9 billion) and an increase in the consumer price index ($6.1 billion). These increases are partially offset by the reassessment of properties under Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a decline in value. Decline in value adjustments contributed $4.9 billion in reductions to the projected Net Local Roll in FY 2011-12.

A significant factor contributing to the decline in value adjustments is the County Assessor's decision to initiate Proposition 8 reviews of all homes sold between July 2003 and June 2009. Since the Assessor initiated the Proposition 8 review process in 2008, the Net Local Roll for FY 2011-12 reflects the cumulative impact of $84.7 billion of decline in value adjustments since FY 2008-09. With the Assessor's proactive approach to Proposition 8 reviews, the assessed value of properties sold during the height of the real estate market were adjusted downward to reflect current market values, which will help insulate the County from future reductions in the Net Local Roll if these properties are re-sold at lower market values.

The economic downturn has had a significant impact on recent County budgets, and has resulted in net County cost ("NCC") budget gaps beginning in FY 2009-10. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues). In order to manage the budget gaps, the County has used a balanced approach of curtailing departmental budgets, achieving savings through efficiencies, and using reserves and capital funding appropriations to achieve a balanced budget. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The County believes that the effects of the economic downturn on the County budget (declines in revenues and increases in assistance caseloads) are a cyclical consequence of the recession. Since revenues and caseload will not return to pre-recessionary levels in the short-term, the County has implemented structural changes to the budget through departmental curtailments of approximately $360.5 million over the last four years. The measured approach to managing budgetary challenges, including the use of one-time funding sources, has enabled the County to more strategically achieve a balanced budget and maintain critical core services.

2009-10 FINAL ADOPTED COUNTY BUDGET

The 2009-10 Final Adopted County Budget (the "2009-10 Final Adopted Budget"), which was approved by the Board of Supervisors on September 22, 2009, appropriated $23.6 billion, representing a 1.7% increase from the previous fiscal year. For General County purposes (General Fund and Hospital Enterprise Funds), the 2009-10 Final Adopted Budget appropriated $18.5 billion, which represented a 1.8% increase from the 2008-09 Final Adopted Budget. The 2009-10 Final Adopted Budget included a net decrease of 1,345 budgeted positions from the previous fiscal year.

The 2009-10 Final Adopted Budget contained a NCC budget gap of $360.6 million. As illustrated below, the budget gap was driven primarily by decreases in revenue and increases in assistance caseloads.

Fiscal Year 2009-10 NCC Budget Gap

Revenue Reductions	$191.9 million
Assistance Caseload Increases	85.3 million
Net Program Changes	11.7 million
Unavoidable Cost Increases	57.2 million
Indigent Defense Cost Increases	14.4 million
Total Budget Gap	**$360.5 million**

To close this budget gap the County utilized a combination of ongoing structural solutions from departmental budget curtailments and one-time solutions from the appropriation of capital project funds and Federal stimulus funding. The major components of the FY 2009-10 NCC budget gap solutions are described in the following table:

Fiscal Year 2009-10 NCC Budget Gap Solutions

Ongoing Departmental Budget Curtailments	$162.9 million
Capital Program Designations	115.5 million
Federal Stimulus Funding	77.7 million
Other Savings Initiatives	4.4 million
Total Budget Gap Solutions	**$360.5 million**

In connection with the 2009-10 Final Adopted Budget, the Board of Supervisors approved the CEO's mid-year budget adjustment to eliminate $153.5 million in appropriations as a result of State budget cuts. Due to curtailments in State programs, the County made the decision not to backfill certain administrative costs in relation to both the CalWORKs and Medi-Cal Programs.

2010-11 FINAL ADOPTED COUNTY BUDGET

In the 2010-11 Final Adopted Budget, the County projected a $491.6 million General Fund NCC budget gap. The major components of the FY 2010-11 NCC budget gap are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap

Revenue Reductions	
Property Taxes	$113.1 million
Public Safety Sales Tax	18.2 million
Realignment Sales Tax	10.3 million
Registrar-Recorder Shortfall	19.0 million
Various Revenue Changes	(4.4) million
Assistance Caseload Increases	
General Relief	82.4 million
In-Home Support Services	16.0 million
Other Caseload Changes	8.7 million
Expiration of FMAP Extension	38.8 million
Unavoidable Cost Increases	
Pension Costs	80.5 million
Health Insurance Premiums	50.4 million
Net Program Changes	30.3 million
Supplement Reserves	28.3 million
Total Projected Budget Gap	**$491.6 million**

To close this budget gap, the County utilized excess fund balance from FY 2009-10, and a combination of ongoing structural solutions and various one-time funding solutions, including the use of County reserves. The major components of the FY 2010-11 NCC budget gap solutions are described in the following table:

Fiscal Year 2010-11 NCC Budget Gap Solutions

Excess Fund Balance (Fiscal Year 2009-10)	$61.2 million
Ongoing Departmental Budget Curtailment	175.0 million
Ongoing Revenue Solutions	11.0 million
Capital Program Designations	76.7 million
Federal Stimulus Funding	26.2 million
Labor-Management Savings	51.0 million
Reserve for Rainy Day Fund	27.8 million
Budgetary Reserves	52.1 million
Other Solutions	10.6 million
Total Budget Gap Solutions	**$491.6 million**

2011-12 FINAL ADOPTED COUNTY BUDGET

Similar to recent County budgets, the 2011-12 Final Adopted Budget continues to be affected by the economic downturn and its negative impact on the financial condition of the County. However, as an indication of the improving economic trends, the County is forecasting its smallest NCC budget gap in three years. The primary factors contributing to the projected $175.4 million budget gap are outlined below.

The 2011-12 Final Adopted Budget, which was approved by the Board of Supervisors on October 4, 2011, appropriates $24.3 billion, representing a 0.4% increase from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2011-12 Recommended Budget appropriates $18.5 billion, which represents a 0.1% decrease from the 2010-11 Final Adopted Budget. The 2011-12 Final Adopted Budget reflects a net increase of 129 budgeted positions from the Final Adopted Budget in FY 2010-11.

Expiration of Prior Year One-Time Budget Solutions

As discussed above, the County has utilized one-time funding solutions to help balance the budget during the economic crisis. The impact on the 2011-12 Final Adopted Budget from the expiration of the one-time funding solutions utilized in FY 2010-11 is projected to be a negative $262.0 million.

Expiration of Federal Stimulus Funding

The American Recovery and Reinvestment Act of 2009 ("ARRA"), in addition to other factors, temporarily increased Federal Medical Assistance Percentage ("FMAP") funding, which is the federal match rate for non-administrative costs. The FMAP change temporarily decreased the County's contribution to the IHSS program. A change in the FMAP percentage also affected other County administered programs. With the temporary increase in FMAP funding ending in June 2011, the County's share of the IHSS program will increase by $63.9 million in FY 2011-12.

Unavoidable Cost Increase

The primary components of the unavoidable cost increases are higher costs related to pension funding requirements and employee health insurance. The County's required retirement contributions will increase by almost fifteen percent (15%) in FY 2011-12, primarily due to the losses sustained by LACERA in FY 2008-09 as a result of the global financial crisis. Health insurance premiums for County employees will increase by approximately seven percent (7%) in FY 2011-12.

Assistance Caseload Increases

The high unemployment rate has caused many residents to seek public assistance from the County, which has resulted in a significant increase in assistance caseloads and expenditures since FY 2006-07. The cost of providing General Relief ("GR") assistance accounts for a large portion of the increase in caseload expenditures, since the County bears the entire cost of this assistance program.

Fiscal Year	Average Caseload	
2006-07	58,599	
2007-08	62,897	
2008-09	74,763	
2009-10	91,499	
2010-11	106,348	
2011-12	114,874	(Projected)

In FY 2010-11, GR caseloads averaged 106,348per month and has continued to grow in FY 2011-12 to a projected average monthly caseload of over 114,000. The projected GR caseload for FY 2011-12 is nearly double the average monthly caseload of 58,599 in FY 2006-07. Consistent with economic forecasts of unemployment, the County budget assumes that GR caseloads will peak in December 2011 and gradually decline through the remainder of the Fiscal Year.

Revenue Increases

As the local economy has stabilized and started to improve, the County is forecasting increases in a variety of locally generated revenues along with an increase in statewide sales tax revenue. After two (2) years of declines in assessed valuation, the Assessor reported a 1.36%, or $14.153 billion increase in the value of the Net Local Roll, which will generate an estimated $74.6 million of additional property tax revenue in FY 2011-12.

For the first time since FY 2006-07, the County is starting to see a year-over-year increase in Proposition 172 Sales Tax and Realignment Sales Tax revenue. Based on current trends and a survey of local economic forecasts, the County has assumed a five percent (5%) growth rate for all sales tax projections in the 2011-12 Final Adopted Budget. In addition, the County is forecasting a three percent (3%) increase in VLF revenue in FY 2011-12.

Retirement of Pension Obligation Bonds

In October 1994, the County issued pension obligation bonds to finance an unfunded actuarial accrued liability with LACERA. Since FY 2010-11 was the final year of debt service on the bonds, the County was able to redirect $106.6 million in NCC savings to help close the General Fund budget gap in FY 2011-12. Other non-General Fund County departments also benefited from the retirement of the pension obligation bonds, as the County estimates that these departments will realize $141.5 million in savings that can be used to resolve their budgetary challenges in FY 2011-12.

Labor-Management Savings

On December 7, 2010, the Board of Supervisors approved amendments to collective bargaining agreements that included a partial suspension of the County's matching contributions to the deferred compensation plans in FY 2010-11 and 2011-12. The reduction in the matching contribution benefit is projected to generate $42.1 million in NCC savings to the General Fund budget in FY 2011-12, and an additional $33.6 million in savings for non-General Fund County departments.

Fiscal Year 2011-12 NCC Budget Gap

2010-11 One-Time Budget Solutions	$262.0 million
Expiration of Federal Stimulus Funding	63.9 million
Unavoidable Cost Increases	
Pensions Costs	47.3 million
Health Insurance Subsidy	28.7 million
Net Program Changes	29.1 million
Assistance Caseload Changes	
General Relief	49.9 million
In-Home Support Services	(17.2) million
Revenue Increases	
Property Tax	(74.6) million
Various Revenue Changes	(28.8) million
Public Safety Sales Tax	(27.7) million
Realignment Sales Tax	(24.0) million
Retirement of Pension Obligation Bonds	(106.6) million
Labor-Management Savings	(42.1) million
State Budget Changes	(8.4) million
Various One-time Programs/Projects	23.9 million
Total Projected Budget Gap	**$175.4 million**

The County intends to utilize the following combination of ongoing structural solutions and one-time solutions to close the projected budget gap in FY 2011-12.

Fiscal Year 2011-12 NCC Budget Gap Solutions

Ongoing Curtailments/Consolidations	$35.7 million
Restored Public Safety Curtailments	(45.5) million
Capital Program Designations	116.7 million
Retiree Health Insurance Premium Refund	36.1 million
Other One-time Solutions	32.4 million
Total Budget Gap Solutions	**$175.4 million**

Departmental Budget Reductions/Consolidations

In FY 2008-09, the County initiated departmental budget curtailments, which has resulted in total savings of $360.5 million through FY 2011-12.

Budget Year	NCC Curtailment
2008-09	$33.0 million
2009-10	162.9 million
2010-11	175.0 million
2011-12	(10.4) million
Total Curtailments	$360.5 million

Throughout this period, many departments have lost over twenty percent (20%) of their NCC budget, while some departments' curtailments have been as high as thirty-eight percent (38%). Over this same period, County departments have sustained an average curtailment of fifteen percent (15%), with 2,445 budgeted positions eliminated countywide. For FY 2011-12, each County department was asked to submit an initial budget request that included a seven-percent (7%) NCC reduction. After reviewing departmental budget submissions, analyzing the potential impact on services, and considering the history of curtailments that departments have endured, most of the departmental reductions were revised downward.

One-Time Bridge Funding

Over the past decade, the County was able to set aside funds for capital projects and for a "rainy day" reserve fund. In light of the improving economic conditions, the County intends to utilize various one-time funding solutions and to modify the funding structure of the capital construction program to help close the budget gap. The two primary long-term reserves for the County, the Reserve for Rainy Day Fund ($93.2 million) and the Provisional Financing Uses-Economic Reserve ($83.6 million), will not be used to close the FY 2011-12 budget gap. These reserves remain intact and available to address future budgetary challenges and uncertainties. In accordance with County budget policy, the County intends to increase these reserve funds once the economy returns to historical levels of growth and the budget situation improves.

In May 2011, the United States Supreme Court, in a narrow 5-4 decision, upheld an injunction by a three-judge panel of the Ninth Circuit ordering California to release about 46,00 inmates, approximately one-fourth of the State's prison population, over the next two years to relieve overcrowding. In 2009, the Ninth Circuit ruled that inmates in the State prison system were being denied adequate medical care as required by the Constitution. Because overcrowding was determined to be the primary cause of the constitutional violation, the State was ordered to cap its prison population at 137% of capacity. The pending release of inmates is expected to have a significant impact on the Governor's Realignment Plan. However, the impact on the 2011-12 Recommended Budget and future County budgets is unknown at this time.

Health Services Budget

The Department of Health Services ("DHS") provides vital inpatient acute care and outpatient services in four hospitals, one of which is a rehabilitation center, and outpatient services at two Multi-Service Ambulatory Care Centers, six comprehensive health centers, 11 health centers, and over 100 Community Partners clinics throughout the County. DHS operates a health plan, the Community Health Plan, which serves more than 200,000 members. DHS is currently involved in discussions to transition the administrative operations of the Community Health Plan to another provider in order to focus solely on providing care for its members. DHS also manages emergency medical services for the entire County, and trains approximately 1,360 physician residents annually.

As a safety net provider, the County is the provider of last resort for millions of medically indigent patients in the County. Historically, the cost of providing health services has exceeded the combined total of health service revenues and the County general fund health subsidy, which has resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies, hiring freezes, and using one-time reserve funds, DHS has been able to cover the structural deficits of prior years.

For FY 2011-12, the DHS budget outlook has improved, largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a new Section 1115 Hospital Financing Waiver (the "Waiver") for public hospitals in California. Under the authority of Section 1115 of the Social Security Act, the Waiver permits the Federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive federal matching funds for Medicaid services that would otherwise not be eligible for federal funding. The Waiver, referred to as "California's Bridge to Reform", is effective for five years beginning November 1, 2010, and is the key program that will enable the County to bridge the gap until the implementation of Federal health care reform in 2014. The enactment of Federal health care reform provides the framework for the Waiver by allowing an early implementation of some of the law's coverage expansion provisions. The expanded coverage provisions are expected to reduce the structural deficit by providing a new revenue source from some of the indigent patients that do not currently have medical coverage.

Among the many components of the Waiver is the new Medicaid Coverage Expansion ("MCE") program which will provide Medi-Cal coverage for citizen or legal resident uninsured adults, ages 19-64 years, with incomes at or below 133% of the Federal Poverty Level. These individuals are targeted for coverage when health care reform is fully implemented in 2014. DHS anticipates that the MCE program will provide the opportunity for early enrollment into Medi-Cal coverage for many of its currently uninsured patients, thereby significantly improving the payer mix. The Waiver's MCE expansion and the transfer of Seniors and Persons with Disabilities into Medi-Cal managed care will help prepare the County for the implementation of Federal health care reform, when most covered individuals are expected to be enrolled in managed care programs. In addition, the Waiver provides new funding for system improvements at public hospitals through the Delivery System Reform Incentive Pool, and by continuing to partially fund uncompensated care. Since significant components of the funding mechanisms in the Waiver are performance-based, DHS will focus its efforts toward developing and implementing the structural and operational changes necessary to maximize available Waiver funding. In addition, DHS will allocate significant resources toward a restructuring of the ambulatory care systems in order to ensure service capacity, high quality care, and the best possible outcomes for patients.

The estimated value of the Waiver funding increased by $290.1 million to $1.268 billion for FY 2011-12. A large portion of the Waiver funding is contingent on DHS meeting specific goals and outcomes. Such performance based funding will require DHS to focus its efforts on meeting the Waiver requirements to ensure receipt of all available Waiver-related revenue. Since the additional funding from the Waiver will not completely resolve the projected deficit, DHS will continue to develop and implement cost saving and revenue generating initiatives through the Financial Stabilization Plan. The 2011-12 Final Adopted Budget includes $160.0 million in savings related to these initiatives.

Based on the receipt of additional Waiver funding and successful financial stabilization initiatives, DHS is projecting a balanced budget for FY 2011-12. However, the 2011-12 Final Adopted Budget does not take into account the impact of enrolling patients into the county-operated Healthy Way LA program, whose care was previously funded through the federal Ryan White Care Act program.

General Fund Contributions and Advances

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County. These funds are commonly referred to as the Hospital Funds (the "Hospital Funds"). The County's General Fund provides financial contributions and cash advances to each of the Hospital Funds. The contributions are direct cash support and are not subject to repayment. The General Fund makes cash advances to the Hospital Funds to provide for the net cash flow requirements of the hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in a manner designed to provide the Hospital Funds with a minimal daily cash position of approximately $10 million.

The State and the Federal government are the primary source of revenues for the Hospital Funds. The County Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of June 30, 2011, the amount of General Fund cash advances to the Hospital Funds was approximately $1.016 billion.

In addition to the advances described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term accounts receivable that are owed by the State to the hospitals. The receivables are associated with a program known as Cost Based Reimbursement Clinics ("CBRC"). Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. As of June 30, 2011, the audit process was in arrears by three fiscal years. The amount of General Fund cash advances associated with long-term CBRC receivables as of June 30, 2011 was approximately $195 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable, since it is not currently available to finance County budget requirements.

Martin Luther King Jr. – Harbor Hospital

In August 2007, the CMS notified the County that Martin Luther King, Jr. – Harbor Hospital (the "MLK Hospital") had lost its Medicare and Medicaid certification. To remedy this situation, MLK Hospital was converted into a Multi-Service Ambulatory

Care Center, while additional inpatient beds were opened at other County hospitals and purchased from the private sector. On October 12, 2007, Governor Schwarzenegger signed into law Senate Bill 474 to establish a $100 million annual fund, the South Los Angeles Medical Services Preservation Fund, to stabilize the health services for low-income, under-served residents of South Los Angeles.

The County and the University of California ("UC"), with the involvement of the Governor's Office, approved a plan to create a wholly independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. The new MLK Hospital would serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, be integrated with the County's existing network of specialty and primary care ambulatory clinics, and optimize public and private resources to fund the delivery of services. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010 and is proceeding with efforts to open a new private, non-profit MLK Hospital. Construction of the new MLK Hospital facility is expected to be completed in 2013.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities.

The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206 billion through 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 approximately $100 million per year, the actual amount of Tobacco Settlement Revenues ("TSRs") received by the County may fluctuate significantly from year to year. Factors that could impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, recent actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Specifically, a portion of the settlement payments have been withheld or made under protest. Arbitration hearings are currently being held to resolve the issues causing the payment adjustments and protests that began in 2003. The precise amount of payment adjustments to the MSA and the future availability of withheld payments will not be determined anytime earlier than 2012.

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

In accordance with the terms of the MSA, annual payments are subject to numerous adjustments, offsets and recalculation. In April 2011 payment, the County received $85.6 million in MSA payments from the participating manufacturers (including the 25.9% of the MSA payment pledged as security for the Tobacco Bonds). In a change from prior-year practices, Phillip Morris USA elected to withhold the disputed portion of their April payment obligation and deposit $267 million in the Disputed Payments Account. The net impact to the County was an estimated reduction of approximately $13 million in TSRs.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through June 2011, the County has received $1.308 billion in tobacco settlement revenues ("TSRs") and accrued interest, with approximately $1.165 billion of the collected proceeds disbursed, and $143.1 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help to improve the operational efficiency of the health system, such as establishing an electronic health record information system.

BUDGET TABLES

The 2011-12 Final Adopted Budget is supported by $3.8 billion in property taxes, $4.7 billion in federal funding, $4.7 billion in State funding, $0.3 billion in cancelled reserves and designations, $1.6 billion in fund balance and approximately $3.4 billion in other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2010-11 Final Adopted Budget with the 2011-12 Final Adopted Budget.

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

Fund	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
General Fund	$ 15,981,000	$ 16,273,308	$ 16,368,794	$ 16,380,905	$ 16,229,826
Hospital Enterprise Fund	1,818,990	1,897,508	2,121,468	2,127,184	2,268,712
Debt Service Fund	-	-		-	-
Total General County Budget	$ 17,799,990	$ 18,170,816	$ 18,490,262	$ 18,508,089	$ 18,498,538

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

	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
Requirements					
Social Services	$ 4,991,495	$ 5,166,283	$ 5,503,085	$ 5,707,144	$ 5,539,798
Health	5,307,606	5,322,713	5,338,390	5,424,321	5,600,822
Justice	4,499,905	4,719,253	4,693,943	4,745,700	4,697,762
Other	3,000,984	2,962,567	2,954,844	2,630,924	2,660,156
Total	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**
Revenue Sources					
Property Taxes	$ 3,628,517	$ 3,840,369	$ 3,789,308	$ 3,676,161	$ 3,750,746
State Assistance	4,963,934	4,818,285	4,554,097	4,528,710	4,670,351
Federal Assistance	3,963,490	4,104,390	4,730,605	4,868,199	4,712,400
Other	5,244,049	5,407,772	5,416,252	5,435,019	5,365,041
Total	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**

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

	Final 2007-08	Final 2008-09	Final 2009-10	Final 2010-11	Final 2011-12
Financing Requirements					
Salaries & Employee Benefits	$ 8,437,462	$ 8,792,005	$ 8,974,526	$ 9,004,826	$ 8,895,017
Services & Supplies	5,859,213	6,192,312	6,350,306	6,530,982	6,706,121
Other Charges	3,127,968	3,233,859	3,350,510	3,503,195	3,621,050
Capital Assets	1,510,033	1,436,772	1,257,509	1,077,873	890,217
Other Financing Uses	1,155,780	985,458	726,958	704,520	640,310
Residual Equity Transfers Out	278	181	295	-	-
Interbudget Transfers[1]	(1,643,528)	(1,579,769)	(1,325,677)	(1,452,816)	(1,419,532)
Gross Appropriation	$ 18,447,206	$ 19,060,818	$ 19,334,427	$ 19,368,580	$ 19,333,183
Less: Intrafund Transfers	888,376	912,753	915,868	946,497	975,236
Net Appropriation	$ 17,558,830	$ 18,148,065	$ 18,418,559	$ 18,422,083	$ 18,357,947
Reserves					
General Reserve	$ 3,000	$ 5,400	$ 3,000	$ -	$ -
Designations/Other Reserves	238,160	17,351	68,703	86,006	140,591
Total Financing Requirements	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**
Available Financing					
Fund Balance	$ 1,706,356	$ 1,808,804	$ 1,713,428	$ 1,628,644	$ 1,601,571
Cancellation of Reserve/Designation	478,323	345,500	437,653	409,097	271,027
Property Taxes: Regular Roll	3,439,292	3,735,359	3,732,264	3,654,517	3,709,801
Supplemental Rol	189,225	105,010	57,044	21,644	40,945
Revenue	11,986,794	12,176,143	12,549,873	12,794,187	12,875,194
Total Available Financing	**$ 17,799,990**	**$ 18,170,816**	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $1.4 billion in 2011-12, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $19.9 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2010-11 BUDGET TO FINAL ADOPTED 2011-12
Net Appropriation: By Function
(In thousands)

Function	2010-11 Final Budget (1)	2011-12 Final Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 887,319.0	$ 821,381.0	$ (65,938.0)	-7.43%
General Services	592,911.0	648,837.0	55,926.0	9.43%
Public Buildings	894,933.0	797,208.0	(97,725.0)	-10.92%
Total General	$ 2,375,163.0	$ 2,267,426.0	$ (107,737.0)	-4.54%
Public Protection				
Justice	$ 4,475,587.0	$ 4,405,690.0	$ (69,897.0)	-1.56%
Other Public Protection	188,832.0	263,197.0	74,365.0	39.38%
Total Public Protection	$ 4,664,419.0	$ 4,668,887.0	$ 4,468.0	0.10%
Health and Sanitation	5,394,110.0	5,586,704.0	192,594.0	3.57%
Public Assistance	5,648,852.0	5,495,787.0	(153,065.0)	-2.71%
Recreation and Cultural Services	269,845.0	271,449.0	1,604.0	0.59%
Insurance and Loss Reserve	69,694.0	67,694.0	(2,000.0)	-2.87%
Reserves/Designations	86,006.0	140,591.0	54,585.0	63.47%
Appropriation for Contingency	-	-	-	0.00%
Total Requirements	**$ 18,508,089.0**	**$ 18,498,538.0**	**$ (9,551.0)**	**-0.05%**
AVAILABLE FUNDS				
Property Taxes	$ 3,676,161.0	$ 3,750,746.0	$ 74,585.0	2.03%
Fund Balance	1,628,644.0	1,601,571.0	(27,073.0)	-1.66%
Cancelled Prior-Year Reserves	409,097.0	271,027.0	(138,070.0)	-33.75%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 430,075.0	$ 422,147.0	$ (7,928.0)	-1.84%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,628,614.0	1,633,512.0	4,898.0	0.30%
Other Public Assistance	495,256.0	538,857.0	43,601.0	8.80%
Public Protection	752,793.0	769,325.0	16,532.0	2.20%
Health and Mental Health	774,158.0	888,411.0	114,253.0	14.76%
Capital Projects	25,397.0	10,764.0	(14,633.0)	-57.62%
Other State Revenues	52,091.0	72,069.0	19,978.0	38.35%
Total State Revenues	$ 4,178,884.0	$ 4,355,585.0	$ 176,701.0	4.23%
Federal Revenues				
Public Assistance Subventions	$ 2,459,088.0	$ 2,285,213.0	$ (173,875.0)	-7.07%
Other Public Assistance	324,133.0	247,226.0	(76,907.0)	-23.73%
Public Protection	210,632.0	233,184.0	22,552.0	10.71%
Health and Mental Health	893,912.0	1,042,427.0	148,515.0	16.61%
Capital Projects	27,053.0	13,945.0	(13,108.0)	-48.45%
Other Federal Revenues	53,703.0	45,166.0	(8,537.0)	-15.90%
Total Federal Revenues	$ 3,968,521.0	$ 3,867,161.0	$ (101,360.0)	-2.55%
Other Governmental Agencies	141,001.0	156,443.0	15,442.0	10.95%
Total Intergovenmental Revenues	$ 8,288,406.0	$ 8,379,189.0	$ 90,783.0	
Fines, Forfeitures and Penalties	224,625.0	226,565.0	1,940.0	0.86%
Licenses, Permits and Franchises	46,064.0	46,620.0	556.0	1.21%
Charges for Services	2,971,525.0	3,005,897.0	34,372.0	1.16%
Other Taxes	167,216.0	169,431.0	2,215.0	1.32%
Use of Money and Property	117,440.0	153,481.0	36,041.0	30.69%
Miscellaneous Revenues	338,160.0	331,426.0	(6,734.0)	-1.99%
Operating Contribution from General Fund	640,751.0	562,585.0	(78,166.0)	-12.20%
Total Available Funds	**$ 18,508,089.0**	**$ 18,498,538.0**	**$ (9,551.0)**	**-0.05%**

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.
(2) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2010-11 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 887,319.0	$ -	$ 887,319.0
General Services	592,911.0	-	592,911.0
Public Buildings	894,933.0	-	894,933.0
Total General	$ 2,375,163.0	$ -	$ 2,375,163.0
Public Protection			
Justice	$ 4,475,587.0	$ -	$ 4,475,587.0
Other Public Protection	188,832.0	-	188,832.0
Total Public Protection	$ 4,664,419.0	$ -	$ 4,664,419.0
Health and Sanitation	$ 3,266,926.0	$ 2,127,184.0	$ 5,394,110.0
Public Assistance	5,648,852.0	-	5,648,852.0
Recreation and Cultural Services	269,845.0	-	269,845.0
Insurance and Loss Reserve	69,694.0	-	69,694.0
Reserves/Designations	86,006.0	-	86,006.0
Debt Service	-	-	-
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,380,905.0**	**$ 2,127,184.0**	**$ 18,508,089.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,676,161.0	$ -	$ 3,676,161.0
Fund Balance	1,628,644.0	-	1,628,644.0
Cancelled Prior-Year Reserves	405,168.0	3,929.0	409,097.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 430,075.0	$ -	$ 430,075.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,628,614.0	-	1,628,614.0
Other Public Assistance	495,256.0	-	495,256.0
Public Protection	752,793.0	-	752,793.0
Health and Mental Health	733,169.0	40,989.0	774,158.0
Capital Projects	25,397.0	-	25,397.0
Other State Revenues	52,091.0	-	52,091.0
Total State Revenues	4,137,895.0	40,989.0	$ 4,178,884.0
Federal Revenues			
Public Assistance Subventions	$ 2,459,088.0	$ -	$ 2,459,088.0
Other Public Assistance	324,133.0	-	324,133.0
Public Protection	210,632.0	-	210,632.0
Health and Mental Health	891,402.0	2,510.0	893,912.0
Capital Projects	27,053.0	-	27,053.0
Other Federal Revenues	53,703.0	-	53,703.0
Total Federal Revenues	$ 3,966,011.0	$ 2,510.0	$ 3,968,521.0
Other Governmental Agencies	141,001.0	-	141,001.0
Total Intergovenmental Revenues	$ 8,244,907.0	$ 43,499.0	$ 8,288,406.0
Fines, Forfeitures and Penalties	224,625.0	-	224,625.0
Licenses, Permits and Franchises	45,938.0	126.0	46,064.0
Charges for Services	1,757,331.0	1,214,194.0	2,971,525.0
Other Taxes	167,216.0	-	167,216.0
Use of Money and Property	117,267.0	173.0	117,440.0
Miscellaneous Revenues	113,648.0	224,512.0	338,160.0
Operating Contribution from General Fund	-	640,751.0	640,751.0
Total Available Funds	**$ 16,380,905.0**	**$ 2,127,184.0**	**$ 18,508,089.0**

(1) Reflects the Final Adopted 2010-11 General County Budget approved by the Board of Supervisors on September 28, 2010.

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2011-12 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 821,381.0	$ -	$ 821,381.0
General Services	648,837.0	-	648,837.0
Public Buildings	797,208.0	-	797,208.0
Total General	$ 2,267,426.0	$ -	$ 2,267,426.0
Public Protection			
Justice	$ 4,405,690.0	$ -	$ 4,405,690.0
Other Public Protection	263,197.0	-	263,197.0
Total Public Protection	$ 4,668,887.0	$ -	$ 4,668,887.0
Health and Sanitation	$ 3,317,992.0	$ 2,268,712.0	$ 5,586,704.0
Public Assistance	5,495,787.0	-	5,495,787.0
Recreation and Cultural Services	271,449.0	-	271,449.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Reserves/Designations	140,591.0	-	140,591.0
Appropriation for Contingency	-	-	-
Total Requirements	**$ 16,229,826.0**	**$ 2,268,712.0**	**$ 18,498,538.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,750,746.0	$ -	$ 3,750,746.0
Fund Balance	1,601,571.0	-	1,601,571.0
Cancelled Prior-Year Reserves	257,864.0	13,163.0	271,027.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 422,147.0	$ -	$ 422,147.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,633,512.0	-	1,633,512.0
Other Public Assistance	538,857.0	-	538,857.0
Public Protection	769,325.0	-	769,325.0
Health and Mental Health	845,876.0	42,535.0	888,411.0
Capital Projects	10,764.0	-	10,764.0
Other State Revenues	72,069.0	-	72,069.0
Total State Revenues	4,313,050.0	42,535.0	4,355,585.0
Federal Revenues			
Public Assistance Subventions	$ 2,285,213.0	$ -	$ 2,285,213.0
Other Public Assistance	247,226.0	-	247,226.0
Public Protection	233,184.0	-	233,184.0
Health and Mental Health	818,667.0	223,760.0	1,042,427.0
Capital Projects	13,945.0	-	13,945.0
Other Federal Revenues	45,166.0	-	45,166.0
Total Federal Revenues	$ 3,643,401.0	$ 223,760.0	$ 3,867,161.0
Other Governmental Agencies	156,443.0	-	156,443.0
Total Intergovenmental Revenues	$ 8,112,894.0	$ 266,295.0	$ 8,379,189.0
Fines, Forfeitures and Penalties	224,114.0	2,451.0	226,565.0
Licenses, Permits and Franchises	46,494.0	126.0	46,620.0
Charges for Services	1,807,967.0	1,197,930.0	3,005,897.0
Other Taxes	169,431.0	-	169,431.0
Use of Money and Property	153,308.0	173.0	153,481.0
Miscellaneous Revenues	105,437.0	225,989.0	331,426.0
Operating Contribution from General Fund	-	562,585.0	562,585.0
Total Available Funds	**$ 16,229,826.0**	**$ 2,268,712.0**	**$ 18,498,538.0**

(1) Reflects the Final Adopted 2011-12 General County Budget approved by the Board of Supervisors on October 4, 2011.

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. 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 where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. In addition, any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. 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 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County, as shown on the Fiscal Year 2011-12 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $34,629,198,569 which constitutes only 3.42% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2011-12
Southern California Edison Co.	$ 62,962,332
Douglas Emmett Residential	38,873,633
BP West CoBP West Coast/ARCO/ Shell Oil Co.	28,933,240
Maguire Properties	27,784,940
Verizon/MCI Communications Services Inc.	23,485,147
Chevron USA Inc./Texaco	23,220,526
AT&T/Pacific Bell/SBC	21,475,350
Trizec Wilshire Center LLC	20,765,369
Exxon/Mobil Corporation	19,900,785
Southern California Gas Company	19,639,786
Conocophillips Co/Union Oil	18,184,850
Participants in Long Beach Unit	15,715,077
Universal Studios LLC	14,945,189
Archstone Smith/Tishman Speyer	14,120,867
Macerich Westside Pavilion	14,019,812
EQP/ERP Limited	13,573,193
Valero Refining Company	11,780,664
Boeing/Hughes/McDonnell Douglas Corp.	11,305,072
Tesoro Refining and Marketing Co.	10,393,626
Plains Exporation and Production Co.	10,141,260
	$ 421,220,717

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

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2007-08.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

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 %
2007-08	953,468,123,997	2,348,085,882	2,232,305,540	95.07%
2008-09	1,020,346,376,948	2,503,699,652	2,388,838,218	95.41%
2009-10	1,013,549,301,342	2,449,393,435	2,370,955,825	96.80%
2010-11	997,502,481,662	2,423,866,268	2,369,935,057	97.77%
2011-12	1,013,260,968,402	2,462,158,368 (3)	2,407,375,154 (4)	97.77%

(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.
(4) Preliminary estimate based on collection rate of 97.77% in Fiscal Year 2010-11

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

REDEVELOPMENT AGENCIES

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

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2007-08 through 2011-12

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2007-08	127,113,321,984	1,167,170,104
2008-09	142,705,432,962	1,279,129,462
2009-10	140,955,357,917	1,266,067,367
2010-11	136,964,953,487	1,208,208,191
2011-12	137,243,985,288	120,831,159 (3)

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by community redevelopment agencies.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.
(3) Total CRA Tax Allocations as of November 2011.

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

CASH MANAGEMENT PROGRAM

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

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

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

2011-12 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 17, 2011, the County issued the 2011-12 TRANs with an aggregate principal amount of $1.3 billion in three separate series: $300.0 million due February 29, 2012; $500.0 million due March 30, 2012; and $500.0 million due June 29, 2012. The TRANs are general obligations of the County attributable to the 2011-12 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, the County has pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2011-12 for the purpose of repaying the 2011-12 TRANs at maturity. The deposits have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2011-12 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date		**Deposit Amount**
December, 2011	$	480,856,000
January, 2012		390,000,000
February, 2012		130,000,000
March, 2012		65,000,000
April, 2012		260,000,000
Total	$	1,325,856,000

* Reflects a 2.50% interest rate and $1.3 billion in 2011-12 Notes.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2007-08.

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

	2007-08	2008-09	2009-10	2010-11	Estimated 2011-12
Property Taxes	$ 3,568,098	$ 3,867,816	$ 3,768,220	$ 3,733,822	$ 3,745,560
Other Taxes	176,349	144,945	154,228	137,907	158,967
Licenses, Permits and Franchises	53,545	52,957	46,825	56,799	53,657
Fines, Forfeitures and Penalties	239,456	261,477	254,428	242,904	245,034
Investment and Rental Income	295,191	204,889	133,640	123,582	125,556
State In-Lieu Taxes	459,242	422,053	424,760	401,679	416,360
State Homeowner Exemptions	21,765	21,827	21,966	21,616	21,676
Charges for Current Services	1,516,390	1,671,756	1,673,098	1,574,709	1,571,067
Miscellaneous Revenue, incl. Tobacco Settlement	302,248	262,766	192,973	181,859	390,259
TOTAL UNRESTRICTED RECEIPTS	$ 6,632,284	$ 6,910,486	$ 6,670,138	$ 6,474,877	$ 6,728,137

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. 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 tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

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

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

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

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

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

The tables at the end of this Financial Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2010-11 and Fiscal Year 2011-12 with actual amounts through August 2011.

General Fund Cash Flow Statements

The Fiscal Year 2010-11 General Fund Cash Flow Statement and the Fiscal Year 2011-12 General Fund Cash Flow Statement, with actual amounts are also provided at the end of this Financial Section. In Fiscal Year 2010-11, the County had an ending General Fund cash balance of $568 million. For Fiscal Year 2011-12, the County is projecting an ending cash balance in the General Fund of $47.7 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of October 31, 2011, 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	$7.007
Schools and Community Colleges	12.776
Independent Public Agencies	2.689
Total	$22.472

Of these entities, the involuntary participants accounted for approximately 88.03% and all discretionary participants accounted for 11.97% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2011, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated December 1, 2011, the October 31, 2011 book value of the Treasury Pool was approximately $22.472 billion and the corresponding market value was approximately $22.535 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of October 31, 2011:

Type of Investment	**% of Pool**
U.S. Government and Agency Obligations	50.54
Certificates of Deposit	17.50
Commercial Paper	27.97
Bankers Acceptances	0.00
Municipal Obligations	0.36
Corporate Notes & Deposit Notes	3.63
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of October 31, 2011 approximately 50.04% of the investments mature within 60 days, with an average of 581.99 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well established practice of market research and due diligence. The Treasury Pool has not experienced a single investment loss since the onset of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County Investment Officer has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages. The Treasury Pool was also unaffected by the September 2008 bankruptcy of Lehman Brothers and does not have any outstanding exposure to Lehman Brothers investments.

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, 2010, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2010-11 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of $1,628,644,000 as of June 30, 2010.

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 the preceding 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 the preceding 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 are recognized as a component of investment income.

- In conjunction with the issuance of Tobacco Settlement Asset-Backed Bonds, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 10 to the 2009-10 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- 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, 2010 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheet for the General Fund since 2005-06 and provide a history of revenue and expenditure statement for the General Fund over the same period.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2010 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$	1,628,644
Adjustments:		
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP		169,007
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund		142,744
Accrual of liabilities for accrued vacation and sick leave not required by GAAP		40,290
Change in revenue accruals related to encumbrances		(24,410)
Deferral of property tax receivables		(90,467)
Deferral of unearned investment income		0
Deferral of sale of tobacco settlement revenue		(261,788)
Change in fair value of Investments		4,347
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$	1,608,367

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2006, 2007, 2008, 2009, and 2010.
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Pooled Cash and Investments	$ 2,506,016	$ 2,668,854	$ 2,343,525	$ 1,841,579	$ 1,689,490
Other Investments	6,502	6,400	6,236	6,099	5,839
Taxes Receivable	208,279	248,095	340,784	301,269	246,288
Other Receivables	1,285,684	1,357,683	1,804,965	1,907,656	1,808,478
Due from Other Funds	219,448	370,124	357,416	326,379	436,441
Advances to Other Funds	541,699	400,280	571,872	825,017	1,018,161
Inventories	42,562	42,561	43,906	46,486	44,279
Total Assets	$ 4,810,190	$ 5,093,997	$ 5,468,704	$ 5,254,485	$ 5,248,976

LIABILITIES

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Accounts Payable	$ 272,245	$ 300,087	$ 252,794	$ 247,337	$ 266,916
Accrued Payroll	350,421	392,779	472,007	504,374	286,407
Other Payables	67,912	86,055	151,700	121,665	454,244
Due to Other Funds	800,615	602,358	561,540	495,105	501,705
Deferred Revenue	275,198	338,714	380,322	343,386	346,829
Advances Payable	286,860	278,023	263,500	361,964	382,476
Third-Party Payor liability	18,661	15,537	12,401	13,836	14,588
Total Liabilities	$ 2,071,912	$ 2,013,553	$ 2,094,264	$ 2,087,667	$ 2,253,165

EQUITY

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Fund Balance (Deficit)					
Reserved	$ 422,055	$ 478,280	$ 597,466	$ 539,851	$ 784,428
Unreserved					
Designated	1,522,411	1,235,325	1,152,639	971,579	618,899
Undesignated	793,812	1,366,839	1,624,335	1,655,388	1,592,484
Total Unreserved	2,316,223	2,602,164	2,776,974	2,626,967	2,211,383
Total Equity	2,738,278	3,080,444	3,374,440	3,166,818	2,995,811
Total Liabilities and Equity	$ 4,810,190	$ 5,093,997	$ 5,468,704	$ 5,254,485	$ 5,248,976

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2006, 2007, 2008, 2009, and 2010.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2005-06 THROUGH 2009-10 (in thousands of $)

	2005-06	2006-07	2007-08	2008-09	2009-10
REVENUES:					
Taxes	$ 3,217,726	$ 3,572,932	$ 3,796,296	$ 3,970,566	$ 3,864,654
Licenses, Permits & Franchises	61,080	61,138	58,799	54,877	49,079
Fines, Forfeitures and Penalties	232,762	234,747	251,933	264,375	258,842
Use of Money and Property	226,005	294,511	280,803	183,772	124,049
Aid from Other Government	7,025,205	7,050,121	7,261,668	7,211,150	7,337,716
Charges for Services	1,357,380	1,467,608	1,695,004	1,654,173	1,659,224
Miscellaneous Revenues	211,059	189,636	282,818	198,837	191,878
TOTAL	$ 12,331,217	$ 12,870,693	$ 13,627,321	$ 13,537,750	$ 13,485,442
EXPENDITURES					
General	$ 751,214	$ 854,052	$ 919,534	$ 946,008	$ 859,319
Public Protection	3,473,835	3,855,819	4,222,644	4,420,786	4,412,935
Health and Sanitation	2,004,361	2,126,233	2,345,484	2,480,693	2,421,615
Public Assistance	4,333,920	4,410,224	4,619,225	4,796,019	5,025,312
Recreation and Cultural Services	197,749	217,221	231,584	242,999	247,094
Debt Service	285,640	294,301	308,207	247,248	271,378
Capital Outlay	22,533	818	97,270	772	2,115
Total	$ 11,069,252	$ 11,758,668	$ 12,743,948	$ 13,134,525	$ 13,239,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,261,965	$ 1,112,025	$ 883,373	$ 403,225	$ 245,674
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	$ (874,946)	$ (771,788)	$ (780,902)	$ (612,505)	$ (419,756)
Sales of Capital Assets	1,997	1,111	1,036	886	2,115
Capital Leases	22,533	818	97,270	772	960
OTHER FINANCING SOURCES (USES)-Net	$ (850,416)	$ (769,859)	$ (682,596)	$ (610,847)	$ (416,681)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$ 411,549	$ 342,166	$ 200,777	$ (207,622)	$ (171,007)
Beginning Fund Balance	2,326,729	2,738,278	3,173,663	3,374,440	3,166,818
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$ 2,738,278	$ 3,080,444	$ 3,374,440	$ 3,166,818	$ 2,995,811

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2006, 2007, 2008, 2009, and 2010.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2010-11: 12 MONTHS ACTUAL
2011-12: 04 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2010-11
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
PROPERTY TAX GROUP						
Tax Collector Trust Fund	89,690	39,073	38,030	301,801	1,046,601	2,108,960
Auditor Unapportioned Property Tax	380,463	214,996	171,119	263,308	709,886	1,477,966
Unsecured Property Tax	167,122	66,662	132,197	148,028	122,325	87,748
Miscellaneous Fees & Taxes	7,837	18,895	26,992	14,068	10,577	10,285
State Redemption Fund	46,810	97,148	110,926	69,634	81,354	55,509
Education Revenue Augmentation	9,300	15,780	0	0	5,624	80,594
State Reimbursement Fund	0	0	0	0	488	10,223
Sales Tax Replacement Fund	2,607	11,321	19,355	19,355	19,768	53,331
Vehicle License Fee Replacement Fund	21,360	84,618	144,659	144,659	147,751	358,924
Property Tax Rebate Fund	(8,794)	(25,317)	(40,774)	(26,374)	(29,886)	(30,434)
Utility User Tax Trust Fund	6,239	6,144	6,378	8,118	5,159	10,750
Subtotal	$ 722,634	$ 529,320	$ 608,882	$ 942,597	$ 2,119,647	$ 4,223,856
VARIOUS TRUST GROUP						
Departmental Trust Fund	414,904	419,967	413,489	416,853	426,502	396,325
Payroll Revolving Fund	50,613	61,932	47,449	52,262	49,129	49,254
Asset Development Fund	38,660	38,673	38,776	38,801	38,855	38,863
Productivity Investment Fund	6,671	6,456	6,387	6,395	6,285	6,245
Motor Vehicle Capital Outlays	2,304	2,304	2,271	2,206	2,206	2,206
Civic Center Parking	499	106	117	168	258	169
Reporters Salary Fund	763	900	1,004	1,000	940	1,145
Cable TV Franchise Fund	8,487	7,948	8,484	8,639	8,611	8,526
Megaflex Long-Term Disability	19,220	19,243	19,207	19,249	19,210	19,161
Megaflex Long-Term Disability & Health	4,944	5,031	5,104	5,195	5,271	5,367
Megaflex Short-Term Disability	21,759	22,146	22,501	22,930	23,425	23,833
Subtotal	$ 568,824	$ 584,706	$ 564,789	$ 573,698	$ 580,692	$ 551,094
HOSPITAL GROUP						
Harbor-UCLA Medical Center	900	149	697	(51)	1,011	76
Olive View-UCLA Medical Center	(1,019)	785	727	91	1,392	3,069
LAC+USC Medical Center	(11,853)	(1,124)	(144)	(3,809)	(620)	3,210
MLK Ambulatory Care Center	(2,124)	298	(377)	(88)	18	(1,565)
Rancho Los Amigos Rehab Center	(263)	495	762	(146)	142	890
LAC+USC Medical Center Equipment	6,147	6,047	6,043	6,046	6,054	6,058
Subtotal	$ (8,212)	$ 6,650	$ 7,708	$ 2,043	$ 7,997	$ 11,738
GRAND TOTAL	**$ 1,283,246**	**$ 1,120,676**	**$ 1,181,379**	**$ 1,518,338**	**$ 2,708,336**	**$ 4,786,688**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	
						PROPERTY TAX GROUP
1,322,395	401,207	549,267	1,591,680	363,756	110,255	**Tax Collector Trust Fund**
387,881	567,741	450,329	1,491,525	1,013,866	519,206	**Auditor Unapportioned Property Tax**
75,919	70,673	65,165	53,753	62,622	80,655	**Unsecured Property Tax**
8,732	7,894	7,736	7,741	7,943	7,964	**Miscellaneous Fees & Taxes**
30,313	34,166	30,949	29,853	17,781	19,557	**State Redemption Fund**
34,629	21,827	1,465	42,136	0	349	**Education Revenue Augmentation**
21,689	1,346	1,346	3,621	23,103	10,355	**State Reimbursement Fund**
83,523	19,323	28,111	55,128	71,154	0	**Sales Tax Replacement Fund**
547,834	146,137	201,127	370,167	460,677	0	**Vehicle License Fee Replacement Fund**
(29,660)	(19,694)	(19,681)	(20,593)	(19,209)	(21,089)	**Property Tax Rebate Fund**
6,113	7,286	12,587	16,721	22,078	21,965	**Utility User Tax Trust Fund**
$ 2,489,368	$ 1,257,906	$ 1,328,401	$ 3,641,732	$ 2,023,771	$ 749,217	**Subtotal**
						VARIOUS TRUST GROUP
399,133	397,959	444,162	422,994	404,032	404,790	**Departmental Trust Fund**
61,002	36,909	45,150	47,850	56,322	41,944	**Payroll Revolving Fund**
38,909	38,948	38,972	39,238	39,494	39,537	**Asset Development Fund**
6,245	6,032	6,190	5,891	5,890	5,645	**Productivity Investment Fund**
2,167	2,164	2,164	2,164	2,164	2,139	**Motor Vehicle Capital Outlays**
266	208	146	54	234	190	**Civic Center Parking**
977	937	1,006	993	959	904	**Reporters Salary Fund**
8,799	8,779	9,266	9,288	9,161	10,004	**Cable TV Franchise Fund**
19,161	19,150	19,189	19,199	19,201	19,237	**Megaflex Long-Term Disability**
5,448	5,500	5,599	5,671	5,769	5,802	**Megaflex Long-Term Disability & Health**
24,167	24,504	24,990	25,400	25,756	26,094	**Megaflex Short-Term Disability**
$ 566,274	$ 541,090	$ 596,834	$ 578,742	$ 568,982	$ 556,286	**Subtotal**
						HOSPITAL GROUP
4,625	2,431	2,859	1,679	(627)	1,210	**Harbor-UCLA Medical Center**
2,060	1,668	1,805	4,447	48	132	**Olive View-UCLA Medical Center**
6,776	7,020	6,412	(5,337)	1,709	9,052	**LAC + USC Medical Center**
(236)	(1,354)	(631)	(1,396)	(585)	(167)	**MLK Ambulatory Care Center**
341	(213)	1,073	174	(163)	1,561	**Rancho Los Amigos Rehab Center**
6,065	6,072	5,881	5,882	5,890	1,375	**LAC+USC Medical Center Equipment**
$ 19,631	$ 15,624	$ 17,399	$ 5,449	$ 6,272	$ 13,163	**Subtotal**
$ 3,075,273	**$ 1,814,620**	**$ 1,942,634**	**$ 4,225,923**	**$ 2,599,025**	**$ 1,318,666**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2011-12
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2011	August 2011	September 2011	October 2011	Estimated November 2011	Estimated December 2011
PROPERTY TAX GROUP						
Tax Collector Trust Fund	63,119	37,569	34,476	313,703	1,088,465	2,193,318
Auditor Unapportioned Property Tax	424,944	176,780	155,871	205,077	738,281	1,537,085
Unsecured Property Tax	134,975	67,818	133,422	152,165	127,218	91,258
Miscellaneous Fees & Taxes	7,682	7,849	11,662	25,884	11,000	10,696
State Redemption Fund	40,926	71,880	68,451	52,786	84,608	57,729
Education Revenue Augmentation	16,296	15,001	0	0	5,849	83,818
State Reimbursement Fund	0	0	0	0	508	10,632
Sales Tax Replacement Fund	0	0	0	0	20,559	55,464
Vehicle License Fee Replacement Fund	11,695	94,496	157,705	157,705	153,661	373,281
Property Tax Rebate Fund	(11,223)	(25,990)	(36,756)	(57,662)	(31,081)	(31,651)
Utility User Tax Trust Fund	7,812	903	6,612	9,063	5,365	11,180
Subtotal	$ 696,226	$ 446,306	$ 531,443	$ 858,721	$ 2,204,433	$ 4,392,810
VARIOUS TRUST GROUP						
Departmental Trust Fund	445,183	444,842	448,248	419,295	426,502	396,325
Payroll Revolving Fund	46,662	45,767	42,822	54,396	49,129	49,254
Asset Development Fund	39,846	39,896	39,911	39,975	38,855	38,863
Productivity Investment Fund	5,173	5,102	5,126	5,129	6,285	6,245
Motor Vehicle Capital Outlays	2,122	2,122	2,122	2,122	2,206	2,206
Civic Center Parking	59	24	169	103	258	169
Reporters Salary Fund	671	977	628	761	940	1,145
Cable TV Franchise Fund	9,983	9,719	10,276	10,435	8,611	8,526
Megaflex Long-Term Disability	19,215	19,166	19,078	19,063	19,210	19,161
Megaflex Long-Term Disability & Health	5,882	5,964	6,061	6,136	5,271	5,367
Megaflex Short-Term Disability	26,423	26,802	27,145	27,512	23,425	23,833
Subtotal	$ 601,219	$ 600,381	$ 601,586	$ 584,927	$ 580,692	$ 551,094
HOSPITAL GROUP						
Harbor-UCLA Medical Center	7,992	4,627	3,088	1,069	1,000	1,000
Olive View-UCLA Medical Center	2,817	2,342	1,248	(4)	1,000	1,000
LAC+USC Medical Center	12,097	13,039	(789)	(85)	1,000	1,000
MLK Ambulatory Care Center	(2,087)	2,258	5,592	4,686	1,000	1,000
Rancho Los Amigos Rehab Center	3,687	890	426	607	1,000	1,000
LAC+USC Medical Center Equipment	0	0	0	0	5,000	5,000
Subtotal	$ 24,506	$ 23,156	$ 9,565	$ 6,273	$ 10,000	$ 10,000
GRAND TOTAL	**$ 1,321,951**	**$ 1,069,843**	**$ 1,142,594**	**$ 1,449,921**	**$ 2,795,125**	**$ 4,953,904**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

Estimated January 2012	Estimated February 2012	Estimated March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	
						PROPERTY TAX GROUP
1,375,291	417,255	571,238	1,655,347	712,422	130,869	**Tax Collector Trust Fund**
403,396	590,451	468,342	1,551,186	613,865	535,523	**Auditor Unapportioned Property Tax**
78,956	73,500	67,772	55,903	85,791	116,237	**Unsecured Property Tax**
9,081	8,210	8,045	8,051	8,756	8,443	**Miscellaneous Fees & Taxes**
31,526	35,533	32,187	31,047	31,414	22,910	**State Redemption Fund**
36,014	22,700	1,524	43,821	0	1,482	**Education Revenue Augmentation**
22,557	1,400	1,400	3,766	26,538	10,210	**State Reimbursement Fund**
86,864	20,096	29,235	57,333	94,884	0	**Sales Tax Replacement Fund**
569,747	151,982	209,172	384,974	506,135	3,314	**Vehicle License Fee Replacement Fund**
(30,846)	(20,482)	(20,468)	(21,417)	(33,260)	(17,944)	**Property Tax Rebate Fund**
6,358	7,577	13,090	17,390	35,790	10,855	**Utility User Tax Trust Fund**
$ 2,588,944	$ 1,308,222	$ 1,381,537	$ 3,787,401	$ 2,082,335	$ 821,899	**Subtotal**
						VARIOUS TRUST GROUP
399,133	397,959	444,162	422,994	415,335	411,210	**Departmental Trust Fund**
61,002	36,909	45,150	47,850	57,668	47,886	**Payroll Revolving Fund**
38,909	38,948	38,972	39,238	38,487	38,560	**Asset Development Fund**
6,245	6,032	6,190	5,891	7,301	6,976	**Productivity Investment Fund**
2,167	2,164	2,164	2,164	2,303	2,304	**Motor Vehicle Capital Outlays**
266	208	146	54	45	383	**Civic Center Parking**
977	937	1,006	993	477	989	**Reporters Salary Fund**
8,799	8,779	9,266	9,288	8,721	9,105	**Cable TV Franchise Fund**
19,161	19,150	19,189	19,199	19,288	19,213	**Megaflex Long-Term Disability**
5,448	5,500	5,599	5,671	4,757	4,836	**Megaflex Long-Term Disability & Health**
24,167	24,504	24,990	25,400	20,992	21,354	**Megaflex Short-Term Disability**
$ 566,274	$ 541,090	$ 596,834	$ 578,742	$ 575,374	$ 562,816	**Subtotal**
						HOSPITAL GROUP
1,000	1,000	1,000	1,000	1,000	1,000	**Harbor-UCLA Medical Center**
1,000	1,000	1,000	1,000	1,000	1,000	**Olive View-UCLA Medical Center**
1,000	1,000	1,000	1,000	1,000	1,000	**LAC + USC Medical Center**
1,000	1,000	1,000	1,000	1,000	1,000	**MLK Ambulatory Care Center**
1,000	1,000	1,000	1,000	1,000	1,000	**Rancho Los Amigos Rehab Center**
5,000	5,000	5,000	5,000	5,000	5,000	**LAC+USC Medical Center Equipment**
$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	**Subtotal**
$ 3,165,218	**$ 1,859,312**	**$ 1,988,371**	**$ 4,376,143**	**$ 2,667,709**	**$ 1,394,715**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2010-11: 12 MONTHS ACTUAL
2011-12: 04 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2010-11
(in thousands of $)

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
BEGINNING BALANCE	$ 727,012	$ 1,438,648	$ 1,097,190	$ 529,972	$ 64,668	$ (90,485)
RECEIPTS						
Property Taxes	$ 97,946	$ 97,638	$ 121	$ 50	$ 58,432	$ 962,558
Other Taxes	5,598	19,151	8,842	15,548	8,095	7,935
Licenses, Permits & Franchises	2,339	6,934	3,307	2,238	1,561	2,988
Fines, Forfeitures & Penalties	33,529	24,455	13,267	14,406	24,365	12,475
Investment and Rental Income	22,740	8,603	6,772	11,270	8,547	7,492
Motor Vehicle (VLF) Realignment	26,770	37,556	46,972	34,443	31,394	32,736
Sales Taxes - Proposition 172	52,034	41,966	40,992	40,426	48,643	39,851
Sales Taxes Program Realignment	64,439	64,139	50,224	47,818	54,413	48,090
Other Intergovernmental Revenue	103,644	102,195	89,966	62,921	126,361	211,190
Charges for Current Services	110,636	115,602	86,245	94,405	98,969	229,134
Other Revenue & Tobacco Settlement	110,337	23,626	14,122	19,637	18,329	30,516
Transfers & Reimbursements	7,003	1,442	5,078	13,331	12,217	14,078
Hospital Loan Repayment	40,960	171,783	21,303	109,944	222,498	106,135
Welfare Advances	182,656	301,799	278,348	434,051	443,762	368,050
Mental Health Services Act Funding	113,690	0	0	28,107	62	31,802
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	1,500,000	0	0	13,956	0	0
Total Receipts	$ 2,474,321	$ 1,016,889	$ 665,559	$ 942,551	$ 1,157,648	$ 2,105,030
DISBURSEMENTS						
Welfare Warrants	$ 194,893	$ 212,117	$ 201,988	$ 274,598	$ 226,538	$ 215,643
Salaries	382,098	397,636	380,087	378,373	380,451	389,953
Employee Benefits	567,720	68,039	197,385	146,326	204,457	208,208
Vendor Payments	423,446	351,442	297,977	266,752	318,469	267,194
Loans to Hospitals	0	6,277	60,135	244,375	138,754	107,981
Hospital Subsidy Payments	164,601	303,185	91,827	23,746	8,664	31,892
Transfer Payments	29,927	19,651	3,378	73,685	35,468	7,098
TRANs Pledge Transfer	0	0	0	0	0	465,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,762,685	$ 1,358,347	$ 1,232,777	$ 1,407,855	$ 1,312,801	$ 1,692,969
ENDING BALANCE	**$ 1,438,648**	**$ 1,097,190**	**$ 529,972**	**$ 64,668**	**$ (90,485)**	**$ 321,576**
Borrowable Resources (Avg. Balance)	$ 1,283,246	$ 1,120,676	$ 1,181,379	$ 1,518,338	$ 2,708,336	$ 4,786,688
Total Cash Available	$ 2,721,894	$ 2,217,866	$ 1,711,351	$ 1,583,006	$ 2,617,851	$ 5,108,264

January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Total 2010-11
$ 321,576	$ 484,230	$ 150,599	$ (228,785)	$ (128,164)	$ 628,637	
$ 807,609	$ 166,630	$ 11,981	$ 718,409	$ 803,733	$ 8,715	$ 3,733,822
21,692	6,834	7,297	7,064	7,804	22,047	137,907
2,411	8,221	9,177	9,481	4,650	3,492	56,799
14,271	29,733	17,928	14,873	30,466	13,136	242,904
9,692	10,447	9,545	7,745	10,518	10,211	123,582
33,110	30,021	33,879	38,556	27,204	29,038	401,679
38,219	59,599	52,448	38,993	53,072	45,010	551,253
46,963	74,900	64,140	46,418	65,698	54,373	681,615
215,123	99,148	77,020	200,395	191,582	141,041	1,620,586
151,288	113,870	95,335	193,184	155,365	130,676	1,574,709
23,652	14,707	26,284	102,196	24,339	43,462	451,207
18,352	16,920	5,193	9,600	10,223	18,908	132,345
27,344	49,422	366,636	33,131	400,955	141,690	1,691,801
433,834	277,603	309,954	504,088	302,794	433,765	4,270,704
18,232	20,282	35,586	20,688	32,620	15,263	316,332
0	0	0	0	0	0	0
0	0	0	0	0	0	1,513,956
$ 1,861,792	$ 978,337	$ 1,122,403	$ 1,944,821	$ 2,121,023	$ 1,110,827	$ 17,501,201
$ 221,420	$ 234,049	$ 227,727	$ 214,733	$ 236,506	$ 230,295	$ 2,690,507
389,504	388,136	378,366	386,085	375,822	377,097	4,603,608
183,377	195,503	200,086	164,162	181,838	158,972	2,476,073
277,491	258,791	311,005	255,870	319,803	264,593	3,612,833
130,919	82,468	253,899	374,615	182,358	128,077	1,709,858
(233)	0	0	(14,991)	0	0	608,691
91,660	3,021	10,704	76,103	67,895	12,428	431,018
405,000	150,000	120,000	387,623	0	0	1,527,623
0	0	0	0	0	0	0
$ 1,699,138	$ 1,311,968	$ 1,501,787	$ 1,844,200	$ 1,364,222	$ 1,171,462	$ 17,660,211
$ 484,230	**$ 150,599**	**$ (228,785)**	**$ (128,164)**	**$ 628,637**	**$ 568,002**	
$ 3,075,273	$ 1,814,620	$ 1,942,634	$ 4,225,923	$ 2,599,025	$ 1,318,666	
$ 3,559,503	$ 1,965,219	$ 1,713,849	$ 4,097,759	$ 3,227,662	$ 1,886,668	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2011-12
(in thousands of $)

	July 2011	August 2011	September 2011	October 2011	Estimated November 2011	Estimated December 2011
BEGINNING BALANCE	$ 568,002	$ 1,522,684	$ 1,319,842	$ 909,737	$ 419,044	$ 36,371
RECEIPTS						
Property Taxes	$ 88,164	$ 94,297	$ 739	$ 20	$ 67,250	$ 964,919
Other Taxes	27,857	9,037	8,945	16,728	8,901	8,748
Licenses, Permits & Franchises	1,516	5,301	4,126	3,416	1,461	2,797
Fines, Forfeitures & Penalties	32,221	25,197	11,476	13,038	25,272	12,939
Investment and Rental Income	19,885	8,568	6,419	7,635	9,326	7,911
Motor Vehicle (VLF) Realignment	36,843	49,423	38,885	25,190	32,631	34,025
Sales Taxes - Proposition 172	53,248	46,097	45,271	45,561	49,356	40,435
Sales Taxes Program Realignment	67,972	21,680	112,651	66,499	52,413	46,322
Other Intergovernmental Revenue	173,658	236,590	108,855	132,835	106,927	140,955
Charges for Current Services	210,319	97,334	93,124	113,107	96,250	195,622
Other Revenue & Tobacco Settlement	73,412	34,089	9,414	11,242	23,521	27,636
Transfers & Reimbursements	9,116	3,121	121	12,874	12,579	14,317
Hospital Loan Repayment	75,849	295,436	73,226	8,188	0	245,019
Welfare Advances	151,882	300,945	266,236	532,541	461,644	385,255
Mental Health Services Act Funding	108,308	0	0	132	0	28,469
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	1,300,000	0	0	0	0	0
Total Receipts	$ 2,430,250	$ 1,227,115	$ 779,488	$ 989,006	$ 947,530	$ 2,155,369
DISBURSEMENTS						
Welfare Warrants	$ 191,872	$ 210,504	$ 234,244	$ 234,444	$ 245,451	$ 247,437
Salaries	387,496	384,254	377,532	377,340	404,797	409,781
Employee Benefits	201,511	208,320	160,560	192,698	231,531	235,778
Vendor Payments	461,093	378,887	228,851	435,688	305,290	256,137
Loans to Hospitals	20,987	33,112	29,972	124,591	104,022	138,860
Hospital Subsidy Payments	194,998	194,873	154,665	31,828	0	0
Transfer Payments	17,611	20,007	3,769	83,110	39,114	7,828
TRANs Pledge Transfer	0	0	0	0	0	480,856
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,475,568	$ 1,429,957	$ 1,189,593	$ 1,479,699	$ 1,330,204	$ 1,776,677
ENDING BALANCE	**$ 1,522,684**	**$ 1,319,842**	**$ 909,737**	**$ 419,044**	**$ 36,371**	**$ 415,062**
Borrowable Resources(Avg. Balance)	$ 1,321,951	$ 1,069,843	$ 1,142,594	$ 1,449,921	$ 2,795,125	$ 4,953,904
Total Cash Available	$ 2,844,635	$ 2,389,685	$ 2,052,331	$ 1,868,965	$ 2,831,496	$ 5,368,966

Estimated January 2012	Estimated February 2012	Estimated March 2012	Estimated April 2012	Estimated May 2012	Estimated June 2012	Estimated Total 2011-12
$ 415,062	$ 559,051	$ 203,713	$ (415,463)	$ (55,778)	$ 182,650	
$ 810,092	$ 169,823	$ 12,763	$ 721,044	$ 807,707	$ 8,742	$ 3,745,560
23,227	7,565	8,094	7,701	8,586	23,578	158,967
2,257	7,696	8,590	8,875	4,353	3,269	53,657
14,802	30,840	18,596	15,427	31,600	13,625	245,034
10,805	12,132	10,782	8,932	11,666	11,495	125,556
34,414	31,204	35,213	40,075	28,276	30,182	416,360
38,779	60,472	53,217	39,564	53,850	45,670	571,520
45,236	72,146	61,782	44,712	63,283	52,374	707,070
121,656	83,747	76,352	102,092	101,212	73,372	1,458,252
136,918	100,989	91,730	185,127	127,195	123,353	1,571,067
21,243	20,276	23,782	101,421	22,341	21,882	390,259
18,763	17,166	8,219	7,009	10,447	19,300	133,031
276,480	104,433	18,176	328,198	43,533	340,810	1,809,348
456,025	303,750	310,607	523,831	315,117	450,833	4,458,666
24,110	18,157	31,855	18,519	-	24,245	253,794
0	0	0	0	0	0	0
0	0	0	0	0	0	1,300,000
$ 2,034,809	$ 1,040,395	$ 769,759	$ 2,152,526	$ 1,629,165	$ 1,242,729	$ 17,398,142
$ 256,431	$ 264,611	$ 256,471	$ 239,290	$ 254,179	$ 259,224	$ 2,894,158
409,310	407,872	402,606	405,717	399,932	401,272	4,767,908
212,601	221,391	226,581	190,841	210,858	184,964	2,477,633
266,008	248,082	298,135	245,281	306,569	253,644	3,683,664
260,940	120,446	128,338	373,337	149,151	264,855	1,748,611
0	0	0	0	0	0	576,364
95,531	3,332	11,804	78,375	70,048	13,705	444,235
390,000	130,000	65,000	260,000	0	0	1,325,856
0	0	0	0	0	0	0
$ 1,890,820	$ 1,395,734	$ 1,388,934	$ 1,792,841	$ 1,390,737	$ 1,377,664	$ 17,918,429
$ 559,051	**$ 203,713**	**$ (415,463)**	**$ (55,778)**	**$ 182,650**	**$ 47,716**	
$ 3,165,218	$ 1,859,312	$ 1,988,371	$ 4,376,143	$ 2,667,709	$ 1,394,715	
$ 3,724,269	$ 2,063,025	$ 1,572,908	$ 4,320,365	$ 2,850,359	$ 1,442,431	

DEBT SUMMARY

INTRODUCTION

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

OUTSTANDING OBLIGATIONS

As of July 1, 2011, approximately $1.4 billion in intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $1.0 billion of the outstanding debt. Revenues from special districts, special funds and enterprise funds secured the remaining $400.0 million in outstanding obligations.

As of November 1, 2011, the General Fund was responsible for only $86.1 million of the $152.1 million in payments due in Fiscal Year 2011-12 for intermediate and long-term obligations. The table below identifies the funding sources for the debt payments due in 2011-12.

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

2011-12 Payments

Funding Source	2011-12 Payment
Total 2011-12 Payment Obligation	$152,066,688
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	21,038,606
Courthouse Construction Funds	31,547,024
Special Districts/Special Funds	3,219,346
Net 2011-12 General Fund Obligation	$96,261,712

Source: Los Angeles County Chief Executive Office

The principal amount of the outstanding General County intermediate and long-term debt obligations decreased to $1.381 billion as of November 1, 2011, which includes debt issuance and repayment activity in Fiscal Year 2011-12. An additional $1.3 billion in TRANs, $80.5 million in Bond Anticipation Notes, and $206.0 million in Tax-Exempt Commercial Paper Notes were also outstanding as of November 1, 2011. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of November 1, 2011 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 1,300,000.0
Bond Anticipation Notes	80,500.0
Tax-Exempt Commercial Paper	206,000.0
Intermediate & Long-Term Obligations	
Lease Obligations	1,381,220.5
Total Outstanding Principal	$ 2,967,720.5

Source: Los Angeles County Chief Executive Office

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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

Pursuant to a resolution adopted by the Board of Supervisors on May 17, 2011, the County issued $1.3 billion of 2011-12 TRANs on July 1, 2011, with three tranche maturities: $300.0 million due February 29, 2012, $500.0 million due March 30, 2012 and $500.0 million due June 29, 2012. The 2011-12 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2011-12, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2011-12 Tax and Revenue Anticipation Notes" of this Appendix A. Deposit obligations to the Repayment Fund for the 2011-12 TRANs will be satisfied in full as of April 2012.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of November 1, 2011, $80.5 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before December 31, 2011.

Commercial Paper Program

The County has authorized a maximum of $400 million of Lease Revenue Commercial Paper Notes (the “Commercial Paper Notes”) to finance construction costs on various capital projects. Repayment of the Commercial Paper Notes is secured by four Irrevocable, Direct-Pay Letters of Credit (“LOC”) issued by JP Morgan Chase Bank, Bank of America, Wells Fargo Bank and Union Bank, and a lease-revenue financing structure between LAC-CAL and the County, which includes twenty-five County-owned properties pledged as collateral to support the LOC. The four LOC agreements, which expire on April 26, 2013, provide credit enhancement to support the issuance of both tax-exempt and taxable Commercial Paper Notes. As of November 1, 2011, $206.0 million of tax-exempt Commercial Paper Notes are outstanding. The Commercial Paper Notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Pension Obligations

The County has periodically issued bonds or certificates to fund its UAAL for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. In July 2010, the County deposited the final principal payment with the trustee in the approximate amount of $118.5 million, which was used to fund the final debt service payment for its maturing pension obligations on June 30, 2011. The County does not presently have any pension obligation debt authorization.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2011, approximately $1.4 billion in principal remained outstanding on such obligations. The County’s lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The 2011-12 Preliminary Budget contains sufficient appropriations to fund the County’s payment obligations in Fiscal Year 2011-12. The County’s Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund’s outstanding debt to total assessed valuations increased from 0.081% in 2010 to 0.138% in 2011. 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

Year	Outstanding Principal (1)	Total Assessed Valuation	% of Principal to Valuation
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%
2006	1,786,504,365	872,103,795,877	0.205%
2007	1,441,826,104	953,468,123,997	0.151%
2008	1,180,113,183	1,020,346,376,948	0.116%
2009	972,937,056	1,013,549,301,342	0.096%
2010	805,297,030	997,502,481,662	0.081%
2011	1,397,467,754	1,013,260,968,402	0.138%

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

TOBACCO BONDS

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

DPSS OPERATING LEASES

Beginning January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the “DPSS Facilities”). In order to facilitate building construction required for the DPSS Facilities, financing was obtained through the sale of Certificates of Participation (“COPs”) and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the COPs and Bonds. Although these financings are categorized as leases in the County’s financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations decreased to $275.7 million as of November 1, 2011 due to repayment activity in Fiscal Year 2011-121.

DEBT SUMMARY TABLES

The tables on the following pages provide:

1. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by funding source;
2. A detail of the 2011-12 payments on General County obligations by funding source and debt issue;
3. A detail of the principal outstanding in 2011-12 on General County debt issues by funding source and debt issue;
4. A summary of the outstanding principal, future payments and current year payments due on General County obligations as of November 1, 2011 ; and
5. The County’s overlapping debt statement as of November 1, 2011.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2011

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 NOVEMBER 1, 2011

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE (1)
AS OF JULY 1, 2011

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2011-12	$ 96,261,712	$ 21,038,605	$ 31,547,024	$ 3,219,346	$ 152,066,688
2012-13	98,965,985	18,853,245	25,709,969	3,285,646	146,814,844
2013-14	80,890,381	17,098,477	27,324,194	3,347,721	128,660,774
2014-15	93,415,695	16,118,727	26,513,038	3,415,709	139,463,168
2015-16	78,350,386	14,471,134	25,635,249	3,486,084	121,942,852
2016-17	72,117,756	5,684,932	21,865,780	3,554,834	103,223,301
2017-18	71,104,015	-	16,975,475	3,625,159	91,704,648
2018-19	71,915,396	-	16,976,475	3,696,640	92,588,511
2019-20	72,748,490	-	16,965,725	3,773,750	93,487,965
2020-21	73,552,315	-	16,957,350	3,846,250	94,355,915
2021-22	74,449,921	-	16,954,300	3,927,000	95,331,221
2022-23	75,388,340	-	16,951,625	-	92,339,965
2023-24	51,205,015	-	16,943,875	-	68,148,890
2024-25	51,186,240	-	16,933,500	-	68,119,740
2025-26	51,174,824	-	16,929,000	-	68,103,824
2026-27	51,163,061	-	16,918,875	-	68,081,936
2027-28	51,150,576	-	16,906,750	-	68,057,326
2028-29	51,134,330	-	16,905,750	-	68,040,080
2029-30	51,121,161	-	16,893,613	-	68,014,774
2030-31	51,102,782	-	9,432,600	-	60,535,382
2031-32	51,085,787	-	9,431,488	-	60,517,275
2032-33	51,071,404	-	6,918,000	-	57,989,404
2033-34	51,050,860	-	6,918,750	-	57,969,610
2034-35	51,033,671	-	-	-	51,033,671
2035-36	51,013,918	-	-	-	51,013,918
2036-37	50,991,988	-	-	-	50,991,988
2037-38	50,973,919	-	-	-	50,973,919
2038-39	50,950,219	-	-	-	50,950,219
2039-40	50,931,518	-	-	-	50,931,518
2040-41	50,909,647	-	-	-	50,909,647
2041-42	-	-	-	-	-
Total	$ 1,878,411,310	$ 93,265,118	$ 411,508,406	$ 39,178,139	$ 2,422,362,971

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2011

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2011-12	$ 1,012,904,861	$ 83,036,248	$ 271,616,645	$ 29,910,000	$ 1,397,467,754
2012-13	977,333,292	65,495,178	252,834,288	28,050,000	1,323,712,758
2013-14	931,355,877	49,377,538	239,074,099	26,040,000	1,245,847,515
2014-15	902,278,618	34,279,455	223,014,357	23,875,000	1,183,447,430
2015-16	859,903,277	19,440,996	207,011,017	21,550,000	1,107,905,289
2016-17	831,900,806	5,556,353	191,140,940	19,050,000	1,047,648,098
2017-18	809,948,779	-	178,385,000	16,375,000	1,004,708,779
2018-19	788,953,152	-	170,020,000	13,520,000	972,493,152
2019-20	767,115,857	-	161,225,000	10,475,000	938,815,857
2020-21	744,393,886	-	151,990,000	7,225,000	903,608,886
2021-22	712,630,000	-	142,290,000	3,740,000	858,660,000
2022-23	670,450,000	-	132,110,000	-	802,560,000
2023-24	625,470,000	-	121,425,000	-	746,895,000
2024-25	602,940,000	-	110,200,000	-	713,140,000
2025-26	579,385,000	-	98,410,000	-	677,795,000
2026-27	554,680,000	-	86,020,000	-	640,700,000
2027-28	528,765,000	-	73,005,000	-	601,770,000
2028-29	501,570,000	-	59,335,000	-	560,905,000
2029-30	473,035,000	-	44,965,000	-	518,000,000
2030-31	443,090,000	-	29,895,000	-	472,985,000
2031-32	411,670,000	-	21,735,000	-	433,405,000
2032-33	378,700,000	-	13,170,000	-	391,870,000
2033-34	344,100,000	-	6,750,000	-	350,850,000
2034-35	307,795,000	-	-	-	307,795,000
2035-36	269,680,000	-	-	-	269,680,000
2036-37	229,650,000	-	-	-	229,650,000
2037-38	187,610,000	-	-	-	187,610,000
2038-39	143,600,000	-	-	-	143,600,000
2039-40	97,705,000	-	-	-	97,705,000
2040-41	49,865,000	-	-	-	49,865,000
2041-42	-	-	-	-	-

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2011

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 12,540,000	$ 12,540,000			
1998 Refg COPs: Disney Parking Project	3,073,123	3,073,123			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,626,150			$ 3,626,150	
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	1,064,142			1,064,142	
Sheriffs Training Academy	878,475	878,475			
San Fernando Court	1,471,383			1,471,383	
Total 2002 Lease Rev Bonds Ser B	$ 3,414,000	$ 878,475	$ 0	$ 2,535,525	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 773,938	$ 773,938			
Alhambra Courthouse	583,554			$ 583,554	
Burbank Courthouse	762,230			762,230	
Ameron Building (Sheriff Headquarters)	2,509,337	2,509,337			
Biscailuz Center	222,176	222,176			
Emergency Operations Center	1,964,622	1,964,622			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,486,121		$ 1,486,121		
Martin Luther King Medical Center - Trauma Center	6,226,501		6,226,501		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	103,282		103,282		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,399,161		4,399,161		
Rancho Los Amigos Medical Center - Parking Structure	1,640,700		1,640,700		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,054		687,054		
San Fernando Valley Juvenile Hall	977,406	977,406			
LAC/USC Medical Center Marengo Street Parking Garage	2,602,322		2,602,322		
LAX Area Courthouse	6,945,582			6,945,582	
San Fernando Valley Courthouse (Chatsworth)	5,501,739			5,501,739	
Harbor Med Center E.P.S.	1,255,414		1,255,414		
Total 2005 Lease Rev Refg Bonds Ser A	$ 38,641,139	$ 6,447,479	$ 18,400,556	$ 13,793,105	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,219,346				$ 3,219,346
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,223,038			$ 1,223,038	
Lynwood Regional Justice Center	10,655,450	$ 10,655,450			
Men's Central Jail - Twin Towers	10,057,200	10,057,200			
Hutton Building - Registrar / Recorder Headquarters	2,660,350	2,660,350			
Pomona Municipal Courthouse	430,950			430,950	
Pitchess Honor Rancho Laundry Expansion	207,800	207,800			
Pitchess Honor Rancho Visitors Center	509,350	509,350			
Mira Loma Men's Medium Security Facility	368,825	368,825			
Temple City Sheriff Station	873,050	873,050			
Van Nuys Courthouse	3,021,125			3,021,125	
Total 2006 Lease Rev Refg Bonds Ser A	$ 30,007,138	$ 25,332,025	$ 0	$ 4,675,113	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 6,917,131			$ 6,917,131	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 218,057	$ 218,057			
Patriotic Hall Renovation	352,122	352,122			
Olive View Medical Center ER/TB Unit	405,737	405,737			
Olive View Medical Center Seismic	167,148	167,148			
Harbor/UCLA Surgery/ Emergency	2,542,536	2,542,536			
Harbor/UCLA Seismic Retrofit	392,070	392,070			
Hall of Justice Rehabilitation	1,817,838	1,817,838			
Total 2010 Multiple Capital Projects I, Series A	$ 5,895,507	$ 5,895,507	$ 0	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,386,271	$ 1,386,271			
Patriotic Hall Renovation	2,238,578	2,238,578			
Olive View Medical Center ER/TB Unit	2,579,427	2,579,427			
Olive View Medical Center Seismic	1,062,623	1,062,623			
Harbor/UCLA Surgery/ Emergency	16,163,890	16,163,890			
Harbor/UCLA Seismic Retrofit	2,492,541	2,492,541			
Hall of Justice Rehabilitation	11,556,700	11,556,700			
Total 2010 Multiple Capital Projects I, Series B	$ 37,480,029	$ 37,480,029	$ 0	$ 0	$ 0
Total Long-Term Capital Projects	$ 144,813,563	$ 91,646,637	$ 18,400,556	$ 31,547,024	$ 3,219,346
Total Long-Term Obligations	$ 144,813,563	$ 91,646,637	$ 18,400,556	$ 31,547,024	$ 3,219,346
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 6,595,125	$ 3,957,075	$ 2,638,050		
Total Equipment	$ 6,595,125	$ 3,957,075	$ 2,638,050	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 658,000	$ 658,000			
Total Intermediate-Term Obligations	$ 7,253,125	$ 4,615,075	$ 2,638,050	$ 0	$ 0
Total Obligations	$ 152,066,688	$ 96,261,712	$ 21,038,606	$ 31,547,024	$ 3,219,346

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

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2011

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 30,892,754	$ 30,892,754			
1998 Refg COPs: Disney Parking Project	58,285,000	58,285,000			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,470,000			$ 3,470,000	
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	5,339,414			5,339,414	
Sheriffs Training Academy	4,407,809	4,407,809			
San Fernando Court	7,382,777			7,382,777	
Total 2002 Lease Rev Bonds Ser B	$ 17,130,000	$ 4,407,809	$ 0	$ 12,722,191	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 3,267,380	$ 3,267,380			
Alhambra Courthouse	1,924,639			$ 1,924,639	
Burbank Courthouse	3,558,707			3,558,707	
Ameron Building (Sheriff Headquarters)	7,464,446	7,464,446			
Biscailuz Center	663,245	663,245			
Emergency Operations Center	7,111,141	7,111,141			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	5,587,634		$ 5,587,634		
Martin Luther King Medical Center - Trauma Center	30,890,863		30,890,863		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	322,555		322,555		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	19,302,066		19,302,066		
Rancho Los Amigos Medical Center - Parking Structure	7,204,747		7,204,747		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	2,125,793		2,125,793		
San Fernando Valley Juvenile Hall	4,665,086	4,665,086			
LAC/USC Medical Center Marengo Street Parking Garage	11,410,340		11,410,340		
LAX Area Courthouse	76,294,454			76,294,454	
San Fernando Valley Courthouse (Chatsworth)	60,421,654			60,421,654	
Harbor Med Center E.P.S.	2,030,248		2,030,248		
Total 2005 Lease Rev Refg Bonds Ser A	$ 244,245,000	$ 23,171,298	$ 78,874,249	$ 142,199,454	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 29,910,000				$ 29,910,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 5,985,000			$ 5,985,000	
Lynwood Regional Justice Center	40,660,000	40,660,000			
Men's Central Jail - Twin Towers	38,425,000	38,425,000			
Hutton Building - Registrar / Recorder Headquarters	3,405,000	3,405,000			
Pomona Municipal Courthouse	545,000			545,000	
Pitchess Honor Rancho Laundry Expansion	265,000	265,000			
Pitchess Honor Rancho Visitors Center	655,000	655,000			
Mira Loma Men's Medium Security Facility	470,000	470,000			
Temple City Sheriff Station	1,120,000	1,120,000			
Van Nuys Courthouse	11,255,000			11,255,000	
Total 2006 Lease Rev Refg Bonds Ser A	$ 102,785,000	$ 85,000,000	$ 0	$ 17,785,000	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 95,440,000			$ 95,440,000	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 3,805,955	$ 3,805,955			
Patriotic Hall Renovation	6,145,932	6,145,932			
Olive View Medical Center ER/TB Unit	7,081,718	7,081,718			
Olive View Medical Center Seismic	2,917,390	2,917,390			
Harbor/UCLA Surgery/ Emergency	44,377,348	44,377,348			
Harbor/UCLA Seismic Retrofit	6,843,176	6,843,176			
Hall of Justice Rehabilitation	31,728,482	31,728,482			
Total 2010 Multiple Capital Projects I, Series A	$ 102,900,000	$ 102,900,000	$ 0	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Olive View Medical Center ER/TB Unit	47,349,441	47,349,441			
Olive View Medical Center Seismic	19,506,113	19,506,113			
Harbor/UCLA Surgery/ Emergency	296,713,674	296,713,674			
Harbor/UCLA Seismic Retrofit	45,754,510	45,754,510			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 688,005,000	$ 0	$ 0	$ 0
Total Long-Term Capital Projects	$ 1,373,062,754	$ 992,661,861	$ 78,874,249	$ 271,616,645	$ 29,910,000
Total Long-Term Obligations	$ 1,373,062,754	$ 992,661,861	$ 78,874,249	$ 271,616,645	$ 29,910,000
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 10,405,000	$ 6,243,000	$ 4,162,000		
Total Equipment	$ 10,405,000	$ 6,243,000	$ 4,162,000	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$ 14,000,000			
Total Intermediate-Term Obligations	$ 24,405,000	$ 20,243,000	$ 4,162,000	$ 0	$ 0
Total Obligations	$ 1,397,467,754	$ 1,012,904,861	$ 83,036,249	$ 271,616,645	$ 29,910,000

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

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF NOVEMBER 1, 2011

Title	Outstanding Principal	Total Future Payments		2011-12 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 29,080,473	$ 141,285,000		$ 6,270,000
1998 Refg COPs: Disney Parking Project	58,130,000	86,215,869		1,534,856
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	3,470,000	3,548,075		3,548,075
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	20,386,200		3,414,000
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	244,245,000	328,159,616		38,641,139
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	29,910,000	39,178,139		3,219,346
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	76,955,000	84,979,038		1,777,369
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	92,990,000	154,421,656		2,212,128
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	131,101,888		2,479,419
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,340,888,598	(1)	15,762,629
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	14,000,000	14,964,953	(1)	0
Total Long-Term Capital Projects	$ 1,356,815,473	$ 2,345,129,030		$ 78,858,961
Total Long-Term Obligations	$ 1,356,815,473	$ 2,345,129,030		$ 78,858,961
Intermediate-Term Obligations				
Equipment				
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 10,405,000	$ 10,983,125		$ 6,595,125
Total Equipment	$ 10,405,000	$ 10,983,125		$ 6,595,125
Taxable Bonds				
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 14,000,000	$14,932,167		$ 658,000
Total Intermediate-Term Obligations	$ 24,405,000	$ 25,915,292		$ 7,253,125
Total Obligations	$ 1,381,220,473	$ 2,371,044,322		$ 86,112,086

COPs = Certificates of Participation

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

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

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF NOVEMBER 1, 2011
Full Cash Value (2011-12): $941,113,340,692 (after deducting $137,535,643,001 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 11/1/11
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 53,795,000
Metropolitan Water District	47.648	107,367,621
Los Angeles Community College District	100.000	3,504,910,000
Other Community College Districts	Various (1)	1,917,491,345
Arcadia Unified School District	100.000	169,484,793
Beverly Hills Unified School District	100.000	181,574,280
Glendale Unified School District	100.000	171,694,986
Long Beach Unified School District	100.000	545,492,292
Los Angeles Unified School District	100.000	11,718,855,000
Pasadena Unified School District	100.000	271,585,000
Pomona Unified School District	100.000	208,243,331
Santa Monica-Malibu Unified School District	100.000	221,815,034
Torrance Unified School District	100.000	194,008,533
Other Unified School Districts	Various (1)	2,812,356,751
High School and School Districts	Various (1)	1,399,524,503
City of Los Angeles	100.000	1,233,455,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000	39,340,000
City of Industry	100.000	146,695,000
Other Cities	100.000	86,490,000
Special Districts	100.000	5,575,000
Community Facilities Districts	100.000	825,247,204
Los Angeles County Regional Park & Open Space Assessment District	100.000	170,725,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	140,929,337
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 26,126,655,010
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,465,825,474**
Los Angeles County Office of Education Certificates of Participation	100.000	11,269,678
Community College District Certificates of Participation	Various (2)	70,822,736
Baldwin Park Unified School District Certificates of Participation	100.000	53,215,000
Compton Unified School District Certificates of Participation	100.000	29,560,000
Los Angeles Unified School District Certificates of Participation	100.000	476,195,935
Pomona Unified School District Certificates of Participation	100.000	30,100,000
Other Unified School District Certificates of Participation	Various (2)	156,607,068
High School and School District General Fund Obligations	Various (2)	157,113,145
City of Beverly Hills General Fund Obligations	100.000	242,720,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,877,110,000
City of Long Beach General Fund Obligations	100.000	214,250,000
City of Long Beach Pension Obligations	100.000	54,520,000
City of Pasadena General Fund Obligations	100.000	501,539,935
City of Pasadena Pension Obligations	100.000	104,825,319
Other Cities' General Fund Obligations	100.000	1,318,741,742
Los Angeles County Sanitation Districts General Fund Obligations	100.000	292,005,026
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 7,056,421,058
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**		**(17,805,422)**
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(32,995,961)
Cities' self-supporting bonds		(157,387,219)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,848,232,456
GROSS COMBINED TOTAL DEBT		$ 33,183,076,068 (3)
NET COMBINED TOTAL DEBT		$ 32,974,887,466

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

RATIOS TO 2011-12 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	2.420 %
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($1,465,825,474)	**0.160 %**
Net Combined Direct Debt ($1,448,020,052)	**0.150 %**
Gross Combined Total Debt	3.530 %
Net Combined Total Debt	3.500 %

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $ 0

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2010 Gross Domestic Product ("GDP") of $508.9 billion, Los Angeles County's economy is larger than that of 45 states and all but 19 countries. Los Angeles County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy experienced mild improvement in 2010, with a slight increase of 1.8% in economic output (as measured by Gross Product), a 2.4% increase in personal income and a 7.0% increase in taxable retail sales. The economic recovery is expected to continue in 2011, with growth projected for several sectors of the local economy. The information, health services, leisure & hospitality, and educational service sectors of the local economy are among those expected to experience growth, while other sectors of the economy such as government, construction and finance & insurance are projected to struggle in 2011.

Los Angeles County's unemployment rate averaged 12.6% in 2010, but the labor market is showing a gradual improvement in 2011 with the jobless rate edging down to 12.2%. With the subtle signs of stabilization in local economy in 2011, the unemployment rate is projected to decline further in 2012 to 11.5%. Total non-farm employment is expected to increase by +0.7% (28,000 jobs) in 2011 after a decline in the number of jobs of -1.4% (-60,400) in 2010. The significant job losses in the last two years were partially offset by the positive impact of major public and private construction projects. With over $16 billion in voter approved general obligation bond measures, historically low interest rates and financing programs and subsidies provided by the Federal government under ARRA, local school and community college districts have undertaken major capital construction projects. The increase in sales tax revenue ensuing from the 2008 voter-approved Measure R, provides funding for major highway and transit projects that are currently underway throughout the County. In addition, hospitals throughout Los Angeles County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements, while the new Civic Park and the Broad Art Museum projects are also increasing construction activity in the heart of the downtown area. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Los Angeles and Long Beach) and the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), have provided continued support to a struggling job market in the County.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with wholesale and retail trade, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 374,000 workers employed in this sector in 2010. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked sixth among world's largest port facilities.

Quality of Life

Higher Education

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

Culture

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

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

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

Recreation

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

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

Population

The County of Los Angeles is the most populous county in the U.S. with close to 9.9 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 27% of the total population of California. The demographic profile of the County indicates that 47.7% of the population is Hispanic and 52.3% non-Hispanic, of which, 27.8% are White; 13.7% are Asian-Pacific Islander; 8.3% are African American; and 2.5% are other races. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, Los Angeles County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 75.5% of the adult population has a high school diploma or higher, and 28.4% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The current economic downturn, which started in late 2007, has affected the entire nation and continues to have a significant adverse impact on the local economy. After experiencing a cyclical low of 4.8% in 2006, the unemployment rate climbed to 12.6% in 2010 and is projected to decrease slightly to 12.2% in 2011. In comparison, the average unemployment rates for the State of California and the nation are projected to be 11.8% and 8.9%, respectively, in 2011. The employment situation in the County has begun to show signs of improvement with a projected 0.7% increase in the number of jobs (28,000). The largest employment gains in 2011 are projected for information (26,100), health services (9,500), and leisure & hospitality (7,900) jobs. The government, construction, and finance & insurance are expected to experience the largest employment contraction in 2011, with the government sector projected to lose an estimated 19,700 jobs in 2011. In 2012, non-farm employment is projected to grow by 1.7% (65,000 jobs), resulting in a lower unemployment rate in the County of 11.5%. Table F details the non-agricultural employment statistics by sector for Los Angeles County from 2006 through 2010.

Personal Income

The total personal income in the County increased by an estimated 2.4% in 2010, after falling by 2.5% in 2009. The 2010 total personal income of $412 billion represents an estimated 25.5% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") is forecasting that personal income will continue to grow in 2011 with a projected increase of 3.6% in 2011 and 5.4% in 2012. Table C provides a summary of the personal income statistics for Los Angeles County from 2006 through 2010.

Consumer Spending

Los Angeles County is a national leader in consumer spending. As reported by LAEDC, the County experienced a 7.0% increase in taxable retail sales in 2010 after a significant decline of 12.7% in 2009. Consumer spending is projected to grow by 7.7% and 6.1% in 2011 and 2012, respectively. The $83.9 billion of taxable retail sales in the County in 2010 represents over 25.41% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in Los Angeles County from 2006 through 2010.

Industry

With an estimated annual economic output of $509 billion in 2010, Los Angeles County continues to rank among the world's largest economies. Its 2010 Gross Product represents approximately 26.8% of the total economic output in California and 3.5% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for Los Angeles County from 2006 through 2010.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced a steady increase from 2001 to 2008, resulting in a record level of $355.8 billion in 2008. In 2010, the LACD handled approximately $346.9 billion worth of international trade, which represents a 22.6% increase from 2009 and a significant improvement from the 20.5% decrease in the value of trade that occurred from 2008 to 2009. With the strong performance of the LACD in 2010, the value of two-way trade has recovered close to the record level attained in 2008. The LACD maintained its ranking as the top customs district in the nation for international trade in 2010, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC is projecting an increase of 6.7% and 4.6% for 2011 and 2012, respectively, in the value of international trade handled through the LACD.

Transportation/Infrastructure

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

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the seventh busiest airport in the world and third in the United States for passenger traffic. In 2010, LAX served 59.1 million passengers and handled 1.9 million tons of air cargo valued at nearly $84 billion. LAX is reporting a 5.6% increase in passenger traffic from January to August, compared to the same period in 2010. A $4.1 billion capital improvement project is currently underway at LAX, which is expected to generate approximately 40,000 local jobs.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined

Los Angeles/Long Beach port complex has been the fastest growing port facility in the United States, and the two ports are reported by LAEDC to be the busiest port complex in the U.S. and western hemisphere, and the sixth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue. In 2010, the port complex experienced a 19.3% increase in the volume of cargo from 2009, which represents the largest annual increase in 25 years. The port complex is projected to experience continued growth in 2011 and 2012 of 4.0% and 5.0%, respectively.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2010, it was ranked as the busiest container port in the United States for the eleventh consecutive year, and the sixteenth busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The port has 25 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. For the calendar year 2010, the port handled over 7.8 million TEUs, which represents a 16.0% increase in container volume from 2009.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the seventeenth busiest in the world in 2010. The Port of Long Beach port covers over 3,200 acres with 10 separate piers. In 2010, the port handled over 6.3 million TEUs of container cargo, which represents an increase of 23.6% from 2009.

Port Expansion

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

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority ("MTA"), which is responsible for the planning, design, construction and operation of the public transportation system for Los Angeles County. The Fiscal Year 2011-12 operating budget for the MTA is $4.15 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2010, the Los Angeles region hosted an estimated 25.7 million overnight visitors, representing an 8% increase from 2009. The newly built hotels in downtown and Hollywood are attracting business as well as leisure travelers to the County. According to the Los Angeles Convention and Visitors Bureau, the Los Angeles region was the third ranked destination for overseas visitors in 2010, with tourists and business travelers spending $13.1 billion (as reported by LAEDC), representing a significant increase of 10.4% from 2009. The new convention center hotel and the higher number of conferences scheduled for 2011 and 2012 as well as the opening of Broad Museum and Space Shuttle Endeavor Exhibit at the California Science center in 2013 will help facilitate continued growth in this sector of the local economy. The number of visitors is expected to increase by over 2% in 2011 to 26.3 million.

Real Estate and Construction

The residential housing market in Los Angeles County experienced a significant downturn starting in late 2007. The average annual median price for new and existing homes decreased by nearly 40% from a peak of $532,281 in 2007 to an average low of $321,550 in 2009. In 2009, the real estate market began to stabilize and showed signs of recovery in 2010, with the average median home price increasing by over 4.3% to $335,363. Despite the modest increase in home values, the volume of home sales decreased by 4.6% from 81,072 in 2009 to 77,308 in 2010. Other positive indicators of stabilizing housing market include a 34.9% reduction in the Notices of Default Recorded from 105,433 in 2009 to 68,603 in 2010; and a 3.8% decrease in the number of foreclosures from 32,112 in 2009 to 30,907 in 2010. The current foreclosure trend is more positive than what is reflected in the annual statistics, as the number of foreclosures decreased by nearly 32% from the 4th quarter of 2009 to the 4th quarter of 2010. The positive trend in foreclosures has continued in 2011, with the first six months of the year reflecting an 8% decrease in the number of foreclosures compared to the same period in 2010.

The non-residential real estate sector experienced further difficulties in 2010 with higher vacancies, declining lease rates and falling property values. The total non-residential building valuation of $2.68 billion in 2010 represents a slight decrease of 0.1% from 2009. Construction lending experienced a significant decrease of 13.7% from $2.47 billion in 2009 to $2.13 billion in 2010. Despite business expansions and the continuation of major construction projects throughout the County, the commercial real estate sector continued to struggle in 2010. The vacancy rate for the office market increased by over 6% to a cyclical high of 17% in 2010. The vacancy rate for the industrial market decreased slightly to 3.2% in 2010, but is essentially unchanged from the cyclical high of 3.3% in 2009.

Despite the severe downturn in the housing market from 2007 to 2009, Los Angeles County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2010-11, the Los Angeles County Assessor reported a Net Local Roll of $1.042 trillion, which represented a 1.9% decrease from the Net Local Roll of $1.062 trillion in Fiscal Year 2009-10. For Fiscal Year 2011-12, the Assessor reported a Net Local Roll of $1.056 trillion, which represents a 1.36% increase from the prior fiscal year.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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

	2006	2007	2008	2009	2010
Los Angeles County	$446,800	$508,000	$513,600	$499,800	$508,900
State of California	1,727,400	1,798,300	1,846,800	1,812,400	1,901,100
United States	13,244,600	13,794,200	14,441,440	14,256,280	14,657,800
Los Angeles County as a % of California	25.87%	28.25%	27.81%	27.58%	26.77%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE B: POPULATION LEVELS

	2006	2007	2008	2009	2010
Los Angeles County	9,755,900	9,728,000	9,771,500	9,831,900	9,880,600
State of California	35,947,500	36,185,900	36,538,000	36,887,600	37,266,600
Los Angeles County as a % of California	27.14%	26.88%	26.74%	26.65%	26.51%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

	2006	2007	2008	2009	2010
Los Angeles County	$385,724	$400,366	$412,639	$402,459	$412,235
Orange County	150,598	153,447	155,068	148,373	153,269
Riverside and San Bernardino Counties	116,900	123,000	125,000	123,000	125,800
Ventura County	35,700	37,300	37,500	36,900	37,800
State of California	1,495,500	1,566,400	1,604,200	1,567,000	1,614,600
Los Angeles County as a % of California	25.79%	25.56%	25.72%	25.68%	25.53%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

	2006	2007	2008	2009	2010
Los Angeles County	$95,544	$96,096	$89,810	$78,444	$83,900
State of California	389,100	387,000	357,300	311,200	330,200
Los Angeles County as a % of California	24.56%	24.83%	25.14%	25.21%	25.41%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

TABLE E: UNEMPLOYMENT RATES

	2006	2007	2008	2009	2010
Los Angeles County	4.8%	5.1%	7.5%	11.5%	12.6%
State of California	4.9%	5.2%	7.2%	11.3%	12.4%
United States	4.6%	4.6%	5.8%	9.3%	9.7%

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2006	2007	2008	2009	2010
Wholesale & Retail Trade	649.0	653.0	640.2	591.5	588.1
Government	589.4	595.7	603.7	595.8	576.6
Health Care & Social Assistance	381.4	389.7	400.7	404.6	410.5
Leisure & Hospitality	388.6	397.9	401.6	385.6	384.6
Manufacturing	461.7	449.2	434.5	389.2	374.2
Professional, Scientific & Technical Services	264.0	273.9	269.6	250.2	245.7
Administrative & Support Services	271.9	272.7	256.4	225.3	228.3
Information	205.6	209.8	210.3	191.2	192.4
Transportation & Utilities	165.2	165.6	163.1	151.2	150.3
Finance & Insurance	166.9	163.6	153.9	142.3	137.8
Educational Services	99.4	102.9	105.1	110.1	112.2
Construction	157.5	157.6	145.2	117.3	104.3
Real Estate	79.8	80.3	79.4	73.8	71.4
Management of Enterprises	63.0	58.8	56.7	54.4	52.1
Other	149.2	151.5	150.5	142.0	140.5
Total	4,092.6	4,122.2	4,070.9	3,824.5	3,769.0

Source: Los Angeles Economic Development Corporation - 2011-2012 Mid-Year Economic Forecast and Industry Outlook July 2011

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

Type of Activity	2006	2007	2008	2009	2010
International Air Cargo (Tons)					
Los Angeles International Airport	1,113.6	1,138.6	996.5	916.0	1,125.2
As Percentage of Total Air Cargo	52.95%	54.80%	55.47%	55.05%	58.40%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,103.1	2,077.5	1,796.5	1,663.9	1,926.8
Bob Hope Airport (Burbank)	57.6	53.7	42.9	44.4	48.1
Total	2,160.7	2,131.3	1,839.4	1,708.2	1,974.9
International Air Passengers					
Los Angeles International Airport	16,910.7	17,248.0	16,685.8	15,100.9	15,935.3
As Percentage of Total Passengers	27.70%	27.62%	27.89%	26.72%	26.98%
Total Air Passengers					
Los Angeles International Airport	61,041.1	62,438.6	59,820.8	56,520.8	59,069.4
Bob Hope Airport (Burbank)	5,689.3	5,921.3	5,331.4	4,588.4	4,461.3
Total	66,730.4	68,359.9	65,152.2	61,109.2	63,530.7
Container Volume (TEUs)					
Port of Los Angeles	8,469.9	8,355.0	7,850.0	6,749.0	7,831.9
Port of Long Beach	7,290.4	7,312.5	6,487.8	5,067.6	6,263.5
Total	15,760.3	15,667.5	14,337.8	11,816.6	14,095.4

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

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

Customs District	2006	2007	2008	2009	2010
Los Angeles, CA	$326,400	$347,300	$355,800	$282,900	$346,900
New York, NY	294,700	323,600	353,400	266,700	326,300
Detroit, MI	239,800	248,900	236,400	170,800	218,100
Houston, TX	162,800	184,700	242,100	165,800	211,500
New Orleans, LA	149,900	172,700	214,200	149,800	191,200
Laredo, TX	156,000	166,400	173,300	146,000	184,400
Chicago, IL	120,800	132,900	153,300	127,900	160,800
Seattle, WA	108,500	119,400	120,400	101,500	110,900
Savannah, GA	82,100	93,400	101,000	87,200	108,500
San Francisco, CA	110,600	111,700	114,100	86,400	107,200

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Port	2006	2007	2008	2009	2010
Los Angeles-Long Beach, CA	210,503	211,747	201,456	167,866	193,591
Seattle, WA	28,692	29,514	26,731	25,070	31,337
Oakland, CA	28,597	29,449	28,416	27,872	29,475
Tacoma, WA	32,516	33,753	34,701	28,701	27,507
Portland, OR	20,173	23,167	21,683	16,348	19,661
Kalama, WA	8,444	9,624	12,320	9,065	11,653
Vancouver, WA	5,441	6,173	5,903	5,135	6,110
San Diego, CA	6,705	6,548	5,557	3,506	4,074
Port Hueneme	4,571	3,971	3,571	2,998	3,356

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Port	2006	2007	2008	2009	2010
Los Angeles-Long Beach, CA	15,760	15,667	14,338	11,817	14,095
New York, NY	5,086	5,299	5,265	4,562	5,292
Savannah, GA	2,160	2,604	2,616	2,357	2,825
Oakland, CA	2,392	2,388	2,236	2,045	2,330
Seattle, WA	1,987	1,974	1,704	1,585	2,140
Norfolk, VA	2,046	2,128	2,083	1,745	1,895
Houston, TX	1,607	1,772	1,795	1,797	1,812
Tacoma, WA	1,552	1,403	1,861	1,546	1,455
Charleston, SC	1,968	1,754	1,636	1,368	1,280

Source: Los Angeles Economic Development Corporation - International Trade Trends

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

Indicator	2006	2007	2008	2009	2010
1. Construction Lending (in millions)	$ 8,435	$ 6,886	$ 3,520	$ 2,465	$ 2,128
2. Residential Purchase Lending (in millions)	$ 57,046	$ 38,388	$ 22,256	$ 22,111	$ 22,491
3. New & Existing Median Home Prices	$ 511,365	$ 532,281	$ 397,474	$ 321,550	$ 335,363
4. New & Existing Home Sales	109,212	74,917	65,278	81,072	77,308
5. Notices of Default Recorded	26,296	53,414	84,806	105,433	68,603
6. Unsold New Housing (at year-end)	3,630	4,273	3,117	1,629	1,997
7. Office Market Vacancy Rates	9.4%	9.7%	12.2%	16.0%	17.0%
8. Industrial Market Vacancy Rates	1.5%	1.5%	2.2%	3.3%	3.2%

Source: Real Estate Research Council of Southern California - 2nd Quarter 2011

TABLE L: BUILDING PERMITS AND VALUATIONS

	2006	2007	2008	2009	2010
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	10,097	7,509	3,539	2,131	2,439
b. Multi-Family	16,251	12,854	10,165	3,522	5,029
Total Residential Building Permits	26,348	20,363	13,704	5,653	7,468
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 2,561	$ 2,048	$ 1,134	$ 798	$ 922
b. Multi-Family	2,205	2,011	1,409	522	811
c. Alterations and Additions	1,982	1,898	1,411	1,073	1,110
Residential Building Valuations Subtotal	$ 6,748	$ 5,957	$ 3,954	$ 2,393	$ 2,843
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 241	$ 716	$ 446	$ 192	$ 133
b. Retail Buildings	482	493	469	222	263
c. Hotels and Motels	119	343	256	11	28
d. Industrial Buildings	182	109	135	40	56
e. Alterations and Additions	1,694	2,005	2,158	1,658	1,662
f. Other	1,178	1,073	1,027	551	535
Non-Residential Building Valuations Subtotal	$ 3,896	$ 4,739	$ 4,491	$ 2,674	$ 2,677
Total Building Valuations (in millions)	$ 10,644	$ 10,696	$ 8,445	$ 5,067	$ 5,520

Source: Real Estate Research Council of Southern California - 2nd Quarter 2011

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2010 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	32,700	157,818
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Washington D. C.	19,000	120,700
3 University of Southern California	Education - Private University	Los Angeles, CA	15,121	15,121
4 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	13,623	159,879
5 Ralph/Food 4 Less (division of Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
6 Target Corp.	Retailer	Minneapolis, MN	13,000	351,000
7 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,000	N/A
8 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	10,467	N/A
9 The Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,000	210,000
10 Providence Health & Services	Medical Centers	Renton, WA	9,960	51,725
11 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,900	270,000
12 Vons	Grocery Retailer	Pleasanton, CA	9,176	185,171
13 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,800	102,000
14 AT&T Inc.	Telecommunications	Dallas, TX	8,505	276,280
15 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,400	8,400
16 Fedex Corp.	Shipping and Logistics	Memphis, TN	7,700	275,000
17 Catholic Healthcare West	Hospitals	San Francisco, CA	7,200	54,000
18 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,700	16,750
19 JPMorgan Chase	Banking and Financial Services	New York, NY	6,000	232,939
20 Long Beach Memorial Medical Ctr.	Regional Hospital	Huntington Beach, CA	5,200	N/A
21 UPS	Transportation and Freight	Atlanta, GA	5,000	420,000
22 Children's Hospital Los Angeles	Hospital	Los Angeles, CA	4,200	N/A
23 Toyota Motor Sales U.S.A. Inc	Sales, Distribution, Customer Service	Torrance, CA	4,100	35,000
24 Adventist Health	Hospitals	Roseville, CA	3,700	17,000
25 Huntington Memorial Hospital	Not-for-profit Community Hospital	Pasadena, CA	3,251	3,251

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by number of employees in L.A. County - September 2010

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets/ fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental Activities	2%	2%	1%
Business-type Activities	3%	8%	11%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	62%	62%	10%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, First 5 LA and LACERA, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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.

As discussed in Notes 2, 5 and 6 to the basic financial statements, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* effective July 1, 2009.

The management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 111 and 112 are not a required part of the basic financial statements but are supplementary information required by 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 and the other auditors 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's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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 and the other auditors express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 13, 2010

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, 2010. 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 $15.083 billion. However, net assets are classified into three categories and the unrestricted component is negative $3.507 billion. See further discussion on page B-7.

During the current year, the County's net assets decreased by a total of $1.349 billion. Net assets related to governmental activities decreased by $1.005 billion, while net assets related to business-type activities decreased by $344 million. Costs associated with postemployment health insurance benefits continued to have a very significant effect on the County's financial condition and accounted for $1.333 billion of the County's overall decrease in net assets during the current year. See further discussion on page B-7.

At the end of the current year, the County's General Fund reported a total fund balance of $2.996 billion. The amount of unreserved fund balance was $2.211 billion. Of the unreserved total, $619 million was designated.

The County's capital asset balances were $18.027 billion at year-end and decreased by $11 million during the year. During the current year, the County implemented retroactive reporting of intangible assets and established software as a new capital asset category. Software assets, net of amortization, were recorded as an adjustment of $303 million to the beginning balances for the current year.

During the current year, the County's total long-term debt decreased by $331 million. Bond maturities of $525 million exceeded the $194 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.

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, education, 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. First 5 LA 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.

FUND FINANCIAL STATEMENTS-Continued

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

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

- Proprietary Funds - These funds are used to account for functions that were classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's five Hospital Funds and Waterworks 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 and other postemployment 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 $15.083 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2010 and 2009 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 8,075,688	$ 7,981,471	$ 461,077	$ 730,736	$ 8,536,765	$ 8,712,207
Capital assets	15,452,736	15,252,601	2,574,305	2,482,382	18,027,041	17,734,983
Total assets	23,528,424	23,234,072	3,035,382	3,213,118	26,563,806	26,447,190
Current and other liabilities	1,592,918	1,472,639	152,393	203,922	1,745,311	1,676,561
Long-term liabilities	7,935,891	7,009,138	1,799,682	1,631,997	9,735,573	8,641,135
Total liabilities	9,528,809	8,481,777	1,952,075	1,835,919	11,480,884	10,317,696
Net assets:						
Invested in capital assets, net of related debt	14,271,861	14,081,048	2,293,147	2,217,449	16,565,008	16,298,497
Restricted net assets	1,861,498	1,644,109	163,820	192,427	2,025,318	1,836,536
Unrestricted net assets (deficit)	(2,133,744)	(972,862)	(1,373,660)	(1,032,677)	(3,507,404)	(2,005,539)
Total net assets	13,999,615	14,752,295	1,083,307	1,377,199	15,082,922	16,129,494
Total liabilities and net assets	$ 23,528,424	$ 23,234,072	$ 3,035,382	$ 3,213,118	$ 26,563,806	$ 26,447,190

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets increased overall by $94 million for governmental activities while business-type activities reported decreases of $270 million. Internal balances were a major factor for both variances as amounts owed by business-type activities to governmental activities rose by $189 million. The continuing economic downturn had a negative impact on overall cash flows. The internal balances predominately reflect cash advances from the General Fund (a governmental activity) to hospital business-type activities, which required significantly higher cash flows for working capital and therefore reduced current and other assets for business-type activities.

Long-Term Liabilities

Long-term liabilities increased by $927 million for governmental activities and by $168 million for business-type activities. This is the third year for which the County has reported its other postemployment benefits (OPEB) in accordance with Governmental Accounting Standards Board Statement No. 45. OPEB continued to be funded on a pay-as-you-go basis in the current year and OPEB-related liabilities increased for both governmental and business-type activities by $1.114 billion and $219 million, respectively. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8 and 10 to the basic financial statements.

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 ($16.565 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were $2.025 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)

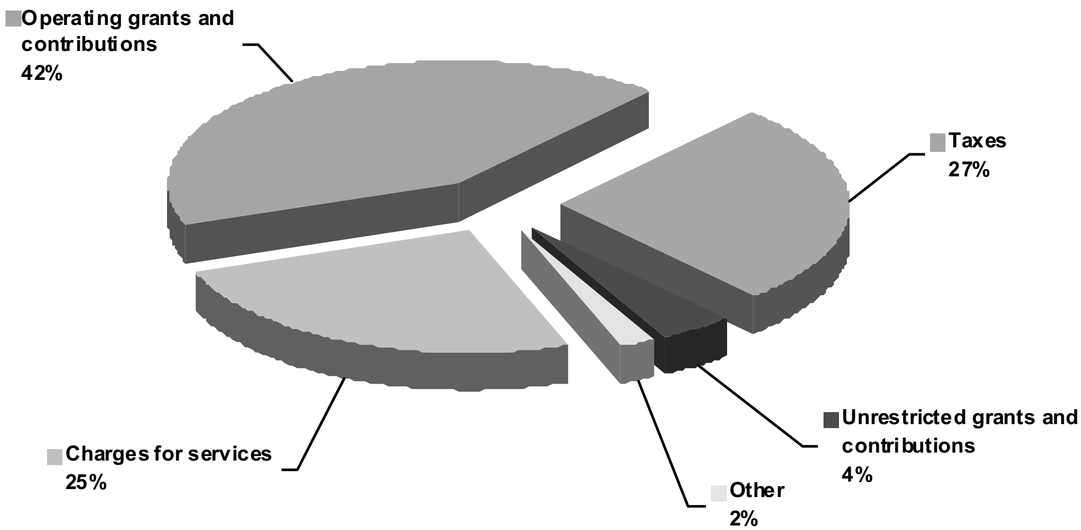
The County's total unrestricted net assets are negative $3.507 billion. Both governmental and business-type activities reported deficits in this category of $2.134 billion and $1.373 billion, respectively. The deficits are primarily due to unfunded liabilities related to OPEB, workers' compensation, 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. The ongoing economic downturn and overall difficult budgetary environment has impaired the County's ability to implement a funding plan for OPEB liabilities. For the business-type activities, financial losses incurred by the County's healthcare business activities have limited the opportunities to accumulate reserves or incremental funding to address long-term accounting liabilities.

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

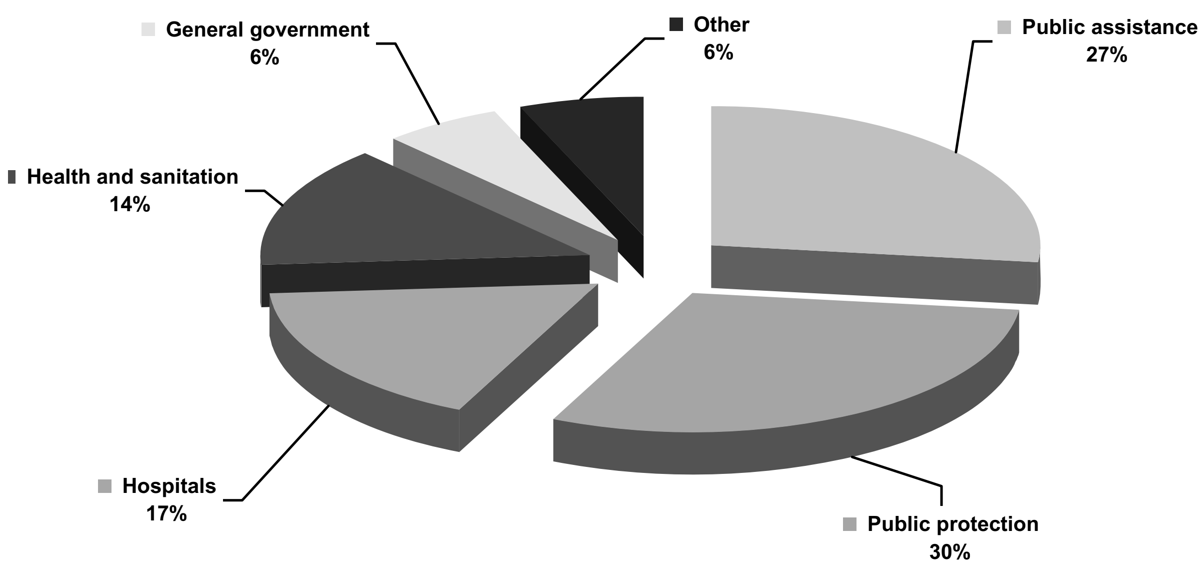
Summary of Changes in Net Assets
For the Years Ended June 30, 2010 and 2009
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 2,685,817	$ 2,694,729	$ 2,169,862	$ 2,095,944	$ 4,855,679	$ 4,790,673
Operating grants and contributions	7,636,509	7,215,270	317,163	279,195	7,953,672	7,494,465
Capital grants and contributions	115,640	206,137	2,018	837	117,658	206,974
General revenues:						
Taxes	5,061,595	5,192,566	4,415	4,453	5,066,010	5,197,019
Unrestricted grants and contributions	701,521	756,417	143	37	701,664	756,454
Investment earnings	105,878	197,705	2,693	9,844	108,571	207,549
Miscellaneous	132,856	142,075	35,463	25,758	168,319	167,833
Total revenues	16,439,816	16,404,899	2,531,757	2,416,068	18,971,573	18,820,967
Expenses:						
General government	1,236,226	1,103,361			1,236,226	1,103,361
Public protection	6,163,910	6,125,158			6,163,910	6,125,158
Public ways and facilities	352,549	327,403			352,549	327,403
Health and sanitation	2,718,876	2,783,150			2,718,876	2,783,150
Public assistance	5,518,036	5,233,389			5,518,036	5,233,389
Education	101,397	109,910			101,397	109,910
Recreation and cultural services	319,000	331,726			319,000	331,726
Interest on long-term debt	139,824	165,782			139,824	165,782
Hospitals			3,394,724	3,443,266	3,394,724	3,443,266
Aviation			4,742	5,073	4,742	5,073
Waterworks			76,818	76,904	76,818	76,904
Community Development Commission			294,785	268,201	294,785	268,201
Total expenses	16,549,818	16,179,879	3,771,069	3,793,444	20,320,887	19,973,323
Excess (deficiency) before transfers	(110,002)	225,020	(1,239,312)	(1,377,376)	(1,349,314)	(1,152,356)
Transfers	(895,250)	(1,011,862)	895,250	1,011,862		
Changes in net assets	(1,005,252)	(786,842)	(344,062)	(365,514)	(1,349,314)	(1,152,356)
Net assets – beginning, as restated	15,004,867	15,539,137	1,427,369	1,742,713	16,432,236	17,281,850
Net assets – ending	$ 13,999,615	$ 14,752,295	$ 1,083,307	$ 1,377,199	$ 15,082,922	$ 16,129,494

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010



As discussed in Note 2 to the basic financial statements, the County restated beginning net asset balances in conjunction with implementing Governmental Accounting Standards Board Statement No. 51, "Accounting and Reporting for Intangible Assets." The beginning net assets were increased from the amounts previously reported for governmental and business-type activities by $253 million and $50 million, respectively. Prior year amounts were not restated as information was not available. During the current year, net assets decreased for both governmental activities ($1.005 billion) and business-type activities ($344 million). Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Total current year revenues ($16.440 billion) from governmental activities were slightly higher compared to the prior year total ($16.405 billion). The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $421 million. The largest program contributing to this increase was in the area of health and sanitation, where program revenues grew by $194 million. For health and sanitation programs, State mental health revenues derived from the Mental Health Services Act (Proposition 63) were $282 million higher than the previous year. In the current year, Proposition 63 program revenues were bolstered by the County's submission of qualifying program plans which were approved by the State, enabling the County to qualify for, and receive these revenues. This increase was offset by an $88 million reduction in federal and State reimbursement grants, which were impacted by budget curtailments during the current year. Public assistance program revenues were also higher by $183 million, largely due to federal stimulus funding that was targeted in this area. The major funding initiative in this area was the Transitional Subsidized Employment (TSE) program, which represented $82 million of additional revenues. TSE was designed to provide jobs for social service clients by providing employers with an 80% subsidy of wages. The program generated over 10,000 jobs for adults and nearly 10,000 summer youth jobs.

- Taxes, the County's largest general revenue source, were $131 million lower than the previous year. There was a decrease in property tax revenues of $141 million, which was consistent with the decline in assessed property values. Property tax revenues were also negatively impacted due to changes in property ownership during the year at amounts below previously assessed values. Voter approved taxes increased by $10 million during the current year. Such taxes are not affected by changes in assessed values and are levied on a per parcel basis.

- Current year investment earnings decreased by $92 million, or 46%. The yield from the County's treasury pool declined from 2.57% in the prior year to 1.45% in the current year.

Governmental Activities-Continued

Expenses related to governmental activities increased by $370 million during the current year. The largest portion of the net increase was attributable to the public assistance category, which grew by $285 million. Costs associated with program administration and direct services to clients grew by $124 million. As previously mentioned, the County implemented a subsidized employment program which was funded by federal stimulus revenues and the incremental program costs in the current year were $82 million. In addition, the County's General Relief (GR) program provides financial assistance to indigent persons who are not eligible for federal or State assistance programs, and to provide emergency assistance to individuals and families in temporary need. The GR program is especially sensitive to overall economic conditions and unemployment and spending increased by $43 million. General government costs were higher by $133 million, largely due to the recognition of a $117 million loss on the disposal of 16 courthouse facilities. State legislation required that the County transfer ownership of the courthouses to the State. Court administrative functions were transferred to the State in 1998 and the transfer of facilities is a continuation of this process.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $116 million (4.8%). The most significant change was in the area of charges for services, which increased by $74 million. Hospital revenues were augmented by federal economic stimulus funding which provided $77 million of current year revenues to the business-type healthcare activities.

Expenses related to business-type activities were slightly lower in the current year, declining by $22 million, or less than 1%. Expenses related to the Hospitals decreased by $49 million, as cost containment and efficiency efforts were successful in reducing operating costs by $81 million, which were partially offset by higher nonoperating expenses associated with intergovernmental transfers. For all facilities, the average patient census during the current year was very similar to the prior year, at approximately 1,300 patients per day. The LAC+USC Medical Center completed its first full fiscal year of operations at its newly built 600-bed facility and experienced an average daily census of 582 patients.

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.

Governmental Funds-Continued

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $5.914 billion, an increase of $22 million in comparison with the prior year. Of the total fund balances, $1.681 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.351 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $2.882 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $16.326 billion, an increase of $86 million (0.5%) from the previous year. Expenditures for all governmental funds in the current year were $15.457 billion, an increase of $112 million (0.7%) from the previous year. In addition, other financing uses exceeded other financing sources by $848 million as compared to $1.006 billion 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 decreased by $171 million (5.4%). At the end of the current fiscal year, the General Fund's total fund balance was $2.996 billion. Of this amount, $785 million was reserved and therefore unavailable for spending. Of the unreserved total of $2.211 billion, $619 million has been designated (earmarked) and the remaining $1.592 billion is considered both unreserved and undesignated.

General Fund revenues during the current year were $13.485 billion, a decrease of $52 million (0.4%) from the previous year. General Fund expenditures during the current year were $13.240 billion, an increase of $105 million (0.8%) from the previous year. Other financing sources/uses-net was negative $417 million in the current year as compared to negative $611 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased overall by $127 million. Within this category, federal revenues increased by $317 million, State revenues declined by $178 million and revenues from other governmental agencies were $12 million lower. Federal revenues grew by $205 million in the areas of social service, children and family programs. This growth was largely due to one-time federal economic stimulus funding targeted in these areas. The decrease in State revenues primarily impacted mental health programs, where this revenue category was lower by $103 million. There were State budget reductions which targeted mental health programs and there were also reduced costs eligible for State funding.

- Revenues from taxes decreased by $106 million. Property taxes comprise over 95% of the General Fund's tax revenues and accounted for $103 million of the decrease. Assessed property values experienced a year-to-year decline for the first time since 1996 and were lower by 0.51% in the current year.

Governmental Funds-Continued

- Investment income decreased by $62 million, as current year revenues were $63 million in comparison with the prior year amount of $125 million. As previously mentioned, the yield on investments during the current year was considerably lower than the prior year's yield.

- Current expenditures increased by $80 million (0.6%), which was essentially due to the public assistance area, where expenditures grew by $229 million. Expenditures were lower in all other functional areas with the exception of recreation and cultural services, which rose by $4 million. As previously mentioned, the public assistance area experienced cost increases associated with administration, direct client services, the Transitional Subsidized Employment program, and the General Relief (indigent assistance) program. Expenditures for children and family services also increased as service demands were higher and new positions and funding were allocated to fund comprehensive reforms to coordinate the delivery of mental health services to children under the County's supervision.

The Fire Protection District reported a year-end fund balance of $209 million, which represented an increase of $4 million from the previous year. Revenues decreased by $29 million, as revenues from taxes and charges for services each declined by $13 million. The remaining decrease was associated with a variety of other revenues. Expenditures grew minimally in comparison to the prior year, rising by $6 million, which was less than 1%.

The Flood Control District reported a year-end fund balance of $161 million, which was $31 million lower than the previous year. Revenues were lower or similar to the prior year in all categories except for federal revenues, which grew by $9 million. Expenditures increased by $48 million, or 23%, as one-time expenditures of $14 million were incurred to acquire land and pay for other costs associated with the Sun Valley Watershed project. Additional one-time expenditures of approximately $9 million were used to mitigate damage caused by heavy winter rainstorms which were preceded by wildfires.

The Public Library Fund reported a year-end fund balance of $33 million, which was $6 million higher than the previous year. Revenues were nearly unchanged from the previous year while expenditures decreased by $7 million, as 51 positions were reduced and spending was curtailed for supplies and contracted services.

The Regional Park and Open Space District reported a year-end fund balance of $295 million, which was $8 million higher than the previous year. Current year revenues of $85 million were similar to the previous year ($87 million) while expenditures declined by $9 million.

Proprietary Funds

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

Proprietary Funds-Continued

The County's principal proprietary funds consist of four hospital enterprise funds and an additional fund (Martin L. King Jr. Ambulatory Care Center) which was converted from a full-service hospital in 2007-2008 to a multi-service ambulatory care center. Each of these funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from $20 million for Rancho Los Amigos National Rehabilitation Center to $266 million for the LAC+USC Medical Center. The total subsidy amount was $687 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." By comparison, the total General Fund subsidy in the prior year was $803 million.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($107 million), Harbor UCLA Medical Center ($51 million), and Olive View UCLA Medical Center ($35 million). The total amount of current year Measure B transfers ($193 million) were lower than the prior year amount of $211 million.

Waterworks Funds reported year-end net assets of $871 million, a $13 million reduction from the previous year. Current year operating revenues ($56 million) were slightly lower than the previous year amount of $58 million. Current year operating expenses of $77 million remained unchanged in comparison to the previous year.

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 15 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 decrease of $85 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	$ (3,640)	$ 3,952,438	$ 3,851,687	$ (100,751)
Intergovernmental revenues	85,115	8,098,966	7,368,381	(730,585)
Charges for services	(6,970)	1,723,186	1,659,224	(63,962)
All other revenues	28,047	593,207	634,381	41,174
Other sources and transfers in	(10,475)	459,384	331,397	(127,987)
Total	$ 92,077	$ 14,827,181	$ 13,845,070	$ (982,111)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $92 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $85 million. The additional revenues were primarily associated with new federal grants in the areas of health and public health services ($58 million), law enforcement ($11 million) and energy programs ($10 million). The remaining $6 million consisted of new federal and State grants for a variety of programs.

- There was a net increase of $28 million related to "all other revenues." The County's policy is to budget tobacco settlement revenues after they have been received and there were corresponding additions of $96 million to the original budget. This amount was offset by decreases of $68 million, most of which were reduced estimated revenues associated with capital improvements which were originally budgeted in the General Fund and subsequently transferred to Capital Projects Funds.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $982 million, or 6.6%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers in," and taxes.

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

- Actual intergovernmental revenues were $731 million lower than the amount budgeted. Social service programs, including children and family services, accounted for approximately $210 million of this variance, which was mostly attributable to cost containment efforts that led to reduced reimbursable social service related expenditures. Approximately $156 million was associated with mental health services, which experienced lower than anticipated reimbursable costs (particularly for contracted services) and correspondingly lower than expected revenues. An additional $151 million pertained to anticipated reimbursement of capital improvement, disaster recovery and homeland security projects and programs that were not completed prior to year-end. There was $86 million of unrealized State assistance for Sheriff and Probation programs, of which the largest single source was $34 million of lower than anticipated State public safety augmentation funding. Public health related programs experienced shortfalls of $78 million, most of which was associated with federal grants. The remaining variance of $50 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $128 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were $58 million lower than budgeted. In addition, "transfers in" totaling $56 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. There were various other sources and transfers that comprised the remaining variance of $14 million.

- The amount of actual revenues from taxes was $101 million lower than the amount budgeted and was entirely associated with property taxes. Properties which were transferred at lower assessed values during the year were a major factor in the variance from the budgeted amount.

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, reserves, and designations (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (73,709)	$ 1,620,042	$ 839,536	$ 780,506
Public protection	94,502	4,728,944	4,580,393	148,551
Health and sanitation	11,915	2,853,339	2,560,464	292,875
Public assistance	10,623	5,468,511	5,118,381	350,130
All other expenditures	(83,344)	1,376,525	349,933	1,026,592
Transfers out	7,995	696,065	676,131	19,934
Reserves/designations-net	124,095	(202,817)	(194,984)	(7,833)
Total	$ 92,077	$ 16,540,609	$ 13,929,854	$2,610,755

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $92 million. As discussed below, the most significant increases and reductions occurred in the following areas:

- Provisions for net reserves and designations were increased during the year by $124 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by $119 million. This amount was comprised of tobacco settlement revenues recognized in the current year ($96 million) plus prior year funds that were appropriated, but unexpended ($23 million). Miscellaneous increases of $5 million were made to reserves and other designations.

- Appropriations were increased for the public protection category by $95 million. Of this amount, $53 million was allocated to the Sheriff's Department, $14 million was added to fund legally mandated indigent defense costs, $10 million was added to the District Attorney, $7 million to the Probation Department, and the remaining $11 million was spread among a variety of programs. Of the $53 million allocated to the Sheriff's Department, $41 million was provided by discretionary County funds to provide for increased health insurance costs and the merger of the Office of Public Safety. The remaining $12 million was funded by new grant revenues which were awarded after the original budget was adopted.

- Appropriations for "all other expenditures" were reduced by $83 million. There were $87 million of net reductions to "capital outlay" appropriations, offset by miscellaneous increases of $4 million. During the fiscal year, the Board reduced $131 million of General Fund "capital outlay" appropriations and re-appropriated the projects in the Capital Projects Funds, where they will be financed from commercial paper and other long-term financing. Capital improvement projects of approximately $44 million were added to the original budget during the fiscal year.

- General government appropriations were reduced by $74 million and this amount consisted primarily of provisional appropriations which were transferred to fund critical needs in the areas of health, public protection and "capital outlay."

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.611 billion lower (approximately 15.8%) than the final total budget of $16.541 billion. There were budgetary savings in all functional expenditure categories. Due to ongoing economic uncertainties, the County remained fiscally prudent in managing appropriations throughout the fiscal year. Savings were achieved through a variety of measures including departmental hiring freezes, reduction in purchases of services and supplies and capital assets, and development of efficiency initiatives. Following are the functional areas that recognized the largest variations from the final budget:

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

- The category referred to as "all other expenditures" reflected actual spending of \$1.027 billion less than the budgeted amount. Nearly all (\$1.014 billion) 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, many of which are multi-year in nature.

- The general government function reported actual expenditures that were \$781 million less than the amount budgeted. Of this amount, \$579 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations, central non-departmental appropriations, and extraordinary maintenance and repairs. The remaining \$202 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

- Actual public assistance expenditures were \$350 million lower than the final budget. Of this amount, \$308 million was concentrated in social service, children, and family programs. Administrative costs were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in hiring. There were \$37 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of \$5 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were \$293 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by \$158 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. The remaining variance was associated with a variety of health care programs administered by the Departments of Public Health Services (\$95 million) and Health Services (\$40 million).

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2010 were \$18.027 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. The capital assets classified as software were newly added in conjunction with implementing GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." Specific disclosures related to capital assets, the restatement of beginning capital asset balances to reflect software assets, and changes during the current year are discussed and referenced in Note 6 (Capital Assets) to the basic financial statements.

The total decrease in the County's capital assets (net of depreciation) for the current fiscal year was $11 million, as shown in the following table.

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

	Current Year	Prior Year as Restated	Increase (Decrease)
Land and easements	$ 7,477,362	$ 7,394,023	$ 83,339
Buildings and improvements	3,945,086	4,065,790	(120,704)
Infrastructure	5,059,561	5,159,541	(99,980)
Equipment	440,147	481,895	(41,748)
Software	309,671	302,742	6,929
Construction-in-progress	795,214	633,734	161,480
Total	$ 18,027,041	$ 18,037,725	$ (10,684)

The County's major capital asset initiatives during the current year were focused on hospital construction-in-progress at Harbor/UCLA Medical Center ($39 million) and Olive View/UCLA Medical Center ($30 million). As previously mentioned, the County transferred ownership of 16 courthouse facilities to the State in accordance with State legislation. The value ($117 million) of the transferred facilities, net of accumulated depreciation, was removed from land, buildings and improvements during the current year.

Debt Administration

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

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

	Current Year	Prior Year	Decrease
Bonds and Notes Payable	$ 1,832,774	$ 1,856,042	$ 23,268
Pension Bonds Payable	345,913	653,634	307,721
Total	$ 2,178,687	$ 2,509,676	$ 330,989

During the current year, the County's liabilities for long-term debt decreased by $331 million, or 13.2%. Specific changes related to governmental and business-type activities are presented in Note 10 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- New debt of $39 million was issued to finance the acquisition of equipment. Equipment debt totaling $55 million was redeemed during the year in accordance with maturity schedules.

- New debt of $116 million was issued to finance $93 million of Hospital facility improvements and expansion and $23 million for general facility improvements.

- Pension bonds totaling $308 million were redeemed during the year.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $1.3 billion in tax and revenue anticipation notes which reached maturity on June 30, 2010, 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	Aa2	AA-	
Pension Bonds	Aa3	A+	
Facilities	A2	A+	A
Equipment/Non-Essential Leases	A1	A+	A+
Short-Term	MIG1	SP-1+	F1+
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	Aa2	AA	AAA

During the current year, the County's bond ratings remained the same except for the following upgrades:

- Moody's upgraded General Obligation Bonds from Aa3 to Aa2, Pension Bonds from A1 to Aa3, and Equipment/Non-Essential Leases from A2 to A1;

- Standard and Poor's upgraded Flood Control District Revenue Bonds from AA- to AA; and

- Fitch upgraded Equipment/Non-Essential Leases from A to A+, Flood Control District General Obligation Bonds from AA to AA+, Flood Control District Revenue Bonds from AA to AA+, and Regional Park and Open Space District Bonds from AA+ to AAA.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2010-2011 Budget on June 7, 2010. The Budget was adopted based on estimated fund balances that would be available at the end of 2009-2010. The Board updated the Budget on September 28, 2010 to reflect final 2009-2010 fund balances and other pertinent financial information. For the County's General Fund, the 2010-2011 Budget, as updated in September 2010, utilized $1.629 billion of available fund balance, which exceeded the previously estimated fund balance of $1.493 billion. Of the additional fund balance of $136 million, $75 million was used to carryover lapsed appropriations and the remaining $61 million was used to offset $115 million of workforce cost savings which were pending discussion between County management and labor unions.

The County's 2010-2011 Budget is shaped largely by the effects of a severe and prolonged economic downturn, which continues to have a significant impact on the County. For the second year in a row, the County's assessed property values are experiencing a decline. The County Assessor has released the Net Local Property Tax Roll for 2010-11 and it is 1.87% lower than the previous year. The resulting decrease to County General Fund property tax revenues is estimated at $70 million. Property tax revenues are the County's single most important source of funding and are vital to programs which rely on discretionary funding sources. County management is closely monitoring changes in assessed property values and adjusting revenue estimates as new information becomes available.

The County's financial outlook continues to be affected by ongoing and severe budget problems at the State level. The State Legislative Analyst's Office (LAO) has estimated that the State's budget deficit will be approximately $25 billion by the time the State Legislature enacts a 2011-2012 State budget plan. The budget problem consists of a $6 billion projected deficit for 2010-2011 and a $19 billion gap between projected revenues and spending in 2011-2012. Many County programs receive substantial State funding and the County is likely to be confronted with program curtailments and increased local funding requirements. The State also continues to experience a serious cash flow crisis. The County is highly dependent upon cash receipts from the State and is closely monitoring the State's liquidity and ability to make timely cash remittances to the County.

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, 2010 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 3,327,413	$ 78,423	$ 3,405,836	$ 847,967
Other (Note 1)	1,067,264	31,188	1,098,452	
Total pooled cash and investments	4,394,677	109,611	4,504,288	847,967
Other investments (Note 5)	237,017	23,364	260,381	
Taxes receivable	353,267	950	354,217	
Accounts receivable - net		899,580	899,580	
Interest receivable	13,404	341	13,745	1,531
Other receivables	2,009,417	248,630	2,258,047	31,802
Internal balances (Note 14)	922,920	(922,920)		
Inventories	98,404	16,056	114,460	
Restricted assets (Note 5)	8,174	72,122	80,296	
Net pension obligation (Note 7)	38,408	13,343	51,751	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,831,632	445,580	8,277,212	2,039
Capital assets, net of accumulated depreciation	7,621,104	2,128,725	9,749,829	11,367
Total capital assets	15,452,736	2,574,305	18,027,041	13,406
TOTAL ASSETS	23,528,424	3,035,382	26,563,806	894,706
LIABILITIES				
Accounts payable	344,509	68,263	412,772	21,673
Accrued payroll	334,134	69,079	403,213	
Other payables	471,435	12,838	484,273	
Accrued interest payable	14,146	540	14,686	
Unearned revenue	36,740	1,232	37,972	72
Advances payable	391,954	441	392,395	
Noncurrent liabilities: (Note 10)				
Due within one year	915,879	440,995	1,356,874	27
Due in more than one year	7,020,012	1,358,687	8,378,699	293
TOTAL LIABILITIES	9,528,809	1,952,075	11,480,884	22,065
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	14,271,861	2,293,147	16,565,008	13,406
Restricted for:				
Capital projects	115,029		115,029	
Debt service	8,441	152,238	160,679	
Permanent trust	2,826		2,826	
Public protection	303,985		303,985	
Public ways and facilities	408,855		408,855	
Health and sanitation	400,643		400,643	
Recreation	313,884		313,884	
Community development	250,423	11,582	262,005	
Other	57,412		57,412	859,235
Unrestricted (deficit)	(2,133,744)	(1,373,660)	(3,507,404)	
TOTAL NET ASSETS	$ 13,999,615	$ 1,083,307	$ 15,082,922	$ 872,641

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, 2010 (in thousands)

		PROGRAM REVENUE		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,236,226	$ 432,084	$ 56,793	$ 20,329
Public protection	6,163,910	1,342,970	1,050,987	63,564
Public ways and facilities	352,549	29,328	220,811	30,968
Health and sanitation	2,718,876	639,602	1,808,314	779
Public assistance	5,518,036	58,436	4,496,400	
Education	101,397	4,462	1,983	
Recreation and cultural services	319,000	178,935	1,221	
Interest on long-term debt	139,824			
Total governmental activities	16,549,818	2,685,817	7,636,509	115,640
Business-type activities:				
Hospitals	3,394,724	2,099,010	42,092	
Aviation	4,742	3,509	8,108	1,710
Waterworks	76,818	56,082	500	308
Community Development Commission	294,785	11,261	266,463	
Total business-type activities	3,771,069	2,169,862	317,163	2,018
Total primary government	$ 20,320,887	$ 4,855,679	$ 7,953,672	$ 117,658
COMPONENT UNIT -				
First 5 LA	$ 168,232	$	$ 129,420	$

GENERAL REVENUES:

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

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2009, as restated (Note 2)

NET ASSETS, JUNE 30, 2010

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

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS — PRIMARY GOVERNMENT			COMPONENT UNIT	
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (727,020)	$	$ (727,020)		General government
(3,706,389)		(3,706,389)		Public protection
(71,442)		(71,442)		Public ways and facilities
(270,181)		(270,181)		Health and sanitation
(963,200)		(963,200)		Public assistance
(94,952)		(94,952)		Education
(138,844)		(138,844)		Recreation and cultural services
(139,824)		(139,824)		Interest on long-term debt
(6,111,852)		(6,111,852)		Total governmental activities
				Business-type activities:
	(1,253,622)	(1,253,622)		Hospitals
	8,585	8,585		Aviation
	(19,928)	(19,928)		Waterworks
	(17,061)	(17,061)		Community Development Commission
	(1,282,026)	(1,282,026)		Total business-type activities
(6,111,852)	(1,282,026)	(7,393,878)		Total primary government
				COMPONENT UNIT -
			$ (38,812)	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,515,067	4,415	4,519,482		Property taxes
61,635		61,635		Utility users taxes
313,668		313,668		Voter approved taxes
44,517		44,517		Documentary transfer taxes
56,151		56,151		Other taxes
70,557		70,557		Sales and use taxes, levied by the State
701,521	143	701,664		Grants and contributions not restricted to special programs
105,878	2,693	108,571	16,095	Investment earnings
132,856	35,463	168,319	465	Miscellaneous
(895,250)	895,250			TRANSFERS - NET
5,106,600	937,964	6,044,564	16,560	Total general revenues and transfers
(1,005,252)	(344,062)	(1,349,314)	(22,252)	CHANGE IN NET ASSETS
15,004,867	1,427,369	16,432,236	894,893	NET ASSETS, JULY 1, 2009, as restated (Note 2)
$ 13,999,615	$ 1,083,307	$ 15,082,922	$ 872,641	NET ASSETS, JUNE 30, 2010

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 732,170	159,446	153,650	29,692
Other (Note 1)	957,320	28,654	10,585	2,542
Total pooled cash and investments	1,689,490	188,100	164,235	32,234
Other investments (Notes 4 and 5)	5,839			120
Taxes receivable	246,288	58,756	17,034	7,892
Interest receivable	5,546	543	490	101
Other receivables	1,802,932	32,500	6,700	1,650
Due from other funds (Note 14)	436,441	7,580	11,274	5,250
Advances to other funds (Note 14)	1,018,161		6,601	
Inventories	44,279	10,584		977
TOTAL ASSETS	$ 5,248,976	298,063	206,334	48,224
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 266,916	7,012	9,764	2,470
Accrued payroll	286,407	30,591		3,123
Other payables	454,244	2,194		407
Due to other funds (Note 14)	501,705	7,738	17,811	3,480
Deferred revenue	346,829	41,726	17,284	5,609
Advances payable	382,476			
Third party payor liability (Notes 10 and 13)	14,588			
TOTAL LIABILITIES	2,253,165	89,261	44,859	15,089
FUND BALANCES:				
Reserved for:				
Encumbrances	373,511	17,972	98,980	10,138
Inventories	44,279	10,584		977
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	366,638	25	3,010	15
Unreserved, designated for:				
Budget uncertainties		18,979		
Program expansion	305,831	19,223		8,264
Health services	168,702			
Capital projects	144,366	60,246	49,789	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	1,592,484			
Special revenue funds		81,773	9,696	13,741
Capital projects funds				
TOTAL FUND BALANCES	2,995,811	208,802	161,475	33,135
TOTAL LIABILITIES AND FUND BALANCES	$ 5,248,976	298,063	206,334	48,224

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS:
				Pooled cash and investments: (Notes 1 and 5)
$ 292,474	1,924,544		$ 3,291,976	Operating (Note 1)
3,349	60,209		1,062,659	Other (Note 1)
295,823	1,984,753		4,354,635	Total pooled cash and investments
	449,527	(222,660)	232,826	Other investments (Notes 4 and 5)
3,437	19,860		353,267	Taxes receivable
931	5,666		13,277	Interest receivable
4,629	103,623		1,952,034	Other receivables
1	303,478		764,024	Due from other funds (Note 14)
	11,556		1,036,318	Advances to other funds (Note 14)
	32,478		88,318	Inventories
$ 304,821	2,910,941	(222,660)	$ 8,794,699	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 1,151	51,260		$ 338,573	Accounts payable
	108		320,229	Accrued payroll
29	12,632		469,506	Other payables
2,667	359,129		892,530	Due to other funds (Note 14)
5,700	35,996		453,144	Deferred revenue
	9,054		391,530	Advances payable
	855		15,443	Third party payor liability (Notes 10 and 13)
9,547	469,034		2,880,955	TOTAL LIABILITIES
				FUND BALANCES:
				Reserved for:
63,101	193,492		757,194	Encumbrances
	32,478		88,318	Inventories
	2,026		2,026	Housing programs
	671,051	(222,660)	448,391	Debt service
	2,826		2,826	Endowments and annuities
	12,434		382,122	Assets unavailable for appropriation
				Unreserved, designated for:
	85,989		104,968	Budget uncertainties
66,407			399,725	Program expansion
			168,702	Health services
	32,897		287,298	Capital projects
	390,202		390,202	Special revenue funds - program expansion
				Unreserved, undesignated, reported in:
			1,592,484	General fund
165,766	825,102		1,096,078	Special revenue funds
	193,410		193,410	Capital projects funds
295,274	2,441,907	(222,660)	5,913,744	TOTAL FUND BALANCES
$ 304,821	2,910,941	(222,660)	$ 8,794,699	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, 2010 (in thousands)

Fund balances - total governmental funds (page B-29)			$ 5,913,744
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 and easements	$	7,234,970	
Construction-in-progress		596,662	
Buildings and improvements - net		2,679,820	
Equipment - net		245,004	
Intangible software - net		258,354	
Infrastructure - net		4,347,406	15,362,216
Other long-term assets are not available to pay for current-period expenditures and are unearned, or not recognized, in governmental funds:			
Deferred revenue - taxes	$	252,619	
Long-term receivables		213,924	466,543
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.			35,832
Accrued interest payable is not recognized in governmental funds.			(14,060)
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 (including accreted interest)	$	(1,446,922)	
Pension bonds payable		(239,507)	
Capital lease obligations		(148,030)	
Accrued vacation/sick leave		(787,759)	
Workers' compensation		(1,820,426)	
Litigation/self-insurance		(155,160)	
Pollution remediation obligations		(24,755)	
OPEB obligation		(3,026,636)	(7,649,195)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.			(115,465)
Net assets of governmental activities (page B-25)			$ 13,999,615

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, 2010 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,864,654	622,840	97,684	72,034
Licenses, permits and franchises	49,079	9,874	594	
Fines, forfeitures and penalties	258,842	6,821	2,215	877
Revenue from use of money and property:				
Investment income (Note 5)	63,026	1,710	2,430	365
Rents and concessions (Note 9)	60,655	168	7,791	13
Royalties	368		633	
Intergovernmental revenues:				
Federal	3,379,495	14,764	11,108	353
State	3,851,884	13,189	960	2,162
Other	106,337	32,937	6,540	1,331
Charges for services	1,659,224	174,860	116,615	4,082
Miscellaneous	191,878	347	1,131	1,114
TOTAL REVENUES	13,485,442	877,510	247,701	82,331
EXPENDITURES:				
Current:				
General government	859,319			
Public protection	4,412,935	849,551	259,660	
Public ways and facilities				
Health and sanitation	2,421,615			
Public assistance	5,025,312			
Education				107,474
Recreation and cultural services	247,094			
Debt service:				
Principal	76,539	3,774		839
Interest and other charges	186,729	8,103		1,766
Capital leases	8,110	3,753		234
Capital outlay	2,115			218
TOTAL EXPENDITURES	13,239,768	865,181	259,660	110,531
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	245,674	12,329	(11,959)	(28,200)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	360,412	2,700	328	36,525
Transfers out (Note 14)	(780,168)	(11,433)	(19,288)	(2,345)
Issuance of debt (Note 10)				
Capital leases (Note 9)	2,115			218
Sales of capital assets	960	269	368	12
TOTAL OTHER FINANCING SOURCES (USES)	(416,681)	(8,464)	(18,592)	34,410
NET CHANGE IN FUND BALANCES	(171,007)	3,865	(30,551)	6,210
FUND BALANCES, JULY 1, 2009	3,166,818	204,937	192,026	26,925
FUND BALANCES, JUNE 30, 2010	$ 2,995,811	208,802	161,475	33,135

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES:
$	303,502		$ 4,960,714	Taxes
	9,893		69,440	Licenses, permits and franchises
1,039	83,638		353,432	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,934	45,845	(11,692)	105,618	Investment income (Note 5)
	25,474		94,101	Rents and concessions (Note 9)
	5		1,006	Royalties
				Intergovernmental revenues:
	176,676		3,582,396	Federal
	675,879		4,544,074	State
	22,123		169,268	Other
80,130	138,063		2,172,974	Charges for services
	78,839		273,309	Miscellaneous
85,103	1,559,937	(11,692)	16,326,332	TOTAL REVENUES
				EXPENDITURES:
				Current:
	17,779		877,098	General government
	78,533		5,600,679	Public protection
	332,036		332,036	Public ways and facilities
	146,100		2,567,715	Health and sanitation
	169,440		5,194,752	Public assistance
	489		107,963	Education
42,780	10,325		300,199	Recreation and cultural services
				Debt service:
	127,907	(24,215)	184,844	Principal
	61,555	(11,692)	246,461	Interest and other charges
			12,097	Capital leases
	30,466		32,799	Capital outlay
42,780	974,630	(35,907)	15,456,643	TOTAL EXPENDITURES
42,323	585,307	24,215	869,689	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	165,173		565,138	Transfers in (Note 14)
(34,754)	(606,271)		(1,454,259)	Transfers out (Note 14)
	36,977		36,977	Issuance of debt (Note 10)
			2,333	Capital leases (Note 9)
44	582		2,235	Sales of capital assets
(34,710)	(403,539)		(847,576)	TOTAL OTHER FINANCING SOURCES (USES)
7,613	181,768	24,215	22,113	NET CHANGE IN FUND BALANCES
287,661	2,260,139	(246,875)	5,891,631	FUND BALANCES, JULY 1, 2009
$ 295,274	2,441,907	(222,660)	$ 5,913,744	FUND BALANCES, JUNE 30, 2010

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, 2010 (in thousands)

Net change in fund balances - total governmental funds (page B-33)		$ 22,113
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	$ 234,040	
Less - current year depreciation expense	(346,065)	(112,025)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.		(1,092)
Contribution of capital assets is not recognized in the governmental funds.		67,109
Revenue timing differences result in more revenue in government-wide statements.		(4,658)
Issuance of long-term debt provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(36,977)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Pension bonds	$ 81,152	
Certificates of participation	76,717	
Assessment bonds	24,215	
Other long-term notes, loans and capital leases	15,175	197,259
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	$ (45,966)	
Change in litigation/self-insurance	(43,843)	
Change in pollution remediation obligations	5,310	
Change in accrued vacation/sick leave	(19,572)	
Change in OPEB liability	(1,067,276)	
Change in accrued interest payable	465	
Change in accretion of tobacco settlement bonds	(21,844)	
Change in accretion of pension bonds	131,913	
Transfer of capital assets from governmental fund to enterprise fund	(7,192)	(1,068,005)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(35,831)
The portion of internal service funds that is reported with governmental activities.		(33,145)
Change in net assets of governmental activities (page B-27)		$ (1,005,252)

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,956,078	3,952,438	3,851,687	(100,751)
Licenses, permits and franchises	50,402	50,803	49,079	(1,724)
Fines, forfeitures and penalties	217,611	224,207	258,842	34,635
Revenue from use of money and property:				
Investment income	53,028	54,268	62,677	8,409
Rents and concessions	58,468	58,618	60,655	2,037
Royalties	156	156	368	212
Intergovernmental revenues:				
Federal	3,781,130	3,868,671	3,379,055	(489,616)
State	4,095,508	4,090,192	3,882,952	(207,240)
Other	137,213	140,103	106,374	(33,729)
Charges for services	1,730,156	1,723,186	1,659,224	(63,962)
Miscellaneous	185,495	205,155	202,760	(2,395)
TOTAL REVENUES	14,265,245	14,367,797	13,513,673	(854,124)
EXPENDITURES:				
Current:				
General government	1,693,751	1,620,042	839,536	(780,506)
Public protection	4,634,442	4,728,944	4,580,393	(148,551)
Health and sanitation	2,841,424	2,853,339	2,560,464	(292,875)
Public assistance	5,457,888	5,468,511	5,118,381	(350,130)
Recreation and cultural services	260,020	263,921	250,922	(12,999)
Debt Service-				
Interest	12,189	12,189	12,189	
Capital Outlay	1,187,660	1,100,415	86,822	(1,013,593)
TOTAL EXPENDITURES	16,087,374	16,047,361	13,448,707	(2,598,654)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,822,129)	(1,679,564)	64,966	1,744,530
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	716	716	960	244
Transfers in	469,143	458,668	330,437	(128,231)
Transfers out	(688,070)	(696,065)	(676,131)	19,934
Changes in reserves and designations	326,912	202,817	194,984	(7,833)
OTHER FINANCING SOURCES (USES) - NET	108,701	(33,864)	(149,750)	(115,886)
NET CHANGE IN FUND BALANCE	(1,713,428)	(1,713,428)	(84,784)	1,628,644
FUND BALANCE, JULY 1, 2009 (Note 15)	1,713,428	1,713,428	1,713,428	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		1,628,644	1,628,644

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 586,114	619,966	620,747	781
Licenses, permits and franchises	11,698	11,698	9,874	(1,824)
Fines, forfeitures and penalties	5,384	5,384	6,821	1,437
Revenue from use of money and property:				
Investment income	957	957	1,449	492
Rents and concessions	81	81	168	87
Intergovernmental revenues:				
Federal	12,770	14,331	14,764	433
State	15,756	15,756	14,004	(1,752)
Other	32,716	32,716	32,937	221
Charges for services	170,062	170,062	174,860	4,798
Miscellaneous	413	436	347	(89)
TOTAL REVENUES	835,951	871,387	875,971	4,584
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	757,592	756,566	741,213	(15,353)
Services and supplies	131,948	136,281	106,259	(30,022)
Other charges	2,404	3,504	1,619	(1,885)
Capital assets	19,532	25,609	18,259	(7,350)
TOTAL EXPENDITURES	911,476	921,960	867,350	(54,610)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,525)	(50,573)	8,621	59,194
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	158	158	269	111
Transfers in		2,700	2,700	
Transfers out	(11,402)	(11,402)	(11,402)	
Appropriation for contingencies		(33,852)		33,852
Changes in reserves and designations	28,521	34,721	35,383	662
OTHER FINANCING SOURCES (USES) - NET	17,277	(7,675)	26,950	34,625
NET CHANGE IN FUND BALANCE	(58,248)	(58,248)	35,571	93,819
FUND BALANCE, JULY 1, 2009 (Note 15)	58,248	58,248	58,248	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		93,819	93,819

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 98,200	98,200	97,308	(892)
Licenses, permits and franchises	2,026	2,026	594	(1,432)
Fines, forfeitures and penalties	1,500	1,500	2,215	715
Revenue from use of money and property:				
Investment income	7,001	7,001	2,346	(4,655)
Rents and concessions	7,416	7,416	7,791	375
Royalties	370	370	633	263
Intergovernmental revenues:				
Federal	1,835	11,408	11,108	(300)
State	4,239	4,239	960	(3,279)
Other	7,054	7,054	6,540	(514)
Charges for services	129,607	120,897	116,717	(4,180)
Miscellaneous	2,068	2,068	1,131	(937)
TOTAL REVENUES	261,316	262,179	247,343	(14,836)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	245,925	234,976	233,793	(1,183)
Other charges	21,473	26,236	25,168	(1,068)
Capital assets	835	985	287	(698)
Capital Outlay	773	8,000	7,995	(5)
TOTAL EXPENDITURES	269,006	270,197	267,243	(2,954)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(7,690)	(8,018)	(19,900)	(11,882)
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	600	600	368	(232)
Transfers in		328	328	
Transfers out	(1,683)	(1,683)	(210)	1,473
Appropriation for contingencies	(19,613)	(19,613)		19,613
Changes in reserves and designations			5,651	5,651
OTHER FINANCING SOURCES (USES) - NET	(20,696)	(20,368)	6,137	26,505
NET CHANGE IN FUND BALANCE	(28,386)	(28,386)	(13,763)	14,623
FUND BALANCE, JULY 1, 2009 (Note 15)	28,386	28,386	28,386	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		14,623	14,623

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 73,541	73,541	71,871	(1,670)
Fines, forfeitures and penalties			877	877
Revenue from use of money and property:				
Investment income	700	700	322	(378)
Rents and concessions	16	16	13	(3)
Intergovernmental revenues:				
Federal	437	437	353	(84)
State	1,874	1,874	2,162	288
Other	1,569	1,569	1,331	(238)
Charges for services	2,563	2,563	4,082	1,519
Miscellaneous	1,032	1,032	1,114	82
TOTAL REVENUES	81,732	81,732	82,125	393
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	79,750	79,788	73,526	(6,262)
Services and supplies	59,585	59,555	39,525	(20,030)
Other charges	458	458	348	(110)
Capital assets	779	779	386	(393)
TOTAL EXPENDITURES	140,572	140,580	113,785	(26,795)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(58,840)	(58,848)	(31,660)	27,188
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			12	12
Transfers in	49,197	49,205	36,525	(12,680)
Transfers out	(2,197)	(2,197)	(2,197)	
Changes in reserves and designations	(1,467)	(1,467)	(1,063)	404
OTHER FINANCING SOURCES (USES) - NET	45,533	45,541	33,277	(12,264)
NET CHANGE IN FUND BALANCE	(13,307)	(13,307)	1,617	14,924
FUND BALANCE, JULY 1, 2009 (Note 15)	13,307	13,307	13,307	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$		14,924	14,924

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010 (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	$ 913	913	1,039	126
Revenue from use of money and property-				
Investment income	5,608	5,608	2,984	(2,624)
Charges for services	79,123	79,123	79,926	803
TOTAL REVENUES	85,644	85,644	83,949	(1,695)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	4,950	4,950	4,740	(210)
Other charges	173,373	174,072	27,837	(146,235)
TOTAL EXPENDITURES	178,323	179,022	32,577	(146,445)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(92,679)	(93,378)	51,372	144,750
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			44	44
Transfers in	62,441	62,441	57,318	(5,123)
Transfers out	(97,691)	(97,692)	(92,072)	5,620
Appropriation for contingencies	(13,700)	(13,696)		13,696
Changes in reserves and designations	(23,645)	(22,949)	(18,113)	4,836
OTHER FINANCING SOURCES (USES) - NET	(72,595)	(71,896)	(52,823)	19,073
NET CHANGE IN FUND BALANCE	(165,274)	(165,274)	(1,451)	163,823
FUND BALANCE, JULY 1, 2009 (Note 15)	166,640	166,640	166,640	
FUND BALANCE, JUNE 30, 2010 (Note 15)	$ 1,366	1,366	165,189	163,823

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, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 5)					
Operating (Note 1)	$ 673	550	7,822	254	242
Other (Note 1)	7,500	7,549	11,487	2,048	1,820
Total pooled cash and investments	8,173	8,099	19,309	2,302	2,062
Other investments (Note 5)					
Taxes receivable					
Accounts receivable - net (Note 13)	195,208	132,598	370,343	88,075	91,351
Interest receivable	7	11	99	9	3
Other receivables	11,761	11,982	23,532	2,560	3,920
Due from other funds (Note 14)	61,822	70,437	160,462	46,741	28,282
Advances to other funds (Note 14)					
Inventories	2,221	3,822	7,023	1,791	1,199
Total current assets	279,192	226,949	580,768	141,478	126,817
Noncurrent assets:					
Restricted assets (Note 5)	32,752	13,367	10,807	8,522	3,802
Net pension obligation (Note 7)	2,109	1,829	5,537	2,350	1,518
Other receivables (Note 13 and 14)	15,622	58,616	60,680	36,122	23,487
Capital assets: (Notes 6 and 9)					
Land and easements	1,001	15,171	18,183	2,275	217
Buildings and improvements	77,699	152,939	1,078,393	194,833	187,179
Equipment	41,471	39,466	150,477	54,814	14,648
Intangible - software	6,966	13,878	18,158	8,386	5,085
Infrastructure					
Construction in progress	88,134	43,929		2,177	7,281
Less accumulated depreciation	(76,344)	(112,811)	(248,240)	(150,584)	(105,357)
Total capital assets - net	138,927	152,572	1,016,971	111,901	109,053
Total noncurrent assets	189,410	226,384	1,093,995	158,895	137,860
TOTAL ASSETS	468,602	453,333	1,674,763	300,373	264,677
LIABILITIES					
Current liabilities:					
Accounts payable	14,534	9,407	23,226	8,037	3,685
Accrued payroll	17,098	12,428	29,872	3,982	5,699
Other payables	2,417	1,901	3,440	1,899	1,092
Accrued interest payable	76		72	176	186
Due to other funds (Note 14)	43,353	47,814	144,567	16,392	22,147
Advances from other funds (Note 14)	212,742	193,230	393,702	105,213	110,739
Advances payable			441		
Unearned revenue			192		
Current portion of long-term liabilities (Note 10)	174,073	66,550	126,318	45,061	24,349
Total current liabilities	464,293	331,330	721,830	180,760	167,897
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 10)	34,048	22,788	54,230	9,034	10,455
Bonds and notes payable (Note 10)	5,728		10,478	29,674	25,982
Capital lease obligations (Notes 9 and 10)					
Workers' compensation (Notes 10 and 17)	25,776	24,189	123,107	54,944	21,918
Litigation and self-insurance (Notes 10 and 17)	13,276	1,475	51,199	13,497	91
OPEB obligation (Notes 8 and 10)	138,747	120,068	280,710	39,238	55,807
Third party payor liability (Notes 10 and 13)	26,994	28,894	75,850	35,855	14,086
Total noncurrent liabilities	244,569	197,414	595,574	182,242	128,339
TOTAL LIABILITIES	708,862	528,744	1,317,404	363,002	296,236
NET ASSETS					
Invested in capital assets, net of related debt (Notes 6 and 10)	25,575	119,769	959,005	74,244	82,097
Restricted:					
Debt service	32,676	13,367	10,735	8,346	3,616
Special purpose					
Unrestricted (deficit)	(298,511)	(208,547)	(612,381)	(145,219)	(117,272)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (240,260)	(75,411)	357,359	(62,629)	(31,559)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 63,242	4,979	$ 77,762	$ 32,428	Operating (Note 1)
778	3	31,185	4,228	Other (Note 1)
64,020	4,982	108,947	36,656	Total pooled cash and investments
	23,364	23,364	8,241	Other investments (Note 5)
950		950		Taxes receivable
		877,575		Accounts receivable - net (Note 13)
197	12	338	130	Interest receivable
9,280	13,073	76,108	7,290	Other receivables
2,823	5	370,572	64,889	Due from other funds (Note 14)
1,308		1,308		Advances to other funds (Note 14)
		16,056	10,086	Inventories
78,578	41,436	1,475,218	127,292	Total current assets
				Noncurrent assets:
		69,250	11,046	Restricted assets (Note 5)
		13,343	2,576	Net pension obligation (Note 7)
		194,527		Other receivables (Note 13 and 14)
				Capital assets: (Notes 6 and 9)
11,273	194,272	242,392		Land and easements
119,091	166,204	1,976,338	1,734	Buildings and improvements
562	3,289	304,727	221,007	Equipment
		52,473		Intangible - software
1,120,375	41,781	1,162,156		Infrastructure
52,588	9,079	203,188		Construction in progress
(502,146)	(180,691)	(1,376,173)	(123,017)	Less accumulated depreciation
801,743	233,934	2,565,101	99,724	Total capital assets - net
801,743	233,934	2,842,221	113,346	Total noncurrent assets
880,321	275,370	4,317,439	240,638	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
3,758	5,612	68,259	5,940	Accounts payable
		69,079	13,905	Accrued payroll
	2,089	12,838	1,929	Other payables
		510	116	Accrued interest payable
4,612	297	279,182	27,773	Due to other funds (Note 14)
		1,015,626	22,000	Advances from other funds (Note 14)
		441		Advances payable
505	536	1,233	469	Unearned revenue
21	806	437,178	41,468	Current portion of long-term liabilities (Note 10)
8,896	9,340	1,884,346	113,600	Total current liabilities
				Noncurrent liabilities:
	152	130,707	38,568	Accrued vacation and sick leave (Note 10)
46	2,980	74,888	25,405	Bonds and notes payable (Note 10)
			32	Capital lease obligations (Notes 9 and 10)
		249,934	37,721	Workers' compensation (Notes 10 and 17)
	766	80,304	1,686	Litigation and self-insurance (Notes 10 and 17)
		634,570	136,795	OPEB obligation (Notes 8 and 10)
		181,679		Third party payor liability (Notes 10 and 13)
46	3,898	1,352,082	240,207	Total noncurrent liabilities
8,942	13,238	3,236,428	353,807	TOTAL LIABILITIES
				NET ASSETS
801,676	230,604	2,292,970	64,963	Invested in capital assets, net of related debt (Notes 6 and 10)
				Restricted:
69,703	10,953	149,396	10,930	Debt service
	11,582	11,582	2,739	Special purpose
	8,993	(1,372,937)	(191,801)	Unrestricted (deficit)
$ 871,379	262,132	1,081,011	$ (113,169)	TOTAL NET ASSETS (DEFICIT) (Note 3)
		2,296		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 1,083,307		NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:					
Net patient service revenues (Note 13)	$ 496,323	357,237	1,003,244	106,529	135,144
Rentals					
Charges for services					
Other	13,423	7,908	49,127	1,794	5,670
TOTAL OPERATING REVENUES	509,746	365,145	1,052,371	108,323	140,814
OPERATING EXPENSES:					
Salaries and employee benefits	445,899	336,164	807,950	113,380	153,223
Services and supplies	109,830	79,479	214,783	48,874	35,960
Other professional services	125,191	117,427	310,506	66,071	34,145
Depreciation and amortization (Note 6)	3,192	4,326	30,541	4,038	3,135
Medical malpractice	8,007	365			903
Rent	4,036	2,883	8,251	1,311	2,002
TOTAL OPERATING EXPENSES	696,155	540,644	1,372,031	233,674	229,368
OPERATING LOSS	(186,409)	(175,499)	(319,660)	(125,351)	(88,554)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	280	3	764	83	55
Interest expense	(4,645)	(3,728)	(9,481)	(5,208)	(4,070)
Intergovernmental transfers expense (Note 13)	(75,521)	(56,521)	(152,551)		(11,568)
Intergovernmental revenues:					
State					
Federal					
Other					
TOTAL NONOPERATING REVENUES (EXPENSES)	(79,886)	(60,246)	(161,268)	(5,125)	(15,583)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(266,295)	(235,745)	(480,928)	(130,476)	(104,137)
Capital contributions	1,397	2,447	861	1,339	1,148
Transfers in (Note 14)	181,226	190,525	372,864	126,944	49,215
Transfers out (Note 14)		(144)	(35,109)		
CHANGE IN NET ASSETS	(83,672)	(42,917)	(142,312)	(2,193)	(53,774)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2009, as restated (Note 2)	(156,588)	(32,494)	499,671	(60,436)	22,215
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2010	$ (240,260)	(75,411)	357,359	(62,629)	(31,559)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 2,098,477	$	Net patient service revenues (Note 13)
	14,347	14,347	23,615	Rentals
56,082	423	56,505	442,520	Charges for services
85	771	78,778		Other
56,167	15,541	2,248,107	466,135	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,856,616	381,652	Salaries and employee benefits
52,277	296,788	837,991	58,022	Services and supplies
2,415	361	656,116	29,483	Other professional services
22,119	2,255	69,606	29,210	Depreciation and amortization (Note 6)
		9,275		Medical malpractice
		18,483		Rent
76,811	299,404	3,448,087	498,367	TOTAL OPERATING EXPENSES
(20,644)	(283,863)	(1,199,980)	(32,232)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,415		4,415		Taxes
1,039	469	2,693	302	Interest income
(7)	(123)	(27,262)	(2,774)	Interest expense
		(296,161)		Intergovernmental transfers expense (Note 13)
				Intergovernmental revenues:
536	40	576		State
	273,760	273,760	1,019	Federal
106		106		Other
6,089	274,146	(41,873)	(1,453)	TOTAL NONOPERATING REVENUES (EXPENSES)
(14,555)	(9,717)	(1,241,853)	(33,685)	LOSS BEFORE CONTRIBUTIONS AND TRANSFER
308	1,710	9,210		Capital contributions
1,500	1,083	923,357	1,359	Transfers in (Note 14)
(112)	(135)	(35,500)	(95)	Transfers out (Note 14)
(12,859)	(7,059)	(344,786)	(32,421)	CHANGE IN NET ASSETS
884,238	269,191		(80,748)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2009, as restated (Note 2)
$ 871,379	262,132		$ (113,169)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2010
		724		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (344,062)		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 435,332	401,650	949,970	172,814	159,851
Rentals received					
Cash received from charges for services					
Other operating revenues	13,432	7,910	49,128	1,794	5,671
Cash received for services provided to other funds	11,543	12,812	21,672	7,428	678
Cash paid for salaries and employee benefits	(426,562)	(316,653)	(773,764)	(121,806)	(147,955)
Cash paid for services and supplies	(54,289)	(27,947)	(160,885)	(41,887)	(38,627)
Other operating expenses	(131,139)	(128,097)	(325,201)	(67,910)	(34,820)
Cash paid for services from other funds	(49,005)	(37,757)	(99,730)	(26,505)	(18,293)
Net cash provided by (required for) operating activities	(200,688)	(88,082)	(338,810)	(76,072)	(73,495)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	338,625	241,402	673,017	123,336	120,107
Cash advances paid/returned to other funds	(254,095)	(243,664)	(542,916)	(171,602)	(63,721)
Interest paid on pension bonds	(2,057)	(1,782)	(5,400)	(2,291)	(1,480)
Interest paid on advances	(1,333)	(1,621)	(2,401)	(1,021)	(552)
Intergovernmental transfers	(75,521)	(56,521)	(152,551)		(11,568)
Intergovernmental receipts					
Transfers in	196,998	147,652	383,925	86,990	39,045
Transfers out		(144)			
Net cash provided by (required for) noncapital financing activities	202,617	85,322	353,674	35,412	81,831
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Capital contributions					
Proceeds from bonds and notes	66,882	13,165		13,151	
Interest paid on capital borrowing	(1,390)	(325)	(1,808)	(2,206)	(2,369)
Principal payments on bonds and notes	(1,790)		(38,782)	(4,135)	(8,980)
Principal payments on capital leases					(143)
Acquisition and construction of capital assets	(50,600)	(30,241)	(5,697)	(10,449)	(2,629)
Net cash provided by (required for) capital and related financing activities	13,102	(17,401)	(46,287)	(3,639)	(14,121)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received	209	(9)	564	3	4
Net increase (decrease) in cash and cash equivalents	15,240	(20,170)	(30,859)	(44,296)	(5,781)
Cash and cash equivalents, July 1, 2009	25,685	41,636	60,975	55,120	11,645
Cash and cash equivalents, June 30, 2010	$ 40,925	21,466	30,116	10,824	5,864

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

ENTERPRISE FUNDS Waterworks Funds	ENTERPRISE FUNDS Nonmajor Enterprise Funds	ENTERPRISE FUNDS Total	GOVERNMENTAL ACTIVITIES Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$		$ 2,119,617	$	Cash received from patient services
	15,006	15,006	23,624	Rentals received
54,314	470	54,784	50,372	Cash received from charges for services
85	771	78,791		Other operating revenues
		54,133	392,916	Cash received for services provided to other funds
	(17,949)	(1,804,689)	(362,914)	Cash paid for salaries and employee benefits
(53,419)	(275,868)	(652,922)	(58,529)	Cash paid for services and supplies
(2,415)	(361)	(689,943)	(29,483)	Other operating expenses
		(231,290)		Cash paid for services from other funds
(1,435)	(277,931)	(1,056,513)	15,986	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
		1,496,487		Cash advances received from other funds
(144)		(1,276,142)		Cash advances paid/returned to other funds
		(13,010)	(2,509)	Interest paid on pension bonds
		(6,928)		Interest paid on advances
		(296,161)		Intergovernmental transfers
642	268,531	269,173	1,019	Intergovernmental receipts
1,500	1,083	857,193	1,359	Transfers in
(112)	(135)	(391)	(95)	Transfers out
1,886	269,479	1,030,221	(226)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,415		4,415		Proceeds from taxes
	1,710	1,710		Capital contributions
	6	93,204	39,025	Proceeds from bonds and notes
(7)	(123)	(8,228)	(358)	Interest paid on capital borrowing
(19)	(355)	(54,061)	(54,505)	Principal payments on bonds and notes
		(143)		Principal payments on capital leases
(29,285)	(159)	(129,060)	(24,383)	Acquisition and construction of capital assets
(24,896)	1,079	(92,163)	(40,221)	Net cash provided by (required for) capital and related financing activities
1,191	470	2,432	292	CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received
(23,254)	(6,903)	(116,023)	(24,169)	Net increase (decrease) in cash and cash equivalents
87,274	35,249	317,584	80,112	Cash and cash equivalents, July 1, 2009
$ 64,020	28,346	$ 201,561	$ 55,943	Cash and cash equivalents, June 30, 2010

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. Ambulatory Care Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating loss	$ (186,409)	(175,499)	(319,660)	(125,351)	(88,554)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:					
Depreciation and amortization	3,192	4,326	30,541	4,038	3,135
Other revenues (expenses) - net	9,083	49	(1,085)	7,903	6,469
(Increase) decrease in:					
Accounts receivable - net	(16,172)	67,018	(20,239)	93,062	23,610
Other receivables	(15,772)	(58,418)	(60,768)	(35,167)	(23,610)
Due from other funds	(21,384)	38,046	77,579	(2,073)	25,555
Inventories	541	(240)	834	140	212
Net pension obligation	2,109	1,830	5,538	2,350	1,518
Increase (decrease) in:					
Accounts payable	1,818	2,761	(5,921)	335	156
Accrued payroll	(12,465)	(8,835)	(22,594)	(3,072)	(4,030)
Other payables	161	(127)	261	(1,243)	87
Accrued vacation and sick leave	1,305	313	875	(584)	62
Due to other funds	(11,282)	6,571	(51,083)	(29,413)	(29,912)
Unearned revenue			(634)		
Pension bonds payable	(12,541)	(10,879)	(32,926)	(13,974)	(9,026)
Workers' compensation liability	(1,768)	(967)	1,166	(2,856)	(743)
Litigation and self-insurance liability	6,095	(7,423)	(6,444)	(528)	2,230
OPEB obligation	49,514	43,362	94,050	12,253	19,742
Third party payor liability	3,287	10,030	(28,300)	18,108	(396)
TOTAL ADJUSTMENTS	(14,279)	87,417	(19,150)	49,279	15,059
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (200,688)	(88,082)	(338,810)	(76,072)	(73,495)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Assets acquired from capital leases	$				
Capital contributions	1,397	2,447	861	1,339	1,148
TOTAL	$ 1,397	2,447	861	1,339	1,148
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 8,173	8,099	19,309	2,302	2,062
Other investments					
Restricted assets	32,752	13,367	10,807	8,522	3,802
TOTAL	$ 40,925	21,466	30,116	10,824	5,864

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (20,644)	(283,863)	$ (1,199,980)	$ (32,232)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
22,119	2,255	69,606	29,210	Depreciation and amortization
1	761	23,181	371	Other revenues (expenses) - net
				(Increase) decrease in:
		147,279		Accounts receivable - net
(796)	652	(193,879)	(501)	Other receivables
(1,002)	48	116,769	1,021	Due from other funds
	11	1,498	(317)	Inventories
		13,345	2,574	Net pension obligation
				Increase (decrease) in:
527	2,538	2,214	572	Accounts payable
		(50,996)	(10,497)	Accrued payroll
(19)	(918)	(1,798)	118	Other payables
	(235)	1,736	874	Accrued vacation and sick leave
(1,651)	48	(116,722)	(9,144)	Due to other funds
30	6	(598)	(155)	Unearned revenue
		(79,346)	(15,310)	Pension bonds payable
		(5,168)	2,636	Workers' compensation liability
	766	(5,304)	345	Litigation and self-insurance liability
		218,921	46,421	OPEB obligation
		2,729		Third party payor liability
19,209	5,932	143,467	48,218	TOTAL ADJUSTMENTS
$ (1,435)	(277,931)	$ (1,056,513)	$ 15,986	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
$		$	$ 43	Assets acquired from capital leases
308		7,500		Capital contributions
$ 308		$ 7,500	$ 43	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 64,020	4,982	$ 108,947	$ 36,656	Pooled cash and investments
	23,364	23,364	8,241	Other investments
		69,250	11,046	Restricted assets
$ 64,020	28,346	$ 201,561	$ 55,943	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 51,691	$ 16,859,418	$ 1,261,934
Other investments: (Note 5)		95,447	302
Stocks	16,808,669		
Bonds	8,858,103		
Short-term investments	1,070,770		
Commodities	664,464		
Real estate	2,843,804		
Mortgages	213,260		
Alternative assets	3,417,212		
Cash collateral on loaned securities	1,158,925		
Taxes receivable			567,779
Interest receivable	97,083	49,004	5,988
Other receivables	867,358		
TOTAL ASSETS	36,051,339	17,003,869	$ 1,836,003
LIABILITIES			
Accounts payable	1,403,918		
Other payables (Note 5)	1,213,533	776,749	
Due to other governments			1,836,003
TOTAL LIABILITIES	2,617,451	776,749	$ 1,836,003
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 33,433,888	$ 16,227,120	

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, 2010 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 843,704	$
Member	429,612	
Contributions to investment trust funds		47,599,344
Total contributions	1,273,316	47,599,344
Investment earnings:		
Investment income	1,848,215	218,622
Net increase in the fair value of investments	2,102,581	
Securities lending income (Note 5)	5,867	
Total investment earnings	3,956,663	218,622
Less - Investment expenses:		
Expense from investing activities	113,885	
Expense from securities lending activities (Note 5)	2,377	
Total net investment expense	116,262	
Net investment earnings	3,840,401	218,622
Miscellaneous	868	
TOTAL ADDITIONS	5,114,585	47,817,966
DEDUCTIONS:		
Salaries and employee benefits	37,035	
Services and supplies	11,857	
Benefit payments	2,111,834	
Distribution from investment trust funds		45,284,583
Miscellaneous	18,952	
TOTAL DEDUCTIONS	2,179,678	45,284,583
CHANGE IN NET ASSETS	2,934,907	2,533,383
NET ASSETS HELD IN TRUST, JULY 1, 2009	30,498,981	13,693,737
NET ASSETS HELD IN TRUST, JUNE 30, 2010	$ 33,433,888	$ 16,227,120

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 (County) is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by 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)
- Los Angeles County Securitization Corporation (LACSC)

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

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

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a 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.

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, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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 they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2010, the restricted net assets balances were $1.86 billion and $163.8 million for governmental activities and business-type activities, respectively. For governmental activities, $79.4 million was restricted by enabling legislation.

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.

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, voter-approved taxes and charges for services.

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 (charges for services).

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 and voter-approved taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

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, charges for services and long-term debt proceeds.

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

Martin Luther King, Jr. Ambulatory Care Center

The Martin Luther King, Jr. Multi-Service Ambulatory Care Center (MLK-MACC) was formerly known as Martin Luther King, Jr.-Harbor Hospital, until its loss of the hospital's licensing/accreditation on August 25, 2007. At that time, inpatient and emergency services were closed and the facility was re-organized as MLK-MACC. The MLK-MACC provides urgent care services, comprehensive outpatient services, including, primary, specialty and subspecialty services in surgery, medicine, pediatrics, obstetrics, HIV/AIDS, and dental services.

Rancho Los Amigos National Rehabilitation Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Waterworks Funds

The Waterworks Enterprise funds provide for the administration, maintenance, operation and improvement of district water systems.

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. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including Clearing and Revolving Funds, Deposit Funds, Other Agency Funds, State and City Revenue Funds, and Tax Collection Funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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 five Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the 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 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

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

The County applies all applicable Financial Accounting Standards Board (FASB) statements and pronouncements of all predecessor entities issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in accounting and reporting for government-wide and proprietary fund financial statements. FASB statements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB statement.

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

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled 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 $25 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2010. 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 Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 15 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 2009-2010 assessed valuation of the County of Los Angeles approximated $1.075 trillion.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,544 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

Proposition 1A Borrowing by the State of California

On July 28, 2009, the California legislature and the Governor passed the State budget which included the suspension of the property tax protection provisions of Proposition 1A (2004) for fiscal year 2009-10 and required cities, counties and special districts to loan to the State 8% of the amount of property tax revenues apportioned to them in fiscal year 2008-09. This loan is known as the AB X4 15 Mandatory Loan (Loan).

The provision also created an option, known as the Proposition 1A Securitization, for California public agencies to sell their Loan to the California Statewide Communities Development Authority. While the loan to the State was mandatory for all agencies, the participation in the securitization program was voluntary. All securitization costs and obligations were borne entirely by the State.

The law required the Loan from agencies to the State to be transferred in two equal installments on January 15, 2010 and May 3, 2010. Those agencies participating in the Proposition 1A Securitization program received proceeds from the securitization for the same amounts. The County chose to participate in the Proposition 1A Securitization for the County's General Fund for $305 million, Fire Protection District for $45 million, Flood Control District for $8 million, and the Public Library for $5 million. The Loan had no impact on each of the fund's current year cash flow or financial statements. The impact on property tax revenues for all other funds that did not participate in the Proposition 1A Securitization was immaterial.

Deposits and Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

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, 2010 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.

Other Investments

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

Restricted Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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, $32,478,000 represents land held for resale by the 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 and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in FASB Statement No. 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is also reflected as a liability in that statement. For the year ended June 30, 2010, the County implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.”

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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.

Advances Payable

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

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days per year depending on the benefit plan. 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).

Long-term Debt

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

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

Cash Flows

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Use of Estimates

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

2. ACCOUNTING CHANGES AND RESTATEMENT OF NET ASSETS

As discussed below, the County implemented the following GASB Statements in the 2009-2010 fiscal year:

Governmental Accounting Standards Board Statement No. 51

For the year ended June 30, 2010, the County implemented Government Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets, and that existing guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Implementation of GASB Statement No. 51 primarily impacted the County's government-wide and proprietary funds financial statements, and the Capital Assets note disclosure (see Note 6) for the year ended June 30, 2010.

Restatement of Net Assets

In order to meet the guidelines in GASB Statement No. 51, the County restated its beginning balances to reflect the inclusion of its intangible software assets. The effects of the changes are as follows (in thousands):

	Net Assets/ (Deficit) July 1, 2009 as previously reported	Effect of Including Intangible Software Assets	Net Assets/ (Deficit) July 1, 2009 as restated
Government-wide:			
Governmental activities	$ 14,752,295	252,572	$ 15,004,867
Business-type activities	1,377,199	50,170	1,427,369
Proprietary funds:			
Major Enterprise Funds:			
Harbor-UCLA Medical Center	(163,541)	6,953	(156,588)
Olive View-UCLA Medical Center	(46,209)	13,715	(32,494)
LAC+USC Medical Center	482,820	16,851	499,671
M. L. King, Jr. Ambulatory Care Center	(68,170)	7,734	(60,436)
Rancho Los Amigos Nat'l Rehab Center	17,298	4,917	22,215

2. ACCOUNTING CHANGES AND RESTATEMENT OF NET ASSETS-Continued

Governmental Accounting Standards Board Statement No. 53

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," was implemented by the County for the fiscal year ended June 30, 2010. The statement establishes accounting and financial reporting requirements for derivative instruments, requiring derivative investments to be measured at fair value and reported within the Statement of Net Assets. For the fiscal year ended June 30, 2010, while the County did not hold any derivative instruments in either County pooled or other investments, the County will apply the Statement as appropriate in the future.

The Pension Trust Fund did hold derivative instruments at June 30, 2010 and LACERA implemented the provisions and disclosure requirements of GASB Statement No. 53. As the LACERA had already presented derivative investments at fair value, the Statement of Net Assets was not affected by GASB Statement No. 53.

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2010 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 240,260
Olive View-UCLA Medical Center	75,411
M. L. King, Jr. Ambulatory Care Center	62,629
Rancho Los Amigos National Rehab Center	31,559
Internal Service Fund-	
Public Works	125,920

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, Other Postemployment Benefits (OPEB) obligation, 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.

4. ELIMINATIONS

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

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2010, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $222,660,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($222,660,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($222,660,000) and investment earnings and interest expense ($11,692,000 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 $222,660,000, 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 10 and are captioned "Assessment Bonds."

5. 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, 2010 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,354,635	$ 232,826	$	$	$ 4,587,461
Proprietary Funds	145,603	31,605	62,832	17,464	257,504
Fiduciary Funds (excluding Pension Trust Fund)	18,121,352	95,749			18,217,101
Pension Trust Fund	51,691	35,035,207			35,086,898
Component Unit	847,967				847,967
Total	$ 23,521,248	$ 35,395,387	$ 62,832	$ 17,464	$ 58,996,931

Deposits-Custodial Credit Risk

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

5. CASH AND INVESTMENTS-Continued

Deposits-Custodial Credit Risk-Continued

At June 30, 2010, the carrying amount of the County's deposits was $218,106,000 and the balance per various financial institutions was $217,704,000. The County's deposits are not exposed to custodial credit risk since all of its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2010, the carrying amount of Pension Trust Fund deposits was $115,587,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, negotiable certificates of deposits, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, floating rate notes, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission, State and local agency investment funds, mortgage pass-through securities, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	$500 million*
Commercial Paper	270 days	40%	$750 million*
Certificates of Deposit	3 years*	30%	$500 million*
Corporate Medium-Term Notes	3 years*	30%	$500 million*
Repurchase Agreements	30 days*	$1 billion*	$500 million*
Reverse Repurchase Agreements	92 days	$500 million*	$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	NA	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	$50 million	None
Asset-Backed Securities	5 years	20%	$500 million*

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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 monthly and is provided by the custodian bank. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2010, the County had open trade commitments with various brokers to purchase investments totaling $1,101,722,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments-Other and corresponding liabilities have been recorded as Other Payables.

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by State Statutes which are referred to as the “County Employees' Retirement Law of 1937.” Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. LACERA’s investment policy also allows the limited use of derivatives by certain investment managers. The classes of derivatives that are permitted are futures contracts, currency forward contracts, options, and swaps.

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA’s Report on Audited Financial Statements for the year ended June 30, 2010.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-four percent (84%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain Specific Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2010 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 10,661,654
U.S. Treasury securities	727,560
Negotiable certificates of deposit	3,163,666
Commercial paper	8,141,422
Corporate and deposit notes	784,198
Bankers' acceptances	48,720
Municipal bonds	5,250
Los Angeles County securities	15,000
Money market mutual funds	106,541
Local Agency Investment Fund	63,413
Mortgage trust deeds	589
Other	25,605
Total	$ 23,743,618

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2010 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 17,852,007
Fixed income	10,142,133
Real estate	2,843,804
Private equity	3,417,212
Commodities	664,464
Total	$ 34,919,620

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2010 totaling $51,691,000. 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 total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2010 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.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U. S. Agency securities	$ 10,512,894	$10,394,594	0.15%-7.33%	07/12/10-07/21/15	3.31
U.S. Treasury securities	727,036	726,604	0.23%-2.38%	10/21/10-08/31/14	0.81
Negotiable certificates of deposit	3,163,666	3,164,126	0.22%-0.53%	07/01/10-10/28/10	0.14
Commercial paper	8,141,422	8,141,693	0.25%-0.55%	07/01/10-09/27/10	0.07
Corporate and deposit notes	781,876	771,004	0.25%-6.88%	07/14/10-09/12/12	0.57
Los Angeles County securities	15,000	15,000	0.61%-0.73%	06/30/12	2.00
Bankers' acceptances	48,720	48,721	0.40%-0.50%	08/30/10-09/21/10	0.19
Deposits	197,516	197,516			
	$ 23,588,130	$23,459,258			

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 63,413	$ 63,310		N/A	0.56
Corporate and deposit notes	2,322	2,314	0.794%	02/01/11	0.59
Mortgage trust deeds	589	589	4.5%-5.5%	08/01/12-04/01/17	4.36
Municipal bonds	5,250	5,250	5.0%	09/02/21	11.04
U.S. Agency securities	148,760	148,549	1.5%-4.9%	05/19/11-06/30/15	5.73
U.S. Treasury bonds	109	86	7.25%	05/15/16	5.81
U.S. Treasury notes	113	112	4.24%-4.88%	10/15/10-07/31/11	0.30
U.S. Treasury bills	302	302	0.18%	12/09/10	0.44
Money market mutual funds	106,541	106,542	0.01%-0.20%	N/A	N/A
Other	25,605	25,605	4.7%	08/15/12-10/01/14	2.90
Deposits	20,590	20,590			
	$ 373,594	$ 373,249			

5. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government code limits most investment maturities to five years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2010, 56.50% have a maturity of six months or less, 2.92% have a maturity of between six and twelve months, and 40.58% have a maturity of more than one year.

As of June 30, 2010, variable-rate notes comprised 1.07 % of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2010, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's investment policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, and negotiable certificates of deposit). For purposes of reporting credit quality distribution of investments in the following table, some investments are reported as not rated. At June 30, 2010, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund which is unrated as to credit quality.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $500 million, approximately 2.24% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.36% of the investment pool's daily investment balance.

The Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2010 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 2,063,792	
Federal Home Loan Bank	2,870,703	
Federal Home Loan Mortgage Corp	3,709,189	$ 27,500
Federal National Mortgage Association	1,868,433	

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2010:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	34.81%
Corporate and deposit notes	A	A2	0.11%
	A	A3	0.13%
	A+	Aa2	0.04%
	AA-	Aa3	0.05%
	AA-	Aa1	0.22%
	AA+	Aa2	0.88%
	Not Rated	Not Rated	1.92%
Bankers' Acceptances	Not Rated	Not Rated	0.21%
Los Angeles County securities	AA-	A1	0.06%
Negotiable certificates of deposit	Not Rated	Not Rated	13.31%
	Not Rated	P1	0.21%
U.S. Agency securities	AAA	Aaa	43.32%
	Not Rated	Not Rated	1.62%
U.S. Treasury securities	AAA	Aaa	0.33%
	Not Rated	Not Rated	2.78%
			100.00%

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	17.96%
Corporate and deposit notes	AA+	Aa2	0.66%
Mortgage trust deeds	AA-	Aa2	0.17%
Municipal bonds	AA-	Aa2	1.49%
U.S. Agency securities	AAA	Aaa	8.42%
	Not Rated	Not Rated	33.72%
U.S. Treasury securities	AAA	Aaa	0.15%
Money market mutual funds	Not Rated	Not Rated	30.18%
Other	Not Rated	Not Rated	7.25%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2010 was 1.45%.

A separate financial report is issued for the Treasurer's Pool. The most current report, as of June 30, 2009, is available on the Treasurer's website, and the report as of June 30, 2010, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2010 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 23,588,130
Equity of internal pool participants	$ 7,456,732
Equity of external pool participants	16,131,398
Total equity	$ 23,588,130
Statement of Changes in Net Assets	
Net assets at July 1, 2009	$ 19,962,729
Net change in investments by pool participants	3,625,401
Net assets at June 30, 2010	$ 23,588,130

The unrealized gain on investments held in the Treasurer's Pool was $128,872,000 as of June 30, 2010. 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.

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements-Continued

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

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2010, there were approximately $264,500,000 in floating rate notes.

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2010, forward currency contracts receivable and payable totaled $99,474,000 and $99,645,000, respectively.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2010.

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.

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2010, 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, 2010.

As of June 30, 2010, the fair value of securities on loan was $1.13 billion. The value of the cash collateral received for those securities was $1.16 billion and the non-cash collateral was $194,000. Securities lending assets (Other Investments) and liabilities (Other Payables) of $1.1 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $3.5 million for the year ended June 30, 2010.

For the year ended June 30, 2010, 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, 2010 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 218,106	$ 115,587	$ 333,693
Investments	23,743,618	34,919,620	58,663,238
	$ 23,961,724	$ 35,035,207	$ 58,996,931

6. CAPITAL ASSETS

Pursuant to GASB Statement No. 51, the government-wide and proprietary financial statements include retrospective reporting of software intangible assets that were completed prior to July 1, 2009. To recognize the eligible costs of software with the associated amortization, the beginning balances as of July 1, 2009 were restated for software, as discussed in Note 2. In addition, the accompanying government-wide and proprietary fund financial statements include software assets with a capitalization threshold of $1 million or more for systems that were either implemented during the fiscal year or that were considered to be “software in progress” at year-end. All capitalized software is subject to amortization, which is combined with depreciation expense and accumulated depreciation in the financial statements. The County did not have any non-software intangible assets that were over the County’s threshold of $100,000, except easements, which have been included in the financial statements since fiscal year 2005-2006.

6. CAPITAL ASSETS-Continued

Capital assets activity for the year ended June 30, 2010 is as follows (in thousands):

	Balance July 1, 2009 as previously reported	Adjustments Note 2	Balance July 1, 2009 as restated
Governmental Activities			
Capital assets, not being depreciated:			
Land	$ 2,367,757	$	$ 2,367,757
Easements	4,779,292		4,779,292
Software in progress		34,601	34,601
Construction in progress-buildings and improvements	161,345		161,345
Construction in progress-infrastructure	360,711		360,711
Subtotal	7,669,105	34,601	7,703,706
Capital assets, being depreciated:			
Buildings and improvements	4,232,115		4,232,115
Equipment	1,175,543		1,175,543
Software		314,361	314,361
Infrastructure	7,172,368		7,172,368
Subtotal	12,580,026	314,361	12,894,387
Less accumulated depreciation for:			
Buildings and improvements	(1,458,161)		(1,458,161)
Equipment	(804,663)		(804,663)
Software		(96,390)	(96,390)
Infrastructure	(2,733,706)		(2,733,706)
Subtotal	(4,996,530)	(96,390)	(5,092,920)
Total capital assets, being depreciated, net	7,583,496	217,971	7,801,467
Governmental activities capital assets, net	$ 15,252,601	$ 252,572	$ 15,505,173
Business-type Activities			
Capital assets, not being depreciated:			
Land	$ 216,273	$	$ 216,273
Easements	30,701		30,701
Software in progress			
Construction in progress-buildings and improvements	75,544		75,544
Construction in progress-infrastructure	36,134		36,134
Subtotal	358,652		358,652
Capital assets, being depreciated:			
Buildings and improvements	1,987,112		1,987,112
Equipment	310,705		310,705
Software		52,473	52,473
Infrastructure	1,149,854		1,149,854
Subtotal	3,447,671	52,473	3,500,144
Less accumulated depreciation for:			
Buildings and improvements	(695,276)		(695,276)
Equipment	(199,690)		(199,690)
Software		(2,303)	(2,303)
Infrastructure	(428,975)		(428,975)
Subtotal	(1,323,941)	(2,303)	(1,326,244)
Total capital assets, being depreciated, net	2,123,730	50,170	2,173,900
Business-type activities capital assets, net	$ 2,482,382	$ 50,170	$ 2,532,552
Total Capital Assets, Net	$17,734,983	$ 302,742	$ 18,037,725

6. CAPITAL ASSETS-Continued

Additions	Deletions	Balance June 30, 2010	
			Governmental Activities
			Capital assets, not being depreciated:
$ 42,215	$ (7,585)	$ 2,402,387	Land
53,976	(685)	4,832,583	Easements
3,913	(34,601)	3,913	Software in progress
69,625	(90,841)	140,129	Construction in progress-buildings and improvements
154,025	(62,116)	452,620	Construction in progress-infrastructure
323,754	(195,828)	7,831,632	Subtotal
			Capital assets, being depreciated:
102,401	(271,052)	4,063,464	Buildings and improvements
78,853	(51,258)	1,203,138	Equipment
67,037		381,398	Software
64,976	(2,906)	7,234,438	Infrastructure
313,267	(325,216)	12,882,438	Subtotal
			Less accumulated depreciation for:
(83,824)	159,345	(1,382,640)	Buildings and improvements
(107,061)	43,106	(868,618)	Equipment
(26,654)		(123,044)	Software
(153,723)	397	(2,887,032)	Infrastructure
(371,262)	202,848	(5,261,334)	Subtotal
(57,995)	(122,368)	7,621,104	Total capital assets, being depreciated, net
$ 265,759	$ (318,196)	$ 15,452,736	Governmental activities capital assets, net
			Business-type Activities
			Capital assets, not being depreciated:
$	$ (4,890)	$ 211,383	Land
308		31,009	Easements
723		723	Software in progress
76,681	(7,049)	145,176	Construction in progress-buildings and improvements
34,234	(13,079)	57,289	Construction in progress-infrastructure
111,946	(25,018)	445,580	Subtotal
			Capital assets, being depreciated:
5,008	(15,782)	1,976,338	Buildings and improvements
10,951	6,510	328,166	Equipment
		52,473	Software
12,306	(4)	1,162,156	Infrastructure
28,265	(9,276)	3,519,133	Subtotal
			Less accumulated depreciation for:
(26,869)	10,069	(712,076)	Buildings and improvements
(23,771)	922	(222,539)	Equipment
(3,489)		(5,792)	Software
(21,026)		(450,001)	Infrastructure
(75,155)	10,991	(1,390,408)	Subtotal
(46,890)	1,715	2,128,725	Total capital assets, being depreciated, net
65,056	(23,303)	2,574,305	Business-type activities capital assets, net
$ 330,815	$ (341,499)	$ 18,027,041	Total Capital Assets, net

6. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:	
General government	$ 20,017
Public protection	171,421
Public ways and facilities	86,916
Health and sanitation	17,934
Public assistance	29,208
Education	2,288
Recreation and cultural services	19,817
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	23,661
Total depreciation expense, governmental activities	$ 371,262
Business-type activities:	
Hospitals	$ 45,232
Aviation	1,628
Waterworks	22,119
Community Development Commission	627
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	5,549
Total depreciation expense, business-type activities	$ 75,155

The business-type activities included equipment transfers from the County's General Fund to each Hospital Fund. The amount of the transfers exceeded the amount of deletions by $6.5 million. Capital contributions totaling $7.2 million are shown in the statement of revenues, expenses and changes in fund net assets for each of the Hospital Funds.

The State Trial Court Facilities Act (SB 1732, Chapter 1082 of 2002), as amended by later statutes, authorized the County to enter into agreements with the State of California for the transfer of responsibility for and title to court facilities, as well as for the joint occupancy of those court facilities. Administrative oversight of court operations was transferred from the County to the State in 1998, pursuant to State legislative action at that time. The Trial Court Facilities Act is a continuation of this process. Although the County is required to make ongoing "maintenance of effort" payments to the State for the transferred facilities, the amount is fixed and the County will no longer be responsible for costs which exceed the fixed amount due to inflation and other factors.

In fiscal year 2009-10, the County recorded 16 courthouse transfers of land, buildings, and improvements, which resulted in a loss on the sale of capital assets used in governmental activities. The loss of $117.0 million is reported as a general government expense in the government-wide statement of activities.

6. CAPITAL ASSETS-Continued

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2010 was as follows (in thousands):

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	$ 2,039	$	$	$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	11,922			11,922
Equipment	2,127	130	(6)	2,251
Subtotal	14,049	130	(6)	14,173
Less accumulated depreciation for:				
Buildings and improvements	(987)	(239)		(1,226)
Equipment	(1,228)	(358)	6	(1,580)
Subtotal	(2,215)	(597)	6	(2,806)
Total capital assets being depreciated, net	11,834	(467)		11,367
Component unit capital assets, net	$ 13,873	$ (467)	$	$ 13,406

7. PENSION PLAN

Plan Description

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

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

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

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

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

7. PENSION PLAN-Continued

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 eligible for only 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 2009-2010:

	A	B	C	D	E
General Members	17.28%	10.62%	9.88%	10.48%	10.45%
Safety Members	27.83%	20.35%			

The rates were determined by the actuarial valuation performed as of June 30, 2008 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 2009-2010, the County contributed the full amount of the ARC.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2009-2010, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 843,592
Non-County entities	111
Total ARC	843,703
Interest on net pension obligation (asset)	(8,021)
Adjustment to ARC	59,771
Annual pension cost	895,453
Contributions made:	
County	843,592
Non-County entities	111
Total contributions	843,703
Cost in excess of contributions	51,750
Net pension obligation (asset), July 1, 2009	(103,501)
Net pension obligation (asset), June 30, 2010	$ (51,751)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2008	$ 858,347	96.5%	$ (146,723)
June 30, 2009	890,393	95.1%	(103,501)
June 30, 2010	895,453	94.2%	(51,751)

7. PENSION PLAN-Continued

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the funded ratio was determined to be 88.9%. The actuarial value of assets was $39.5 billion, and the actuarial accrued liability (AAL) was $44.4 billion, resulting in an unfunded AAL of $4.9 billion. The covered payroll was $6.5 billion and the ratio of the unfunded AAL to the covered payroll was 75.2%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.26% to 10.24%, with both assumptions including a 3.5% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The County contribution rate to finance the unfunded AAL (effective for the 2009-2010 fiscal year, as determined by the June 30, 2008, actuarial valuation) was equal to 1.99% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 10.09%, for a total rate of 12.08% of payroll.

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.

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

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.

For the year ended June 30, 2010, the combined principal and interest payments for the bonds were $358,165,000. For governmental activities, the total debt service was $265,809,000. For business-type activities, the total debt service was $92,356,000. At June 30, 2010, the total outstanding principal on bonds was $345,913,000, including accretions of $227,427,000 on deep discount bonds. The bonds have interest rates varying from 7.40% to 7.44%.

7. PENSION PLAN-Continued

Pension Obligation Bonds-Continued

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2011	$ 87,934	$ 187,956	$ 30,552	$ 65,688
Accretions	168,783		58,644	
Total Pension Bonds Payable	$ 256,717		$ 89,196	

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 7-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691 which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

In 1996-1997, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account to use in connection with the County's payment of retiree health care costs. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree healthcare benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA. This agreement also permits the use of LACERA excess earnings reserves to reduce the County's funding requirements for these benefits.

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

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funding Policy-Continued

Health care benefits include medical, dental, vision, Medicare Part B reimbursement and death benefits. In addition to these retiree health care benefits, the County provides long-term disability benefits to employees, and these benefits have been determined to fall within the definition of OPEB, per GASB 45. These long-term disability benefits provide for income replacement if an employee is unable to work because of illness or injury. Specific coverage depends on the employee's employment classification, chosen plan and, in some instances years of service.

A trust fund has not been established for the retiree health benefits or the long-term disability benefits. The County's contribution is on a pay-as-you-go basis. During the 2009-2010 fiscal year, the County made payments to LACERA totaling $384.0 million for retiree health care benefits. Included in this amount was, $33.2 million for Medicare Part B reimbursements and $6.0 million in death benefits. Additionally, $36.3 million was paid by member participants. The County also made payments of $33.0 million for long-term disability benefits.

Annual OPEB Cost and Net OPEB Obligation (including Long-Term Disability)

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2008, and the OPEB long-term disability actuarial valuation as of July 1, 2009. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

Annual OPEB required contribution (ARC)	$ 1,720,660
Interest on Net OPEB obligation	123,269
Adjustment to ARC	(93,793)
Annual OPEB cost (expense)	1,750,136
Less: Contributions made (pay-as-you-go)	417,518
Increase in Net OPEB obligation	1,332,618
Net OPEB obligation, July 1, 2009	2,465,383
Net OPEB obligation, June 30, 2010	$ 3,798,001

Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 1,615,272	23.6%	$ 1,234,148
June 30, 2009	1,628,494	24.4%	2,465,383
June 30, 2010	1,750,136	23.9%	3,798,001

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $20.9 billion, resulting in an unfunded AAL of $20.9 billion. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 341.31%.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

As of July 1, 2009, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $951.8 million, resulting in an unfunded AAL of $951.8 million. The covered payroll was $6.1 billion and the ratio of the unfunded AAL to the covered payroll was 15.54%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information. However, there is no data available prior to the years presented.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

While the actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, they both used the same methods and assumptions, with one exception noted below. The projected unit credit cost method was used. Both valuations assumed an annual investment rate of return of 5%, an inflation rate of 3.5% per annum and projected general wage increases of 4%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. An actuarial asset valuation was not performed. Finally, the OPEB valuation report used the level percentage of projected payroll over a rolling (open) 30-year amortization period. The OPEB Long-Term Disability valuation report used the level dollar of projected payroll over a rolling (open) 30-year amortization period. The most recent actuarial valuations for OPEB health care benefits (July 1, 2008) and OPEB long-term disability benefits (July 1, 2009) were each adjusted to reflect projected salary increases of 4%, from the former actuarial assumption of 3.75%.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2008 actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	6.92%	5.00%
LACERA Medical Over 65	3.93%	5.00%
Firefighters Local 1014 (all)	4.83%	5.00%
Part B Premiums	3.50%	5.00%
Dental (all)	1.66%	4.50%

9. 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, 2010 (in thousands):

Year Ending June 30	Governmental Activities
2011	$ 80,646
2012	67,690
2013	56,150
2014	40,846
2015	32,341
2016-2020	52,618
2021-2025	18,940
2026-2030	17,868
2031-2035	1,489
Total	$ 368,588

Rent expenditures related to operating leases were $94,669,000 for the year ended June 30, 2010.

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, 2010 (in thousands):

Year Ending June 30	Governmental Activities
2011	$ 24,096
2012	20,705
2013	20,345
2014	19,119
2015	15,849
2016-2020	70,578
2021-2025	71,708
2026-2030	71,958
2031-2035	51,397
2036-2040	17,892
Total	383,647
Less: Amount representing interest	235,574
Present value of future minimum lease payments	$ 148,073

9. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2010 (in thousands):

	Governmental Activities
Land	$ 17,279
Buildings and improvements	155,013
Equipment	47,641
Accumulated depreciation	(61,975)
Total	$ 157,958

Future rent revenues to be received from noncancelable subleases are $1,252,000 as of June 30, 2010.

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 87 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 25 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 57 years and are accounted for in the General Fund.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $420,399,000. The carrying value of the capital assets associated with the golf course and regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2010 (in thousands):

Year Ending June 30	Governmental Activities
2011	$ 43,187
2012	42,444
2013	39,705
2014	37,851
2015	37,057
Thereafter	1,325,831
Total	$ 1,526,075

9. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of rental income for these operating leases for the year ended June 30, 2010 (in thousands):

	Governmental Activities
Minimum rentals	$ 42,236
Contingent rentals	18,478
Total	$ 60,714

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the Asset Development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

10. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 7), OPEB (see Note 8), capital lease obligations (see Note 9) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

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

	Original Par Amount of Debt	Balance June 30, 2010
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 52,995
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	16,615
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	238,471
Community Development Commission (CDC) Notes Payable, 2.31% to 7.91%	69,295	41,295
NPC Bond Anticipation Notes, 0.610% to 0.733%	11,100	11,100
NPC Bonds 2.0% to 5.0%	36,545	18,563
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	19,452
Public Buildings Certificates of Participation, 2.8% to 7.75%	958,106	649,131
Commercial paper, 0.28% to 0.35%	22,977	22,977
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	405,986
Total	$ 1,880,620	$ 1,476,585

10. LONG-TERM OBLIGATIONS-Continued

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

	Original Par Amount of Debt	Balance June 30, 2010
NPC Bond Anticipation Notes, 0.610% to 0.733%	$ 3,900	$ 3,900
NPC Bonds, 2.0% to 5.0%	12,840	6,522
Public Buildings Certificates of Participation, 2.8% to 7.0%	140,064	85,347
Commercial Paper, 0.28% to 0.35%	257,023	257,023
Waterworks District Bonds, 3.3% to 8.0%	280	67
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,406	3,330
Total	$ 425,513	$ 356,189

General Obligation Bonds

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 for Waterworks District bonds are as follows (in thousands):

Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2011	$ 21	$ 6
2012	22	3
2013	24	1
Total	$ 67	$ 10

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in 2004-2005 and the remainder in 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

10. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in fiscal year 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $270,683,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,907,000 and $80,130,000, respectively.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2011	$ 25,375	$ 10,515
2012	26,560	9,270
2013	27,855	7,925
2014	29,255	6,497
2015	30,735	4,998
2016-2020	82,880	8,818
Subtotal	222,660	$ 48,023
Add: Unamortized Bond Premiums	15,811	
Total Assessment Bonds	$ 238,471	

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During fiscal year 2009-10, the County issued $14,000,000 in COPs to finance cultural improvements and $24,025,000 in COPs to finance equipment purchases.

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net revenues are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. Net landfill revenues covered all of the current fiscal year debt payment of $3,095,000. Total principal and interest remaining on the bonds is $42,338,000.

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type Activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2011	$ 79,661	$ 34,973	$ 16,401	$ 6,069
2012	75,588	32,072	14,767	5,348
2013	81,578	29,602	13,712	4,527
2014	51,489	26,680	13,201	3,898
2015	50,129	24,967	12,584	3,535
2016-2020	109,538	127,395	15,513	4,643
2021-2025	123,849	45,876		
2026-2030	68,515	16,039		
2031-2035	29,895	2,806		
Subtotal	670,242	$ 340,410	86,178	$ 28,020
Accretions	74,483			
Unamortized Bond Premiums	24,384		5,691	
Unamortized Loss	(31,805)			
Total Certificates of Participation	$ 737,304		$ 91,869	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2011 were expected to be approximately $140,632,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds, which do not begin until 2011, are as follows:

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2011	$	$ 21,198
2012		21,197
2013		21,197
2014		21,197
2015		21,197
2016-2020		105,987
2021-2025	60,280	89,742
2026-2030	46,370	79,133
2031-2035		69,311
2036-2040	62,196	51,136
2041-2045	53,157	30,883
2046-2050	97,824	5,391
Subtotal	319,827	$ 537,569
Accretions	86,159	
Total Tobacco Settlement Asset-Backed Bonds	$ 405,986	

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (LACCAL 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 within the five-year period, they convert to capital leases with a three-year term secured by County real property. During the 2009-2010 fiscal year, LACCAL issued additional BANS in the amount of $15,000,000.

CDC 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. During the 2009-2010 fiscal year, CDC issued additional notes payable in the amount of $5,783 as reflected in Business-type Activities.

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

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of various County construction projects. Repayment of the TECP is secured by letters of credit and a sublease of twenty-four County-owned properties. The letters of credit have a termination date of April 26, 2013. Pursuant to the underlying lease, 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. During fiscal year 2009-10, the County issued additional TECP in the amount of $93,198,000 for Business-type Activities and $22,977,000 for Governmental Activities.

Principal and interest requirements on CDC Notes payable, NPC BANS, Commercial Paper and Marina del Rey Loans payable for Governmental Activities and NPC BANS, Commercial Paper, and CDC Mortgage notes for Business-type Activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2011	$ 26,209	3,144	$ 257,374	13
2012	14,996	2,965	3,900	
2013	4,009	2,759		
2014	3,691	2,556		
2015	3,880	2,356		
2016-2020	19,890	8,525	980	
2021-2025	16,140	3,478		
2026-2030	6,009	649		
Indeterminate maturity			1,999	
Total	$ 94,824	$ 26,432	$ 264,253	$ 13

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):

Debt Type	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
General Obligation Bonds	$	$	$ 67	$ 10
Assessment Bonds	222,660	48,023		
Certificates of Participation	670,242	340,410	86,178	28,020
Tobacco Settlement Asset-Backed Bonds	319,827	537,569		
Notes, Loans, and Commercial Paper	94,824	26,432	264,253	13
Subtotal	1,307,553	$ 952,434	350,498	$ 28,043
Add: Accretions	160,642			
Unamortized Bond Premiums	40,195		5,691	
Less: Unamortized Loss on Advance Refunding of Debt	(31,805)			
Total Bonds and Notes Payable	$1,476,585		$ 356,189	

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions-Continued

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

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, 2010, the amount of outstanding bonds and certificates of participation considered defeased was $138,640,000. 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, 2010 (in thousands):

	Balance July 1, 2009	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,534,112	$ 91,065	$ 148,592	$ 1,476,585	$ 139,978
Pension bonds payable (Note 7)	485,092		228,375	256,717	256,717
Capital lease obligations (Note 9)	157,794	2,376	12,097	148,073	8,262
Accrued vacation and sick leave	808,652	69,045	48,598	829,099	49,929
Workers' compensation liability (Note 17)	1,816,262	333,216	284,614	1,864,864	308,950
Litigation and self-insurance liability (Note 17)	112,736	94,889	50,701	156,924	133,854
Pollution remediation obligation (Note 18)	30,065		5,310	24,755	2,746
OPEB obligation (Note 8)	2,049,734	1,113,697		3,163,431	
Third party payor liability	14,691	4,738	3,986	15,443	15,443
Total governmental activities	$ 7,009,138	$1,709,026	$ 782,273	$ 7,935,891	$ 915,879
Business-type activities:					
Bonds and notes payable	$ 321,930	$ 103,349	$ 69,090	$ 356,189	$ 274,696
Pension bonds payable (Note 7)	168,542		79,346	89,196	89,196
Capital lease obligations (Note 9)	143		143		
Accrued vacation and sick leave	137,652	10,729	8,992	139,389	8,682
Workers' compensation liability (Note 17)	299,719	34,146	39,314	294,551	44,617
Litigation and self-insurance liability (Note 17)	106,088	11,117	16,421	100,784	20,480
OPEB obligation (Note 8)	415,649	218,921		634,570	
Third party payor liability (Note 13)	182,274	36,519	33,790	185,003	3,324
Total business-type activities	$ 1,631,997	$ 414,781	$ 247,096,	$ 1,799,682	$ 440,995

10. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued 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. For Bonds and Notes Payable, accretions increased during 2009-2010, thereby increasing liabilities for Bonds and Notes Payable by $22,166,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2009-2010 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by $141,392,000 and $49,124,000, respectively, for interest accretions. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

11. SHORT-TERM DEBT

On July 1, 2009, the County issued $1,300,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.8%. 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 2009. The notes matured and were redeemed on June 30, 2010.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2010, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $73,245,000 and limited obligation improvement bonds totaling $9,996,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

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

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

12. CONDUIT DEBT OBLIGATIONS-Continued

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 outstanding as of June 30, 2010, was $549,112,000.

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, 2010, the amount of industrial development and other conduit bonds outstanding was $1,540,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

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

Medi-Cal Hospital / Uninsured Care Demonstration Project

The five-year Medi-Cal Hospital/Uninsured Care Demonstration Project (Demonstration Project) applies to payments Statewide (which currently includes 21 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Demonstration Project restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

Under the Demonstration Project, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services; 2) DSH payments and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $586 million for FY 2009-10. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE), whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP). The federal medical assistance percentage (FMAP) which establishes the matching amount, for the FFS cost-based reimbursement is provided at 61.59% for July 1, 2009 through June 30, 2010. The FMAP for DSH remains at 50%. For the inpatient hospital cost-based reimbursement, each hospital provides its own CPE and receives all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The County provides funding for the State's share of the Demonstration Project by transferring funds to the State. These transferred funds, referred to as Intergovernmental Transfers (IGTs) are used by the State to draw down federal matching funds. The combined IGTs sent to the State by each Hospital Enterprise Fund, plus the matching federal funds are utilized by the State to provide supplemental funding for the Demonstration Project.

The Demonstration Project restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs to ensure compliance with the OBRA 1993 hospital-specific DSH limit. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the supplemental funding received for each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGTs are reflected as non operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

The IGTs paid during FY 2009-10 include payments for FYs 2008-09 and 2009-10. The estimated Medicaid Demonstration Project net revenues include amounts collected and accrued for FY 2009-10 and over/under-realization of revenues for FY 2005-06 through FY 2008-09. The amounts below are in thousands:

	Program			Intergovernmental
	Medi-Cal FFS	DSH	SNCP	Transfers Expense
Harbor-UCLA	$ 75,953	$ 98,354	$ 40,989	$ 55,551
Olive View-UCLA	31,627	53,408	38,911	42,508
LAC+USC	158,244	199,213	120,916	134,922
M. L. King	3,104	620	(1,842)	0
Rancho	27,584	46,028	10,011	11,230
Total	$ 296,512	$ 397,623	$ 208,985	$ 244,211

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Funding

The Demonstration Project prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum “baseline” level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The baseline for the 2009-10 program year is established by comparing each hospital’s Medi-Cal inpatient costs, uninsured inpatient costs, and uninsured outpatient costs from FY 2004-05 to those from FY 2008-09, and applying the resulting growth as an adjustment to the FY 2004-05 baseline. The State estimates the aggregate baseline funding for the Statewide designated public hospitals to be $2.459 billion.

The estimated FY 2009-10 baseline for the County hospitals is as follows (in thousands):

	Baseline Amount
Harbor-UCLA Medical Center	$192,256
Olive View-UCLA Medical Center	110,000
LAC+USC Medical Center	414,976
Rancho Los Amigos National Rehabilitation Center	91,445
Total	$808,677

The three funding components utilized to meet each hospital’s baseline level are as follows:

1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital represents 61.59% of the facility-specific costs or CPE. The hospital’s amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost computations that are adjusted on an interim and final basis.

2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, undocumented immigrants and shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments. The non-federal share of these funds will be a combination of CPEs for these services and IGTs that are subject to interim and final cost settlement. There is an annual fixed allotment of federal DSH funds. The waiver allocates almost all of these funds to public hospitals. (The State estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be $1.119 billion as of June 30, 2010, which includes a 2.5% DSH allotment increase that the State received as part of the American Recovery and Reinvestment Act of 2009.)

3) SNCP Distributions: These federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The non-federal share of these funds is based on CPEs for these services.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Stabilization Funding

Payments to private and non-designated public DSH hospitals that exceed the aggregate baseline are considered stabilization funds and are included in the allocation among all waiver hospitals based on State law. Stabilization is distributed to the Designated Public Hospitals from the SNCP. The non-federal share of these funds is based on CPEs for related services.

Cal. Welfare & Institutions Code § 14166.20 requires the State to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. This determination is based on cost estimates and specified adjustments. Under State law, the stabilization payments determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of the State.

Reported CPEs Subject to Audit

All CPEs reported by each hospital will be subject to State and federal audit and final reconciliation. If at the end of the final reconciliation process, it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not the County's hospital received the federal matching funds.

Medi-Cal Physician State Plan Amendment (Physician SPA)

Prior to July 1, 2005, Medi-Cal inpatient physician professional services (including non-physician practitioners) were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under the Demonstration Project. The Demonstration Project is under State Plan Amendment 05-21, and excluded professional services. However, in December 2007, the Centers for Medicare & Medicaid Services (CMS) approved California State Plan Amendment 05-23 which allowed professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals were allowed to claim unreimbursed Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services) and which is currently being matched at a rate of 61.59%.

Physician payments of $19.8 million were received for FY 2005-06, in FY 2009-10, based on filed cost report information.

State Senate Bill 474 (SB 474)

South Los Angeles Medical Services Preservation Fund

On October 12, 2007, SB 474 established an annual fund to stabilize health services for low-income, underserved populations of South Los Angeles. The "South Los Angeles Medical Services Preservation Fund" is intended to address the regional impact of the closure of the MLK-Harbor Hospital (currently MLK-MACC) and will help defray the County's costs for treating uninsured patients in the South Los Angeles area. For the year ended June 30, 2010, the County's hospitals recognized revenues of $70.3 million from this program.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

State Senate Bill 474 (SB 474)-Continued

Intergovernmental Transfers for Private Hospital Supplemental Fund

SB 474 also requires the County to make IGTs to the State to fund the non-federal share of increased Medi-Cal payments to those private hospitals that serve the South Los Angeles population formerly served by MLK-Harbor Hospital. An IGT expense of $5.0 million was recorded as health care expenditures in the County's General Fund for the year ended June 30, 2010.

Other Medi-Cal Programs

Cost-Based Reimbursement Clinics (CBRC)

CBRC reimburses at 100 percent of allowable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The Department-wide CBRC revenues in FY 2009-10 were $188.7 million. The County determined that approximately $194.5 million of CBRC would not be collectable within 12 months and has classified it as a non-current asset on the Proprietary Fund statements for each Hospital.

Medi-Cal Cost Report Settlements

All of the FY 2005-06 CBRC audit reports were issued. Total audit settlements of $69.7 million were paid to the County.

The State Office of Administrative Hearings and Appeals issued a Report of Findings regarding the FY 2004-05 informal level appeal hearing held during June 2009. Based upon the report, $2.7 million revised settlement monies are due to County which are being processed and paid.

FY 2005-06 informal level appeal hearings were held during February 2010 and June 2010. The resolution of the CBRC appeal issues have resulted an addition of $1.4 million due to County. In regards to the resolution of various cost issues, the result is an additional $9.1 million of allowable Medi-Cal inpatient costs which will be reimbursed in the Medi-Cal Redesign Paragraph 14 (P14) Workbooks.

State auditors are completing their FY 2006-07 Medi-Cal field audits review. Currently, audit exit conferences are being held at the hospital sites. We anticipate the issuance of the finalized audit reports beginning December 2010.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement

The State received permission from CMS to continue the Medi-Cal Managed Care rate supplements paid to L.A. Care and implement as similar arrangement with Health Net for the period October 1, 2008 through September 30, 2009. The supplement is funded by an IGT made by the County, and CMS understood that the supplemental payments were to be passed through to DHS. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks, including DHS' Community Health Plan and providers. We expect the State to make another proposal, to CMS, to extend this program for the period October 1, 2009 through September 30, 2010.

For L.A. Care, DHS recorded current year gross payments in FY 2009-10 of $79.4 million and under-realized prior year revenues of $6.5 million. For Health Net, DHS recorded current year gross payments of $38.2 million and over-realized prior year revenues of $26.6 million. In addition, IGT payables of $27.3 million for L.A. Care and $24.6 million for Health Net were recorded to fund the supplemental payments.

The total estimated revenues and related estimated IGTs recorded in FY 2009-10, less prior year accruals, are as follows (in thousands):

	Program Revenues	Intergovernmental Transfer Expenses
L.A. Care		
Current Year	$ 79,378	$ 30,558
Prior Year over/(under)	(6,453)	(3,257)
Total L.A. Care	72,925	27,301
Health Net		
Current Year	38,180	14,788
Prior Year over/(under)	26,640	9,861
Total Health Net	64,820	24,649
Totals	$ 137,745	$ 51,950

Coverage Initiative

On April 10, 2007, the State awarded the County an allocation of federal funding to implement its Healthy Way LA Program under the Health Care Coverage Initiative (CI). In addition to patient care services, the County is to claim administrative and case management costs associated with the CI program. In FY 2009-10, an estimated $144.4 million (of which $134.4 was received by June 30, 2010) of CI revenues and $12.1 million of CI administrative costs were recognized.

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 79% of the hospitals' patient care revenue for the year ended June 30, 2010.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA), a major economic stimulus and fiscal relief package. The ARRA's biggest financial impact to the County comes from the temporary increase in the FMAP, which results in additional federal revenue provided for non-administrative Medicaid costs. California's FMAP was increased from 50% to 61.59% effective from October 1, 2008 through December 31, 2010. The ARRA also increased the State's DSH allotment by 2.5% for federal fiscal years 2009 and 2010. For fiscal year ended June 30, 2010, the County recognized $76.5 million from the FMAP ARRA increase.

Medicare Program

Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

Medicare audits have been completed at all hospitals and notices of program reimbursement have been received for all hospitals through FY 2001-02. For FY 2002-03, Medicare audits have been completed for all hospitals; however, the notice of program reimbursement has not been issued for LAC+USC Medical Center (LAC+USC). For FY 2003-04, the audits for Martin Luther King Jr./Drew Medical Center (MLK), Harbor-UCLA Medical Center (H-UCLA), Rancho Los Amigos National Rehabilitation (RLA), and Olive View-UCLA Medical Center (OV-UCLA) have been completed. The audit for LAC+USC MC has been scheduled for FY 2003-04.

For FYs 2004-05 through 2005-06, the audits for MLK and OV-UCLA have been completed, and RLA audits are in progress. The audits for LAC+USC and H-UCLA have not been scheduled.

For FY 2006-07, the audits for MLK, RLA, and OV-UCLA have been completed and the notice of program reimbursement has been issued. The audits for LAC+USC and H-UCLA have not been scheduled.

For FYs 2007-08 and 2008-09, the Medicare audits for LAC+USC, H-UCLA, RLA, and OV-UCLA have not been scheduled. Effective August 16, 2007, MLK ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-08 due to low Medicare utilization.

Revenues from the Medicare program represent approximately 8% of patient care revenue for the year ended June 30, 2010.

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.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2010 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	MLK-MACC	Rancho	Total
Accounts receivable	$ 1,070,957	$ 590,774	$ 1,627,038	$ 140,894	$ 364,190	$ 3,793,853
Less: Allowance for uncollectible amounts	875,749	458,176	1,256,695	52,819	272,839	2,916,278
Accounts Receivable - net	$ 195,208	$ 132,598	$ 370,343	$ 88,075	$ 91,351	$ 877,575

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other collection efforts 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, 2010, based on established rates, is as follows (in thousands):

Charges forgone	$1,713,949
Less: Federal and State subventions	0
Net charges forgone	$1,713,949

Litigation Regarding Reduction 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. The lawsuits challenged the closure of Rancho Los Amigos National Rehabilitation Center as well as the reduction of the 100 beds at LAC+USC Medical Center.

Negotiated settlements in both cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County agreed to keep Rancho open through March 9, 2009 at a specified level of service. The settlement agreement expired on March 10, 2009, but the County has continued its efforts to identify and negotiate with an organization to assume the future operation of Rancho as was originally required by the settlement agreement. In the meantime, the facility is open and operating. With respect to LAC+USC, the settlement allows for the graduated reduction of beds contingent upon the County providing additional outpatient care on the facility's campus and the facility reaching certain targets showing the efficiency of, and decreased demand on, the hospital. The new LAC+USC Medical Center open its doors in November 2008 and its operating at near-capacity. The settlement agreement expired shortly thereafter.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King

Since the closure of MLK-H hospital, the County has been working on options to provide hospital services at the MLK site. The County and the University of California ("UC"), with the State, have approved a plan to create a wholly independent, non-profit 501(c)(3) entity to operate a new hospital at the MLK-H site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients, ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics, and iii) optimize public and private resources to fund services. The seven-member MLK Hospital Board of Directors was appointed by the County and UC effective on August 10, 2010 and is proceeding with efforts to open the new MLK Hospital. Construction of the new hospital facility at the MLK-H site is expected to be completed by early 2013.

14. 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, 2010.

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, 2010 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 7,437
	Flood Control District	5,540
	Public Library	1,981
	Regional Park and Open Space District	2,667
	Internal Service Funds	6,120
	Waterworks Enterprise Funds	759
	Harbor-UCLA Medical Center	29,760
	Olive View-UCLA Medical Center	26,845
	LAC+USC Medical Center	107,100
	M.L. King Ambulatory Care Center	10,420
	Rancho Los Amigos Nat’l Rehab Center	21,102
	Nonmajor Enterprise Funds	12
	Nonmajor Governmental Funds	216,698
		436,441
Fire Protection District	General Fund	7,127
	Internal Service Funds	1
	Harbor–UCLA Medical Center	1
	Nonmajor Governmental Funds	451
		7,580

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Flood Control District	General Fund	$ 42
	Internal Service Funds	10,536
	Waterworks Enterprise Funds	3
	Nonmajor Governmental Funds	693
		11,274
Public Library	General Fund	4,785
	Nonmajor Governmental Funds	465
		5,250
Regional Park and Open Space District	General Fund	1
Internal Service Funds	General Fund	20,499
	Fire Protection District	80
	Flood Control District	11,583
Internal Service Funds	Public Library	7
	Waterworks Enterprise Funds	3,848
	Harbor-UCLA Medical Center	2,605
	Olive View-UCLA Medical Center	709
	LAC+USC Medical Center	86
	M.L. King Ambulatory Care Center	1,285
	Rancho Los Amigos Nat'l Rehab Center	159
	Nonmajor Enterprise Funds	281
	Nonmajor Governmental Funds	23,747
		64,889
Waterworks Enterprise Funds	General Fund	71
	Flood Control District	32
	Internal Service Funds	1,150
	Nonmajor Enterprise Funds	4
	Nonmajor Governmental Funds	1,566
		2,823
Harbor-UCLA Medical Center	General Fund	24,219
	Fire Protection District	20
	Olive View-UCLA Medical Center	7,759
	LAC+USC Medical Center	120
	M.L. King Ambulatory Care Center	2,734
	Rancho Los Amigos Nat'l Rehab Center	28
	Nonmajor Governmental Funds	26,942
		61,822
Olive View-UCLA Medical Center	General Fund	45,666
	Fire Protection District	149

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
	Harbor-UCLA Medical Center	$ 24
	LAC+USC Medical Center	8,944
	Nonmajor Governmental Funds	15,654
		70,437
LAC+USC Medical Center	General Fund	76,899
	Fire Protection District	16
	Harbor-UCLA Medical Center	10,963
	Olive View-UCLA Medical Center	11,432
	M.L. King Ambulatory Care Center	1,953
	Rancho Los Amigos Nat'l Rehab Center	858
	Nonmajor Governmental Funds	58,341
		160,462
M.L. King Ambulatory Care Center	General Fund	44,324
	Olive View-UCLA Medical Center	482
	LAC+USC Medical Center	1,927
	Nonmajor Governmental Funds	8
		46,741
Rancho Los Amigos Nat'l Rehab Center	General Fund	1,257
	Fire Protection District	36
	Internal Service Funds	12
	Olive View-UCLA Medical Center	587
	LAC+USC Medical Center	26,390
		28,282
Nonmajor Enterprise Funds	Internal Service Funds	5
Nonmajor Governmental Funds	General Fund	276,815
	Flood Control District	656
	Public Library	1,492
	Internal Service Funds	9,949
	Waterworks Enterprise Funds	2
	Nonmajor Governmental Funds	14,564
		303,478
Total Interfund Receivables/Payables		$ 1,199,485

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the five 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, 2010 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 1,500
	Public Library	35,864
	Internal Service Funds	115
	Harbor-UCLA Medical Center	129,710
	Olive View-UCLA Medical Center	146,351
	LAC+USC Medical Center	266,011
	M.L. King Ambulatory Care Center	124,244
	Rancho Los Amigos Nat'l Rehab Center	20,487
	Nonmajor Governmental Funds	55,886
		780,168
Fire Protection District	Nonmajor Governmental Funds	11,433
Flood Control District	Internal Service Funds	210
	Nonmajor Governmental Funds	19,078
		19,288
Public Library	General Fund	705
	Nonmajor Governmental Funds	1,640
		2,345
Regional Park and Open Space District	Nonmajor Governmental Funds	34,754
Internal Service Funds	Nonmajor Governmental Funds	95
Waterworks Enterprise Funds	Internal Service Funds	112
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	144
LAC+USC Medical Center	Olive View-UCLA Medical Center	8,917
	Rancho Los Amigos Nat'l Rehab Center	26,192
		35,109
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	135

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Nonmajor Governmental Funds	General Fund	$ 359,707
	Fire Protection District	1,200
	Flood Control District	328
	Public Library	661
	Internal Service Funds	922
	Waterworks Enterprise Funds	1,500
	Harbor-UCLA Medical Center	51,516
	Olive View-UCLA Medical Center	35,257
	LAC+USC Medical Center	106,853
	M.L. King Ambulatory Care Center	2,700
	Rancho Los Amigos Nat'l Rehab Center	2,536
	Nonmajor Enterprise Funds	1,083
	Nonmajor Governmental Funds	42,008
		606,271
Total Interfund Transfers		$1,489,854

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. During fiscal year 2009-10, the County determined that a portion of Hospital revenue was not collectible within one year and identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $194.5 million long-term advance and established a corresponding fund balance reserve.

Advances from/to other funds at June 30, 2010 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Internal Service Fund	$ 2,535	$	$ 2,535
	Harbor-UCLA Medical Center	197,120	15,622	212,742
	Olive View-UCLA Medical Center	134,614	58,616	193,230
	LAC+USC Medical Center	333,022	60,680	393,702
	M.L. King Ambulatory Care Center	69,091	36,122	105,213
	Rancho Los Amigos Nat'l Rehab Center	87,252	23,487	110,739
		823,634	194,527	1,018,161
Flood Control District	Internal Service Fund	6,601		6,601
Waterworks Enterprise Funds	Internal Service Funds	1,308		1,308
Nonmajor Governmental Funds	Internal Service Funds	11,556		11,556
Total Interfund Advances		$ 843,099	$ 194,527	$ 1,037,626

15. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

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

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

- For budgetary purposes, reserves and 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.

- 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.

- 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 Tobacco Settlement Asset-Backed bonds in 2005-06, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 10, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

15. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2010.

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

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 1,628,644	$ 93,819	$ 14,623	$ 14,924	$ 165,189
Reserves and designations	1,387,444	127,029	151,779	19,394	129,508
Subtotal	3,016,088	220,848	166,402	34,318	294,697
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	169,007	(655)		23	
Accrual of vacation and sick leave benefits	40,290				
Deferral of sale of tobacco settlement revenue	(261,788)				
Change in revenue accruals	32,214	(11,391)	(4,927)	(1,206)	577
Subtotal	(20,277)	(12,046)	(4,927)	(1,183)	577
Fund balance - GAAP basis	$ 2,995,811	$ 208,802	$ 161,475	$ 33,135	$ 295,274

16. OTHER COMMITMENTS

Construction Commitments

At June 30, 2010, there were contractual commitments of approximately $16,601,000 for various general government construction projects and approximately $12,773,000 for various hospital construction projects that were financed by commercial paper.

LACERA Capital Commitments

At June 30, 2010, LACERA had outstanding capital commitments to various investment managers, approximating $2,430,000,000. Subsequent to June 30, 2010, LACERA funded $209,000,000 of these capital commitments.

17. 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 2007-2008, 2008-2009 or 2009-2010.

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

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2010 were approximately $2.159 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2009. Approximately $150,142,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2010 , the County's best estimate of these liabilities is $2.417 billion. Changes in the reported liability since July 1, 2008 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
2008-2009				
Workers' Compensation	$ 2,120,428	$ 313,090	$(317,537)	$ 2,115,981
Other	247,389	39,323	(67,888)	218,824
Total 2008-2009	$ 2,367,817	$ 352,413	$(385,425)	$ 2,334,805
2009-2010				
Workers' Compensation	$ 2,115,981	$ 367,362	$(323,928)	$ 2,159,415
Other	218,824	106,006	(67,122)	257,708
Total 2009-2010	$ 2,334,805	$ 473,368	$(391,050)	$ 2,417,123

17. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $118.3 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

18. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligations (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes pollution remediation obligations when estimates can reasonably be determined.

The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2010, the County's estimated pollution remediation obligations totaled $24.755 million. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

19. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2010, the County issued $1,500,000,000 in 2010-2011 TRANS which will mature on June 30, 2011. The TRANS are collateralized by taxes and other revenues attributable to the 2010 -2011 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.85%.

19. SUBSEQUENT EVENTS-Continued

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 2, 2010 and again on October 27, 2010, the Corporation issued $10,000,000 Bond Anticipation Notes with an initial interest rate of 0.681% and 0.670%, respectively. The rates are adjustable on January 2 and July 1, of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2013. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

California's Bridge to Healthcare Reform (Waiver)

On November 2, 2010, Centers for Medicare & Medicaid Services (CMS) approved for California a new Medicaid Demonstration Project, entitled California's Bridge to Healthcare Reform (Waiver 11-W-00193/9) under the authority of section 1115(a) of the Social Security Act for the period November 1, 2010 through October 31, 2015. The agreement "waives" certain Medicaid requirements in order to test new strategies and demonstration projects that can improve care and care delivery.

Public hospital systems will provide the financing through their counties and lead the implementation of expanding coverage to low income people and transforming care so that it is more coordinated, efficient and patient-centered. Support for public hospital systems from the waiver falls into the following areas:

Coverage Expansion
Under the Waiver, counties have the option to expand coverage by operating a Low Income Health Program. Under this plan the County may cover individuals up to 133% of the federal poverty level (FPL), known as the Medicaid Coverage Expansion (MCE) population. If counties meet certain federal requirements and have the resources available to do so, they can also cover individuals between 134% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The Low Income Health Program will run through the end of 2013, at which time coverage under federal health care reform will take effect.

Delivery System Reform Incentive Pool
The new Waiver establishes the Delivery System Reform Incentive Pool (DSRIP) which will tie federal funding to ambitious milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems must submit a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that will be approved by the State and CMS.

Support Costs for Uncompensated Care
The Safety Net Care Pool will continue to provide partial reimbursement for the costs of care to the uninsured, helping public hospitals to continue to provide essential services to those in need.

19. SUBSEQUENT EVENTS-Continued

California's Bridge to Healthcare Reform (Waiver)-Continued

Managed Care for Seniors and Persons with Disabilities (SPDs)
Under the Waiver, the State of California will move Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) into mandatory managed care, in an effort to provide more coordinated care and contain costs. The public hospitals will partially finance managed care rates to health plans for care of SPDs by providing IGTs.

Hospital Fee Program (HFP)

The California Hospital Fee Program (AB 1383) and its amending legislation (AB 1653) were signed into law by the Governor of California and became effective on January 1, 2010 and September 8, 2010, respectively. HFP covers the period beginning April 1, 2009 and expires on December 31, 2010. The legislation contains two components:

- The Quality Assurance Fee Act governs the hospital fee paid by participating hospitals (public hospitals, certain small and rural hospitals, most specialty hospitals, and long term care hospitals are exempt), and
- The Medi-Cal Hospital Provider Stabilization Act governs the supplemental Medi-Cal payments to providers from the fund established to accumulate assessed hospital fees and matching federal funds. The legislation allows for fee-for-service and managed health care supplemental payments to private hospitals, designated public hospitals, and non-designated public hospitals. The designated public hospitals will also receive direct grants under the Program.

The legislation also allows the State to retain and use a portion of the direct grants allocated to the designated public hospitals with a provision that the State allocates an equal amount of federal funds available under the Medi-Cal Hospital/Uninsured Care Demonstration Project to the designated public hospitals. The designated public hospital must have incurred sufficient expenditures so that the full amount allocated can be received as federal matching funds.

The Program must be fully approved by CMS to be implemented. On October 7, 2010, CMS has approved the implementation of the Program with the exception of the managed health care supplemental payment plan. CMS' approval of the managed health care plan is expected in the near future.

If approved, the County projects to receive a total of $200 million from the Program; $29 million and $115 million of which relates to FY 2008-09 and 2009-10, respectively. Annual budgets are adopted for each hospital fund and $139.9 million of such revenues were recognized in 2009-2010 actual revenues for purposes of the County's budget.

19. SUBSEQUENT EVENTS-Continued

Public Works Financing Authority – Lease Revenue Bonds 2010 Series A and B

On November 9, 2010, the Authority issued $102,900,000 in lease revenue Series A bonds, maturing from 2014 to 2019, with yields ranging from 1.8% to 3.45%. Also on November 9, 2010, the Authority issued $688,005,000 in taxable lease revenue (Build America/Recovery Zone Economic Development) Series B bonds, maturing from 2020 to 2040, with yields ranging from 5.591% to 7.618%. Proceeds from the sale of the Series A and Series B bonds will be used to finance and/or refinance various capital improvements projects.

Tax-Exempt Commercial Paper

On August 18, 2010, the Los Angeles County Capital Asset Leasing Corporation issued an additional $50,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of various capital projects. The commercial paper, which was initially issued at an average rate of 0.31%, is secured by a long-term lease of County real estate and a letter of credit.

On December 1, 2010, the County redeemed $169,000,000 of the $330,000,000 tax-exempt commercial paper outstanding, utilizing a portion of the proceeds from the Public Works Financing Authority-Lease Revenue Bonds 2010 Series A and B.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/07	$ 37,041,832	$ 39,502,456	$ 2,460,624	93.8%	$ 5,615,736	43.8%
06/30/08	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%
06/30/09	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care(1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$ 0	$ 20,301,800	$ 20,301,800	0%	$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%

Long-Term Disability(1)

July 1, 2007	$ 0	$ 929,265	$ 929,265	0%	$ 5,615,736	16.55%
July 1, 2009	0	951,797	951,797	0%	6,547,616	14.54%

(1) There was no data available prior to the first valuation.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions in the Indenture and the Lease. This summary does not purport to be comprehensive and reference should be made to the Indenture and the Lease for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture and the Lease.

Definitions

"Acquisition Cost" means all the necessary and reasonable costs in connection with the acquisition of any Equipment Component, including, but not limited to, legal fees and expenses of counsel with respect to the financing of the Equipment and the leasing of the Equipment; to the extent such fees and expenses are approved by a Lessee Representative.

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

"Additional Rental" means the amounts specified as such the Lease.

"Base Rental" means the amount referred to as such in the Lease, as such amounts may be adjusted from time to time in accordance with the terms thereof, but does not include Additional Rental.

"Base Rental Account" means the Base Rental Account within the Bond Fund established pursuant to the Indenture.

"Book-Entry Bonds" means the Bonds registered in the name of the Nominee, as the Bondowner thereof, pursuant to the Indenture.

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

"Bonds" means the bonds executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture.

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

"Bondowner" means the registered Bondowner, as indicated in the Bond Register, of any Bond, including DTC or its Nominee, or any successor Depository or its Nominee for the Bonds, as the sole registered Bondowner of Book-Entry Bonds.

"Business Day" means any day other than (i) a Saturday, Sunday or (ii) a day on which banks in both New York, New York and the city in which the principal corporate trust office of the Trustee is located are authorized or permitted to be closed.

"Cede & Co." means Cede & Co., the initial Nominee of DTC.

"Closing Date" means the date on which the Bonds are first executed by the Lessor and authenticated and delivered by the Trustee to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate to be executed and delivered by the Lessee relating to the Bonds.

"Cost of Issuance" means all the costs of preparation, sale and issuance of the Bonds and other costs related to such financing including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease, the Bonds and the preliminary and final official statements; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the financing of and leasing of the Equipment; the initial fees and expenses of the Trustee and its counsel and of any paying agent and its counsel; and other fees and expenses incurred in connection with the issuance of the Bonds and the payment of the BANs or the implementation of the financing, to the extent such fees and expenses are approved by a Lessee Representative or a Lessor Representative.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Acquisition Fund pursuant to the Indenture.

"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 Lessee 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 Lessor.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

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

"Equipment" means all Equipment Components identified in the Lease, as the same may be amended from time to time.

"Equipment Component" means each discrete component of the personal property described in the Lease, as the same may be amended from time to time.

"Event of Default" means any one or more of the events described in the Indenture.

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

"Fitch" means Fitch Ratings, New York, New York, its successors and assigns.

"General Account" means the General Account established in the Acquisition Fund pursuant to the Indenture.

"Insurance Proceeds Fund" means the fund established pursuant to the Indenture.

"Interest Account" means the Interest Account established in the Bond Fund pursuant to the Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, commencing June 1, 2012, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

"Investment Earnings" means interest and income received in respect of the investment of money on deposit in any fund or account maintained under the Indenture.

"Investment Earnings Account" means the Investment Earnings Account established in the Earnings Fund pursuant to the Indenture.

"Lease Payment Date" means a date on or before each Interest Payment Date.

"Lease Year" means the period to be selected by the Lessee in accordance with regulations promulgated under the Code.

"Lessee" means the County of Los Angeles.

"Lessee Representative" means the Treasurer and Tax Collector of the Lessee or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessee with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor" means the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation.

"Lessor Representative" means the Treasurer and Tax Collector of the Lessee as *ex officio* officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessor with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

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

"Outstanding" when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under the Indenture, except: (1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation; (2) any Bond for the payment or redemption of which funds and/or investments of the type described in clause (A) of the definition of Qualified Investments in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in the Indenture)); (3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation; (4) any Bond in lieu of or in exchange for which another Bond or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture; (5) any Bond that is more particularly described in the Indenture that is not presented for payment, when the principal becomes due; and (6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in the Indenture.

"Principal Account" means the Principal Account established in the Bond Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the office of the Trustee at the address set forth in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

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

(a) For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the of the United States of America, including: (i) United States of America treasury obligations; (ii) all direct or fully guaranteed obligations of the United States of America; (iii) Farmers Home Administration; (iv) General Services Administration; (v) Guaranteed Title XI financing; (vi) Government National Mortgage Association ("GNMA"); and (vii) State and Local Government Series;

Any security used for defeasance pursuant to the Indenture must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Rural Economic Community Development Administration; (iii) U.S. Maritime Administration; (iv) Small Business Administration; (v) U.S. Department of Housing and Urban Development; (vi) Federal Housing Administration; and (vii) Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (ii) obligations of the Resolution Funding Corporation; (iii) senior debt obligations of the Federal Home Loan Bank System; and (iv) senior debt obligations of other Government Sponsored Agencies;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 270 calendar days after the date of purchase (ratings on holding companies are not considered as the ratings of the banks);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by S&P, and which mature not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the

notice; and, (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category of Moody's or S&P; or (ii)(A) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting of cash or securities as described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by an Accountant's Certificate, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment in repurchase agreements of any securities authorized in this definition of Qualified Investments, if the Trustee shall have received a perfected first security interest in such securities securing such repurchase agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by the Rating Agencies for a rating of "A" or better; the term "repurchase agreement" means a purchase of securities pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount and will deliver the underlying securities by physical delivery or third-party custodial agreement; the term " counterparty" means the other party to the transaction; a counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security; the term of repurchase agreements shall be for one year or less; such securities, for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity;

(9) The Local Agency Investment Fund of the State of California;

(10) The Los Angeles County Treasury Pool; and

(11) Any other investments which are rated "A" or better by the Rating Agencies which the Lessor deems to be prudent investments and in which the Lessor directs the Trustee to invest.

"Rating Agencies" means Fitch, Moody's and S&P; *provided, however,* that if either of Fitch or Moody's does not rate investments or obligations of a type described in any of clauses of the definition of "Qualified Investments," a rating by such entity shall not be required.

"Redemption Account" means the Redemption Account established in the Bond Fund pursuant to the Indenture.

"Rental Payments" means the Base Rental plus the Additional Rental payments.

"Reserve Fund" means the fund established pursuant to the Indenture.

"Reserve Requirement" means, as of any date of calculation, the lessor of (i) $2,000,000.00 or (ii) the total remaining unpaid principal and interest on the Bonds.

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

"State" means the State of California.

"Tax Certificate" shall have the meaning assigned to such term in the Indenture.

"Term" or "Term of the Lease" has the meaning set forth in the Lease.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., and its successors and assigns.

"Useful Life" means, with respect to any Equipment Component, the period of time, expressed in years, and fraction of years, for which the Lessee reasonably expects that such Equipment Component may be economically utilized for the purpose or purposes for which such Equipment Component is intended.

THE INDENTURE

The following is a summary of certain provisions contained in the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture.

Acquisition Fund

There shall be established in trust a special fund designated as the "Acquisition Fund," which shall consist of a General Account and a Costs of Issuance Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall, on behalf of the Lessor, transfer from the General Account on the Closing Date to the Lessor the amount necessary to pay and redeem $80,500,000 aggregate principal amount of the BANs. If there shall remain any balance of money in the General Account following the retirement in full of the BANs, all money so remaining shall be transferred by the Trustee, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, and the excess, if any, of such amount shall be remitted to the Lessee. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance promptly after receipt of, and in accordance with, a written direction of a Lessor Representative pursuant to the Indenture. Any funds remaining in the Costs of Issuance Account on the date on which the Lessor Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, thereafter, to the Bond Fund.

Bond Fund

There shall be established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the fund as provided in the Indenture. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account and Principal Account; and (c) Redemption Account.

Base Rental Account. Except as otherwise provided in this paragraph, Base Rental and proceeds of liquidated damages and rental interruption insurance, if any, with respect to the Equipment received by the Trustee shall be deposited into the Base Rental Account. Any delinquent Base Rental payments and any proceeds of liquidated damages or rental interruption insurance deposited in the Base Rental Account shall be applied, first, to the Interest Account for the immediate payment of interest payments, the Bonds, past due and, then, to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond, and, then, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments or proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account to be applied in the manner provided in the Indenture.

Any amounts remaining in the Base Rental Account on any Interest Payment Date or redemption date after the transfers referred to in the provisions relating to the Interest Account and the Principal Account in the following paragraph shall have been made, other than money held for Bonds not surrendered, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement, and (ii) the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date. Amounts not required to be so deposited shall be remitted to the Lessee except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

Interest Account and Principal Account. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Interest Account an amount which, together with money on deposit in the Interest Account and available to pay interest due on such date, equals the interest then due on the Bonds on the Interest Payment Date or redemption date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Principal Account an amount which, together with money on deposit in the Principal Account and available for such purpose, equals the principal then due or required to be redeemed on the Interest Payment Date or redemption date, as the case may be, with respect to the Bonds. Amounts in the Principal Account shall be used to pay principal of the Bonds.

Redemption Account. Any proceeds of insurance (other than rental interruption proceeds) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of the Indenture, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with the terms of the Indenture, shall be deposited by the Trustee in the Redemption Account. The Trustee shall, upon surrender of the Bonds called for redemption, on or after the scheduled redemption date withdraw from the Redemption Account and pay to the Bondowners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed in accordance with the Indenture. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

Reserve Fund

There shall be established in trust a special fund designated the “Reserve Fund,” which shall be held by the Trustee and which shall be held separate and apart from all other funds and money held by the

Trustee. The Trustee shall administer the Reserve Fund as provided in the Indenture. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. There shall be deposited in the Reserve Fund that portion of the proceeds of the Bonds required to be deposited in the Reserve Fund pursuant to the Indenture and all other amounts required to be deposited in the Reserve Fund pursuant to the Indenture. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts to make up the deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the Lessor and the Lessee of the amount and the date of such transfer. At least five Business Days prior to each Interest Payment Date, the Trustee shall calculate the Reserve Requirement, giving effect to any Bonds to be paid or redeemed on that Interest Payment Date. On such calculation date, the Trustee shall notify the Lessor and the Lessee of any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on that Interest Payment Date. On the Business Day prior to each Interest Payment Date, the Trustee shall transfer any such excess in the Reserve Fund (other than amounts that constitute Investment Earnings) to the Base Rental Account of the Bond Fund for application in accordance with the Indenture. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is determined by the Trustee to be less than the Reserve Requirement, the Trustee shall promptly notify the Lessor and the Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. For purposes of determining the amount on deposit at any time in the Reserve Fund the Trustee shall value all Qualified Investments in the Reserve Fund at the cost of such investments (exclusive of accrued interest).

Earnings Fund

The Trustee shall establish, maintain and hold in trust a special fund separate from any other fund or account established and maintained under the Indenture designated as the "Earnings Fund." The Trustee shall administer the Earnings Fund as provided in the Indenture. The Earnings Fund shall be maintained by the Trustee until the Lessor directs, in writing, that it be closed.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to the Indenture, the Trustee shall deposit, as and when received, all Investment Earnings on the funds and accounts established under the Indenture (other than the Costs of Issuance Account and the Excess Earnings Account) into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from the Lessor Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein in accordance with the provisions of the Tax Certificate, shall pursuant to written instructions from the Lessor Representative be deposited, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, second, to the Interest Account of the Bond Fund. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the Lessor Representative.

Insurance Proceeds Fund

If any Equipment Component shall be damaged, destroyed or stolen, the Lessee may elect to repair or replace such affected Equipment Component if the conditions set forth in the Lease are satisfied. If any Equipment Component shall be damaged, destroyed or stolen and the Lessee exercises its option to repair or replace such affected Equipment Component, the Lessee shall deposit with the Trustee the full amount of any insurance deductible relating to any insurance policy pursuant to which the Lessee will file an insurance claim. The proceeds of any insurance (other than any rental interruption), including the proceeds of any self insurance fund or insurance deductible received on account of any damage, destruction or taking of any Equipment Component or portion thereof and any other amount which the Lessee elects to deposit with the Trustee for purposes of repairing or replacing any Equipment Component, shall be held by the Trustee in a special account to be created by the Trustee, designated as the "Insurance Proceeds Fund," and held under the Indenture and, if the Lessee exercises its option to repair or replace such affected Equipment Component, such proceeds shall be made available for, and to the extent necessary to be applied to, the cost of the repair or replacement upon receipt by the Trustee of a requisition executed by a Lessor Representative, together with invoices for the repair or replacement as provided in the Lease. Pending such application, such proceeds may be invested by the Trustee solely at the written direction of the Lessor, in Qualified Investments that mature not later than the times money is expected to be needed to pay the costs of repair or replacement. If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self-insurance fund claim relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in the Indenture. Any amounts received by the Trustee under this paragraph in excess of the amount needed to either repair or replace a damaged, destroyed or taken Equipment Component or to redeem Bonds shall be transferred to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and the excess, if any, of such amount shall be remitted to the Lessee.

Investments Authorized

Except as otherwise provided in the Indenture, money held by the Trustee in any fund or account under the Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing or shall confirm in writing pending application as provided in the Indenture, *provided* that amounts in the Reserve Fund shall be invested in Qualified Investments that will mature not more than five years after the date the Reserve Fund acquires the investment. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under the Indenture by it in securities described in subsection (5) of the definition of Qualified Investments. The Lessor agrees that it will give direction to invest or confirm investments only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to the Indenture into a separate fund or funds for investment purposes only; *provided, however,* that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate, principal or agent, investments authorized by this paragraph. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under the Indenture and, subject to the Tax Certificate, to the highest yield practicably obtainable giving due regard to the safety of the funds and the date upon which the funds will be required for the uses and purposes required by the Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grants the Lessor the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Provisions Relating to the Trustee

The Trustee is appointed to act solely as set forth in the Indenture, to receive, hold and disburse in accordance with the terms of the Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be made by the Lessee under the Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in the Indenture. By executing and delivering the Indenture, the Trustee accepts the duties and obligations provided in the Indenture.

The Lessor may at any time, so long as no Event of Default has occurred and is continuing, by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a commercial bank, national banking association, or trust company having an office in Los Angeles, California, which, together with the corporate parent of such Trustee, has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or state banking authority. Notwithstanding the foregoing, banking corporation, national banking association or trust company which does not have a combined capital and surplus of at least $100,000,000 may be appointed as the successor Trustee if its obligations under the Indenture are guaranteed by an affiliate which meets the capitalization requirement set forth in the preceding sentence, which guaranty shall be acceptable as to form and substance to the Lessor. If the bank, national banking consortium or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes as provided for under the Indenture, the combined capital and surplus of the bank, national banking consortium or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first-class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been affected. Upon receiving the notice of resignation, the Lessor shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation or following its removal of the Trustee, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in the Indenture. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Indenture), shall be the successor to the Trustee without the execution or filing of any paper or further action, anything in the Indenture to the contrary notwithstanding.

Amendments

Amendments to Indenture. The Indenture may be modified or amended at any time without the consent of any Bondowners, upon the written agreement of the Lessor and the Trustee, but only (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provisions contained in the Indenture, (b) in regard to questions arising under the Indenture which the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Bondowners then Outstanding, (c) to qualify the Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (d) for any other reason; *provided* such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and *provided further* that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Bondowner to receive the Bondowner's proportionate share of Base Rental in accordance with the provisions of the Owner's Bond without the prior written consent of the Bondowner so affected, and no amendment shall reduce the percentage of Bondowners whose consent is required for any amendment to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding. The Trustee may in its discretion, but shall not be obligated to, enter into any such amendment which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture.

Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to the Lease; or (f) for any other reason; *provided* such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and *provided further* that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of an Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond or shall decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

Consent of Bondowners. If the consent of the Bondowners is required or requested with respect to any proposed amendment to the Indenture or to the Lease, it shall not be necessary for the consent of the Bondowners to approve the particular form of any such amendment, but it shall be sufficient if such consent shall approve the substance thereof. If at any time the Lessee or the Lessor shall request the Trustee to enter into any amendment to the Indenture or to consent to an amendment to the Lease and the Trustee determines that the consent of the Bondowners is required for such amendment, then the Trustee shall, at the expense of the Lessor, cause notice of the proposed execution of a document containing such amendment, and requesting their consent thereto, to be mailed, postage prepaid, to the Owners of all

Outstanding Bonds at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondowners.

Whenever, at any time after the date of the mailing of such notice, there shall be delivered to the Trustee an instrument or instruments in writing purporting to be executed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee upon having received the consent of the Lessor may execute such amendment or give its consent thereto in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Bondowner shall have consented thereto. If the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution of such supplemental agreement as provided under the Indenture, no Owner of any Bond shall have any right to object to the execution of such amendment, or to object to any of the terms and provisions contained in such supplemental agreement or the operation thereof or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Lessor from executing the same or from taking any action pursuant to the provisions of such supplemental agreement.

The lack of actual receipt by any Bondowner of such notice and request for consent and any defects in such notice and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the Trustee that the notice and request for consent have been mailed as provided in the Indenture shall be conclusive as against all parties. Any such written consent shall be binding upon the Bondowner giving such consent and on any subsequent Bondowner (whether or not such subsequent Bondowner has notice thereof) unless such consent is revoked in writing by the Bondowner giving such consent or by the subsequent Bondowner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the Trustee shall have executed the applicable amendment or given its consent to the applicable amendment as provided under the Indenture.

Covenants

Lessor to Perform Pursuant to Lease. The Lessor covenants and agrees with the Bondowners to perform all obligations and duties imposed on it as Lessor under the Lease.

Extension of Payment of Bonds. The Lessor shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Indenture shall be deemed to limit the right of the Lessor to issue any securities for the purpose of providing funds for the repayment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Access to Books and Records; Notices. The Trustee shall at all times have access to those books and records of the Lessor which may be reasonably required by the Trustee to fulfill its duties and obligations under the Indenture.

General. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of the Indenture. The Treasurer and Tax Collector of the Lessee as *ex officio* officer of the Lessor and all deputies or assistants of such officer are designated agents of the Lessor for the purposes of instructing the Trustee under the Indenture and executing and delivering any documents necessary or advisable for the transactions contemplated by the Indenture or in order to accomplish the purposes of the Indenture, and the Lessor further authorizes such persons to instruct the Trustee as they deem necessary and to execute and deliver such documents. The Lessor certifies, declares, recites and warrants that upon the date of initial issuance of any of the Bonds, (a) all conditions, acts and things with respect to the Lessor required by the Constitution and the laws of the State and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution of the State and the applicable laws of the State, and (b) the Lessor is duly authorized to execute and enter into the Indenture.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on all Bonds, the Lessor covenants in the Indenture to comply with each applicable requirement of section 103 and sections 141 through 150 of the Code, in that the Lessor agrees to comply with the covenants contained in, and the instructions given pursuant to the Tax Certificate. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate. Notwithstanding any other provision of the Indenture to the contrary, upon the Lessor's failure to observe, or refusal to comply with, the foregoing covenant, no persons other than the Trustee or the Bondowners shall be entitled to exercise any right or remedy provided to the Bondowners under the Indenture on the basis of the Lessor's failure to observe, or refusal to comply with the covenant.

Prosecution and Defense of Suits. The Lessor shall promptly take such action as may be necessary to cure any defect in the title to the Equipment or any Equipment Component, whether now existing or hereafter occurring, and shall prosecute and defend all suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances. The Lessor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the provisions of the Indenture, and for the better assuring and confirming to the Trustee, on behalf of the Bondowners, the rights and benefits provided in the Indenture.

Continuing Disclosure. The Lessee has covenanted and agreed in the Disclosure Certificate that the Lessee will comply with and carry out all of the provisions of the Disclosure Certificate. Notwithstanding anything to the contrary contained in the Indenture, failure to comply with the provisions of the Disclosure Certificate shall not be considered an Event of Default under the Indenture; *provided, however*, the Trustee at the written request of any Bondowner of at least 25% aggregate principal amount of Bonds, shall, or any Bondowner may, take such actions as may be necessary and appropriate but only to the extent indemnified to its satisfaction from any cost, liability, expense or additional charges, including without limitation fees and expenses of its attorneys, including seeking mandate on specific performance by court order, to cause the Lessee to comply with its obligations under the Disclosure Certificate.

Notices to Rating Agencies . The Trustee covenants and agrees that it shall give or cause to be given notice to the Rating Agencies of the occurrence of any amendments to the Indenture or the Lease, to the extent actually known to it; and any redemption, purchase or defeasance of the Bonds.

Events of Default and Remedies of Owners

The following shall be "Events of Default" under the Indenture: (a) an event of default shall have occurred under the Lease; or (b) breach by the Lessor of any other terms, covenants or conditions contained in the Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the

Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; *provided, however*, that if such breach cannot be remedied within the 60-day period, the Lessor, the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall not unreasonably withhold their consent to an extension of time if corrective action is instituted by the Lessee within the 60-day period and diligently pursued until the default is corrected. In the event an Event of Default has occurred and is continuing and the Trustee has actual knowledge of such Event of Default, the Trustee shall give notice, at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to Bondowners provided for under the Indenture shall be given by first-class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

Upon the occurrence and continuance of any Event of Default specified in subsection (a) of the immediately preceding paragraph, the Trustee may proceed ((upon written request of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in of the Lease or available to the Trustee under the Indenture. The Trustee shall exercise the rights and remedies vested in it under the Indenture with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his affairs. No remedy conferred upon or reserved to the Trustee under the Indenture or the Lease is intended to be exclusive and every remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Bondowners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than the notice as may be required in the Indenture or by law. In the event any provision contained in the Indenture should be breached by a party and thereafter waived by another party, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach.

In the event the Trustee fails to take any action to eliminate an Event of Default under the Lease or under the Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or the Indenture, but only if such Bondowners, 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 Lease 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 reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time. Notwithstanding any other provisions in the Indenture, the right of any Bondowner to receive the Bondowner's share of Base Rental in accordance with the provisions of his Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Bondowner.

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 and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to the Lease, 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 Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the owners of the Bonds, be distributed pro rata to such owners on the basis of the amount of interest due and unpaid to the owners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to such owners, be distributed pro rata to such owners on the basis of the amount of principal due and unpaid to the owners.

To the extent not required to be deposited into the Base Rental Account pursuant to 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 Lease shall be applied as follows in the order of priority indicated: (a) first, deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (b) second, to the payment of Additional Rental then due and payable; and (c) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

Limitation of Liability

Neither the Lessee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the performance by the Trustee of any duty imposed upon the Trustee under the Indenture, including the distribution by the Trustee of principal of and interest on the Bonds to the owners of the Bonds. Except as provided in the Indenture, neither the Trustee nor the Lessor shall have any obligation or liability to the owners of the Bonds with respect to the payment of Base Rental by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by the Lessee in the Lease. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the provisions of the Lease, and (b) the performance by the Lessee of its obligations and duties as set forth in the Lease, the Lessee shall have no obligation or liability to the Trustee or the owners of the Bonds.

Neither the Trustee nor the Lessor shall have any obligation or responsibility for providing information to the Bondowners concerning the investment quality of the Bonds, for the sufficiency of any Base Rental or for the actions or representations of the Lessee. Neither the Trustee nor the Lessor (except as provided below) shall have any obligation or liability to the Lessee with respect to the failure or refusal of the Lessee to perform any covenant or agreement made by it under the Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Indenture. Notwithstanding the foregoing, the Lessor shall be liable to the owners of the Bonds with respect to the failure of the Lessee to perform any covenant or agreement contained in the Lease, but only to the extent of the Lessor's interest in the Equipment. The recitals of facts, covenants, and agreements contained in the Lease shall be taken as statements, covenants and agreements of the Lessee and neither the Trustee nor the Lessor assumes any responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of the Indenture, the Lease or the Bonds, or as to the value of or title to the Equipment and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it under the Indenture. The Trustee shall not be liable except for its own negligence or willful misconduct.

To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof (which includes legal fees and expenses), where and to the extent such claim, suit or action arises out of the performance of its duties under the Indenture, or the actions of any other party to the Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under the Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to the Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as provided in the Indenture, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. This section will survive the termination of the Indenture and the earlier removal or resignation of the Trustee.

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee and the owners of the Bonds any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision of the Indenture; and all such covenants, conditions, and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the owners of the Bonds.

Defeasance

All or any of the Bonds shall be paid or be deemed to be paid in one of the following ways: (1) by the deposit by the Lessor with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Bond Fund and the Reserve Fund and dedicated, as evidenced by a certificate of a Lessor Representative, to this purpose, without the need for further investment, is fully sufficient to pay the Bonds, including all principal and interest due with respect thereto, *provided, however*, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided for in the Indenture, will not cause the then current ratings to be reduced or withdrawn; or (2) by the deposit with the Trustee in accordance with the Lease, at or before maturity of the Bonds, of cash and/or Qualified Investments which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue on the Qualified Investments without the need for further investment, to pay when due the debt service on the Bonds, including all principal, redemption premium, if any, and interest payable with the respect thereto, *provided, however*, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided in the Indenture, will not cause the then current ratings to be reduced or withdrawn.

When any Bond has been paid or is deemed to have been paid as provided in the Indenture, the Bond shall no longer be deemed Outstanding under the provisions of the Indenture, and all obligations of the Trustee and the Lessor under the Indenture with respect to the Bond shall cease, except only the obligations of the Trustee under certain provisions of the Indenture and the obligations to pay or cause to be paid to the Bondowner thereof all sums due with respect thereto and to pay to the Trustee any amounts due pursuant to the Indenture.

THE LEASE AGREEMENT

The following is a summary of certain provisions contained in the Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Lease.

Term

The Term of the Lease shall commence on the Closing Date, and shall end on the earlier of (1) such time as the Bonds payable from Base Rental attributable to all the Equipment Components shall have been paid (including any abated Base Rental) and provided no default or event of default then exists and is continuing under the Lease, or (2) December 1, 2016 unless such Term is otherwise terminated or extended as hereinafter provided. If on December 1, 2016, the Indenture shall not be discharged by its terms, or if the Base Rental payable under the Lease shall be abated at any time and for any reason, then the Term of the Lease shall be extended until the Indenture shall be discharged by its terms. If prior to December 1, 2016, the Base Rental and Additional Rental shall have been fully paid in connection with the Bonds, the Term of the Lease shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor to the effect that the Base Rental and Additional Rental payable under the Lease shall be fully paid and all Bonds have been fully paid, and the Lease shall thereupon terminate.

Base Rental

Subject to the provisions of the Lease, the Lessee shall pay to the Lessor, its successors and assigns, as a portion of the rental for the use and possession of the Equipment, Base Rental payments, each comprised of components of principal and interest, equal to the aggregate Base Rental specified in the Lease. Except as otherwise required under the Lease, in no event shall the Base Rental on any date be less than the aggregate amount of principal and interest required to be paid or redeemed on such date with respect to the Bonds. Base Rental payable by the Lessee shall be due on or before each Interest Payment Date during the Term of the Lease, each such date being a "Lease Payment Date." The interest component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. The principal component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 3l of such year and the principal component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on each Lease Payment Date with the Trustee, in immediately available funds, on or before that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date.

Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee's use, the Lessee covenants to take such action as may be necessary to include all Rental Payments due under the Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee 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 Lessee to carry out and perform the covenants made by the Lessee under the Lease. Subject to certain provisions of the Lease, the Lessee's obligation to make Rental Payments when due shall be absolute and unconditional without any right of set-off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under the Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Equipment Component to perform the task for which it is leased, the Lessee shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event the Lessee should fail to make any of the payments required, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable to the Lessor, its successors and assigns, at the rate equal to the net effective interest rate paid with the respect to the Bonds on the date such interest was due.

The Base Rental and the Additional Rental required by the Lease shall be paid by the Lessee in consideration of the right of possession of, and the continued use and possession of, the Equipment during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that the Base Rental for each of such period as set forth in the Lease does not exceed the fair rental value of the Equipment. In making such determination, consideration has been given to the Acquisition Costs, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Equipment and the benefits therefrom which will accrue to the Lessee and the general public. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee agrees to pay to the Trustee at the Principal Corporate Trust Office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the Lease. The total Rental Payments due in any Fiscal Year shall be for the use and possession of the Equipment for such Fiscal Year. Base Rental payments shall be subject to abatement as provided in the Lease.

Additional Rental

In addition to the Base Rental, the Lessee shall pay as Additional Rental such amounts as shall be required for the payment of all administrative costs of the Lessor, if any, relating to the Equipment or the issuance of the Bonds, including without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Equipment or undertaking of the transactions contemplated in the Lease or in the Indenture, fees of auditors, accountants, attorneys or engineers, fees, expenses and indemnification costs of the Trustee and all other necessary administrative costs of the Lessor and Lessee or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Lease, the Bonds or of the Indenture, including the insurance premiums required to maintain insurance as required under the Lease, or to defend the Lessor, its members and each Indemnified Party. Additional Rental due under the Lease shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or within thirty days after notice in writing from the Trustee to the Lessee, stating the amount of additional payments then due and payable and the purpose thereof.

Substitution of Equipment Components

The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the existing Exhibit B to the Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms of the Lease. Notwithstanding any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution. The Lessee, pursuant to provisions in the Lease, shall give notice of any substitution of Equipment Components to the Rating Agencies in the event the aggregate of such substituted Equipment Components, within any six-month period, shall have a rental value of at least 5% of the Base Rental due under the Lease.

Option to Purchase Equipment Components and Prepay Base Rental

The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase the Equipment under the Lease by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to the Lease, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each purchased Equipment Component. If the Lessee shall properly exercise the option provided in the Lease prior to the expiration of the Term of the Lease, and the Lessor and the Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then the Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms set forth in the Lease.

In the event that the Lessee exercises its option to purchase all of the Equipment and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph and pays all Additional Rental required by the Lease, the Lessee's obligations under the Lease shall thereupon cease and terminate, including but not limited to the Lessee's obligations to continue to pay Base Rental under the Lease.

The Lessee shall also have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase the Lessor's right, title and interest in any Equipment Component on any Business Day, upon payment of the option price therefor, but only if the Lessee is not then in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The

Lessee shall exercise its option to purchase under this paragraph by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in any Equipment Component and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its purchase option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised its option to purchase any Equipment Component pursuant to this paragraph, and shall have paid the option price therefor, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each Equipment Component. If the Lessee shall properly exercise the option provided in this paragraph as to any Equipment Component prior to the expiration of the Term of the Lease, then the lease for that Component shall terminate and thereafter the Lessee shall be obligated to pay Base Rental only on the remaining Equipment Components.

In the event the Lessee exercises its option to purchase any Equipment Component and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph with respect to such Equipment Component, the principal component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the principal amount of Bonds payable on that Lease Payment Date which were redeemed or defeased (as a result of such purchase) and the interest component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the interest which would have been payable on that Lease Payment Date on the prepaid principal components (as a result of such purchase) had such amounts not been prepaid. If any such reductions in Base Rental shall occur, the Lease shall be amended by the Lessee to reflect such reductions.

Maintenance

The Lessee shall, at its own expense, maintain the Equipment, 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 of the Equipment 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 Equipment, without cost to the Lessor. The Lessee 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 Equipment. The Lessee shall cause all Equipment Components to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under the Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in the Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of the Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than those existing on the Closing Date. and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with the Lease.

Insurance

The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Equipment required by the Lease. Such insurance shall consist of: (a) a policy or policies of insurance against loss or damage to the Equipment known as “all risk,” including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding (such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 from all losses in any year; if such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies); (b) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment (such insurance shall afford protection with a combined single limit of not less than $100,000 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 Lessee’s risk management officer or an independent insurance consultant retained by the Lessee for that purpose); provided, however, that the Lessee’s obligations under this clause (b) may be satisfied by self-insurance; (c) rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years (the Lessee may not self-insure for rental interruption insurance); and (d) workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers’ Compensation Insurance and Safety Act in force in the State, or any act enacted after the date of the Lease as an amendment or supplement thereto or in lieu thereof.

Liens

Except as provided in the Lease, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgages, pledges, liens, charges, encumbrances or claims, as applicable, on or with respect to the Equipment, other than the respective rights of the Lessor and the Lessee as provided in the Lease. Except as expressly provided in the Lease, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; *provided, however*, that the Lessee (a) may contest any such mortgage, pledge, lien, charge, encumbrance or claim without payment thereof so long as such non-payment and contest stays execution or enforcement of such mortgage, pledge, lien, charge, encumbrance or claim, but if such mortgage, pledge, lien, charge, encumbrance or claim 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 Lessee shall forthwith pay and discharge such judgment or such mortgage, pledge, lien, charge, encumbrance or claim, or (b) 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. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Laws and Ordinances

The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to each Equipment Component and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor shall not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Equipment in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of condemnation, damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any Equipment Component by the Lessee. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the Lessee and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, do not exceed the fair rental value for the use and possession of the Equipment Components not condemned, taken, damaged or destroyed. Such abatement shall commence on the date of condemnation, theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment Component or the delivery of a replacement Equipment Component. Additional Rental shall not be abated so long as a significant portion of the Equipment Components remains available for the use and possession of the Lessee. Except as provided in the Lease, in the event of any such condemnation, theft, damage or destruction, the Lease shall continue in full force and effect and the Lessee waives any right to terminate the Lease by virtue of any such condemnation, theft, damage or destruction.

Assignment, Subleasing and Amendment of the Lease

Except as provided in the Indenture, the Lessor will not assign the Lease, its right to receive Base Rental from the Lessee, or its duties and obligations under the Lease to any other person, firm or corporation.

The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions: (a) the Lease and the obligation of the Lessee to make Base Rental under the Lease shall remain obligations of the Lessee; (b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (c) no sublease by the Lessee shall cause any Equipment Component to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and (d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Bond Counsel to the effect that the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

The Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel the Lease except as permitted by the Indenture.

Events of Default and Remedies

The following shall be "events of default" under the Lease and the terms "events of default" and "defaults" shall mean, whenever they are used in the Lease, any one or more of the following events: (a) failure by the Lessee to pay any Base Rental required to be paid under the Lease when due on a Lease Payment Date; (b) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease or otherwise with respect to the Lease or in the Indenture, other than as referred to in clause (a) of this paragraph, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, or the Bondowners of not less than a majority in aggregate principal amount of Bonds then Outstanding; *provided, however*, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee or such Owners, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; (c) the filing by the Lessee of a case in bankruptcy, or the subjection of any right or interest of the Lessee under the Lease to any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may be enacted after the date of the Lease; and (d) the Lessor 's failure to perform any of its obligations under the Lease shall not be an event permitting the nonpayment of Base Rental by the Lessee or the termination of the Lease by the Lessee.

The parties hereto agree that any remedies provided under the Lease shall be exercised by the Trustee, as assignee of the Lessor's rights. Upon the occurrence and continuance of any event of default, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall proceed) to exercise the remedies set forth in the Lease. Pursuant to California Civil Code Section 1951.4, notwithstanding that the Lessee has breached the Lease and abandoned the Equipment, the Lease shall continue in effect and the Lessor or the Trustee may enforce all of their rights and remedies under the Lease. Without limiting any other remedies available to the Trustee under the Lease or at law, the Trustee shall have the right, at its option, without any further notice (a) to recover rent as it becomes due under the Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease. In addition, unless and until the Lease has been terminated pursuant to its terms, the Lessee shall be liable for all unpaid rent and other amounts due under the Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

Neither the Lessor nor the Trustee shall exercise its remedies under the Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under the Lease. Notwithstanding any provision of the Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

December __, 2011

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

County of Los Angeles
Los Angeles, California

We have served as bond counsel to our client County of Los Angeles (the "County") in connection with the issuance of $55,475,000 Los Angeles County Capital Asset Leasing Corporation (the "Corporation") Lease Revenue Bonds, 2011 Series A (the "Bonds"), dated the date of this letter In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

The Bonds are issued pursuant to a Lease Agreement dated as of December 1, 2011 between the Corporation, as lessor and the County, as lessee (the "Lease"), and an Indenture, dated as of December 1, 2011, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Indenture").

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Bonds constitute the valid and binding limited obligations of the Corporation.

2. The Indenture has been duly authorized, executed, and delivered by, and constitutes the valid and binding obligation of the Corporation.

3. The Lease has been duly authorized, executed and delivered by the County and the Corporation and constitutes the valid and binding obligation of the County and the Corporation. The obligation of the County to make the Base Rental payments during the term of the Lease constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), is not an item of tax preference for purposes of the federal alternative

minimum tax imposed on individuals and corporations. Interest on the Bonds is also exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the County or the Corporation.

In rendering those opinions with respect to the treatment of the interest on the Bonds, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the County and the Corporation. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance

The rights of the owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") as of December 1, 2011 in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of December 1, 2011 (the "Indenture"), by and between the County and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County adopted November 15, 2011 relating to the issuance of the Bonds (the "Resolution"). The County hereby covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County on behalf of the Corporation for the benefit of the Bondowners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (herein defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this 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 Disclosure Certificate.

"Beneficial Owner" means any person who (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.

"EMMA System" means the MSRB's Electronic Municipal Market Access system.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"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.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Repository” means MSRB or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule.

“Rule” means paragraph (b) (5) of Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this Disclosure Certificate which are applicable to this Disclosure Certificate.

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, 2011, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be submitted in an electronic format and contain such identifying information as is prescribed by the MSRB, and 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 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(b).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing an Annual Report to the MSRB, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the County shall send a notice of this event to the MSRB in substantially the form of Exhibit A to this Disclosure Certificate in an electronic form prescribed by the MSRB.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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 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 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 the MSRB or the Commission. If the document included by reference is a final official statement, it must be available from the MSRB through its EMMA System. 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 provide (or cause to be provided) to the MSRB, in an electronic format and containing such identifying information as is prescribed by the MSRB and in a timely manner but not later than ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, as specified by the Rule:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties of the County;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties of the County;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Bondowners, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the County;

(xiii) The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the Specified Events described in Section 5(a) (ii), (vi, as applicable), (vii), (viii, as applicable), (x), (xiii) and (xiv), the County acknowledges that it must make a determination whether such Listed Event is material under applicable federal securities laws in order to determine whether a filing is required.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall promptly file, or cause to be filed, a notice of such event with the MSRB through its EMMA System. 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.

(c) Each notice of the occurrence of a Listed Event shall be so captioned and prominently state the title, date and CUSIP number 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.

Section 6. Termination of Reporting Obligation. The County's obligations under this 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 name manner as for a Listed Event under subsection 5(b).

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 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, if other than the County, shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this 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 (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this 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, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(b), 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 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 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 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 Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. No Previous Non-Compliance. The County represents that it has not failed to comply with any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Bondowner 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 Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California n and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event or any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

Section 12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this 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 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 15. Transmission of Notices, Documents and Information. All notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 16. Effective Date. This Disclosure Certificate shall be effective upon the issuance of the Bonds.

[Remainder of page intentionally left blank.]

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:____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO the MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	County of Los Angeles
Name of Bond Issue:	Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2011 Series A (LAC-CAL Equipment Program)
Date of Issuance:	December __, 2011

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of December 1, 2011 with respect to the Bonds. The County anticipates that the Annual Report will be filed by __________.

Dated: _______________

____
On behalf of the County

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC, and neither the County (as defined in the front part of this Official Statement) nor Corporation (as defined in the front part of this Official Statement) take responsibility for the accuracy thereof. The County and the Corporation cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of the principal or interest components with respect the Bonds (“Debt Service”); (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

Neither the County, the Corporation, nor The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”) will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners, as defined below, with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture (as such term is defined in the Official Statement to which this Appendix F is attached); or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Securities, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated

subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. 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 and www.dtc.org. The information presented on each website is ***not*** incorporated by reference as part of this Official Statement.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MALI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered in accordance with the provisions of the Indenture.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Holders and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the County for further information regarding such provisions of the Indenture.

COUNTY OF LOS ANGELES

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LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION • LEASE REVENUE BONDS, 2011 SERIES A (LAC-CAL EQUIPMENT PROGRAM)

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