In the opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

NEW ISSUE - BOOK-ENTRY-ONLY

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

$29,800,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)

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

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 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 June 1, 2014 (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 December 1, 2014. 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 extraordinary 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 Hawkins Delafield & Wood 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 June 26, 2014.

Dated: June 17, 2014

MATURITY SCHEDULE

$29,800,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)

Maturity	Principal Amount	Interest Rate	Yield	CUSIP†
December 1, 2014	$4,690,000	2.00%	0.14%	54466LEZ6
June 1, 2015	4,650,000	2.00	0.18	54466LFA0
December 1, 2015	4,495,000	3.00	0.23	54466LFB8
June 1, 2016	4,370,000	3.00	0.34	54466LFC6
December 1, 2016	4,180,000	3.00	0.48	54466LFD4
June 1, 2017	3,140,000	3.00	0.68	54466LFE2
December 1, 2017	2,900,000	3.00	0.82	54466LFF9
June 1, 2018	1,375,000	3.00	1.05	54466LFG7

 CUSIP numbers have been assigned by an independent company not affiliated with the County or the Corporation and are included solely for the convenience of the registered owners of the Bonds. Neither the County nor the Corporation are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 SERIES A
(LAC-CAL Equipment Program)

Board of Supervisors

Don Knabe
Fourth District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

County Officials

William T Fujioka
Chief Executive Officer

John F. Krattli
County Counsel

Mark J. Saladino
Treasurer and Tax Collector

John Naimo
Acting Auditor-Controller

Public Resources Advisory Group
Financial Advisor

U.S. Bank National Association
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.

TABLE OF CONTENTS

Page

$29,800,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2014 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, 2014 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $29,800,000. 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 June 1, 2014 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, 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 June 1, 2014 (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 December 1, 2014 (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 extraordinary 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, 2013."

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	$29,800,000.00
Original Issue Premium	1,298,810.35
County Contribution	19,560,908.16
TOTAL SOURCES	$50,659,718.51
USES:	
Redemption of BANs	$49,475,712.99
Debt Service Reserve Fund	1,000,000.00
Costs of Issuance Account(1)	153,314.45
Underwriter's Discount	30,691.07
TOTAL USES	$50,659,718.51

(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 December 1, 2014. 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

No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to maturity in whole or in part on any 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 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 sentences 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 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
December 1, 2014	$4,690,000	$344,702.78	$5,034,702.78
June 1, 2015	4,650,000	353,400.00	5,003,400.00
December 1, 2015	4,495,000	306,900.00	4,801.900.00
June 1, 2016	4,370,000	239,475.00	4,609,475.00
December 1, 2016	4,180,000	173,925.00	4,353,925.00
June 1, 2017	3,140,000	111,225.00	3,251,225.00
December 1, 2017	2,900,000	64,125.00	2,964,125.00
June 1, 2018	1,375,000	20,625.00	1,395,625.00

(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 $1,000,000. The Reserve Requirement means, as of any date of calculation, the lesser of (i) $1,000,000 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.”

Substitution of Equipment Components

The County 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 Equipment description for the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the then existing description attached to Lease. As a result of 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. See APPENDIX C - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease – Substitution of Equipment Components.”

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.

No Acceleration Upon an Event of Default

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. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture – Events of Default and Remedies of Owners" and RISK FACTORS - "No Acceleration Upon an Event of Default; Limitations on Remedies".

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 the Department of Beaches and Harbors, the Department of Parks and Recreation, the Department of Health Services, the Internal Services Department 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, except to the extent such payments are abated in accordance with the Lease. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rental payments.

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. The County's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution.

No Acceleration Upon an Event of Default; 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, Base Rental payments 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 and the Base Rental due hereunder shall exceed the fair rental value of the Equipment. 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.

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. See APPENDIX A – "The County of Los Angeles Information Statement" attached hereto.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation in connection with the Bonds, and Bond Counsel has assumed compliance by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on such Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Corporation has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, 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 such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood 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

Public Resources Advisory Group 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 18 of "Notes to the Basic Financial Statements" included in APPENDIX B, which discusses this liability as of June 30, 2013. 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 "AA." 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; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. 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.

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, 2015, for the prior fiscal year, in the form of an annual report (the "Annual Report"), and, no later than ten (10) business days after their occurrence, 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"). 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.

The County has not failed to comply in all material respects with prior undertakings of the County under Rule 15c2-12 in the last five years. The County's underlying rating was upgraded by Standard & Poor's from "A+" to "AA-" in October 2012 in connection with the issuance of its Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 (the "Series 2012 Bonds") and disclosed in the Official Statement for the Series 2012 Bonds. The County did not file an event notice for the rating changes assigned to the County's other General Fund obligations. In addition, the County did not file notices of certain rating changes on bonds insured by a financial guaranty insurance company. The County has since filed notices setting forth the current ratings on each of its obligations.

UNDERWRITING

The Certificates were sold at competitive bid on June 17, 2014. The Bonds were awarded to Citigroup Global Markets Inc. (the "Underwriter"), at a purchase price of $31,068,119.28, which amount is equal to the original principal amount of the Bonds of $29,800,000, plus a net original issue premium of $1,298,810.35, less an underwriting compensation in the amount of $30,691.07. The Underwriter will represent to the County that the Bonds have been re-offered to the public at the prices or yields as stated on the inside front cover page hereof.

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. Such reports are not incorporated by this reference.

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
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
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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 9.9 million in 2012, the County is the most populous of the 58 counties in California and has a larger population than 43 states.

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

COUNTY GOVERNMENT

The County is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts to serve four-year terms. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving three consecutive terms commencing as of December 2002. In December 2014, the Supervisors for the First District and the Third District will reach their term limits. Their successors will be determined by voters in the November 2014 election.

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

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

COUNTY SERVICES

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

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

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

Health and Welfare

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

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

Disaster Services

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

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 19,000 inmates.

General Government

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

Culture and Recreation

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

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 85% of the County workforce is represented by sixty (60) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which has twenty-four (24) collective bargaining units that represent the vast majority of County employees; the Coalition of County Unions ("CCU"), which includes twenty-three (23) collective bargaining units; and the Independent Unions (the "Independent Unions"), which encompass thirteen (13) collective bargaining units. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division negotiates sixty (60) individual collective bargaining agreements for wages and salaries and two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

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

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

On November 12, 2013, the Board of Supervisors approved successor agreements to five MOUs covering wages and work rules for the collective bargaining units representing Interns & Residents, Health Investigative & Support Services, Criminalists, Coroner Investigators and Supervising Coroner Investigators. All five MOUs have a two-year term expiring on September 31, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On December 17, 2013, the Board of Supervisors approved successor agreements to eight MOUs covering wages and work rules for the collective bargaining units representing Appraisers, Supervising Appraisers, Operating Engineers, Automotive & Equipment Maintenance & Repairmen, Professional Engineers, Supervising Professional Engineers, Engineering Technicians and Supervising Engineering Technicians. The eight MOUs have two-year terms expiring on September 31, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On February 25, 2014, the Board of Supervisors approved successor agreements to twenty-four MOUs covering wages and work rules for all of SEIU Local 721 bargaining units. The MOUs all have two-year terms expiring on September 31, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

The County has approved successor MOUs with all of its collective bargaining units, with the exception of the Guild for Professional Pharmacists (Unit #301). Negotiations are currently suspended, but neither party has yet to declare an impasse. Non-represented employees will also receive the 6% cost of living adjustment that was negotiated with SEIU, CCU and the Independent Unions.

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

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

On February 25, 2014, the Board of Supervisors also approved a $500 cash bonus for all full-time permanent employees, payable in two equal installments via their cafeteria benefit plans on March 28, 2014 and July 30, 2014. Temporary and part-time employees will receive a similar cash bonus of $250, also payable in two equal installments.

RETIREMENT PROGRAM

General Information

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

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

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

LACERA's total membership as of June 30, 2013 was 161,950, consisting of 73,951 active vested members, 17,594 non-vested active members, 58,086 retired members and 12,319 terminated vested (deferred) members. Of the 91,545 active members (vested and non-vested), 79,006 are general members in General Plans A through G, and 12,539 are safety members in Safety Plans A through C. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of the Plan A benefits. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of June 30, 2013, approximately 65% of general members were enrolled in General Plan D, and over 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, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

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

2012 State Pension Reform

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

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

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

Contributions

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

Investment Policy

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

Actuarial Valuation

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

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

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

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

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

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

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

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

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"), The 2013 Investigation of

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

UAAL and Deferred Investment Returns

For the June 30, 2012 Actuarial Valuation (the "2012 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 0.3%, which corresponds to a $1.145 billion or 2.9% decrease in the market value of assets from June 30, 2011. The market rate of return in Fiscal Year 2011-12 was significantly lower than the 7.60% assumed rate of return. As a result of the five-year smoothing process for prior year gains and losses in market value, the actuarial value of Retirement Fund assets decreased by $154 million or 0.4% from $39.194 billion to $39.039 billion as of June 30, 2012. The 2012 Actuarial Valuation reported that the AAL increased by $2.211 billion to $50.809 billion, and the UAAL increased by $2.365 billion to $11.770 billion from June 30, 2011 to June 30, 2012.

The decrease in the actuarial value of Retirement Fund assets combined with the increase in actuarial liabilities resulted in a decrease in the Funded Ratio from 80.6% to 76.8% as of June 30, 2012. The 2012 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2013. The County's required contribution rate will increase from 17.54% to 19.82% of covered payroll in Fiscal Year 2013-14. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 7.89% to 10.09%, and an increase in the normal cost contribution rate from 9.65% to 9.73%.

The 2012 Actuarial Valuation did not include $1.586 billion of net deferred investment losses that will be recognized in future years. If the actual market value of Retirement Fund assets was used as the basis for valuation, the actuary estimates that the Funded Ratio would have been 73.7% as of June 30, 2012, and the required County contribution rate would be 21.19% for Fiscal Year 2013-14.

Based on new assumptions from the 2013 Investigation of Experience, the AAL and the UAAL from the 2012 Actuarial Valuation were increased from $50.809 billion and $11.770 billion to $51.321 billion and $12.281 billion, respectively. The adjustment to the actuarial liability numbers from the 2012 Actuarial Valuation resulted in a decrease in the Funded Ratio from 76.8% to 76.1% and provides the basis for calculating the change in the corresponding actuarial liability numbers in the 2013 Actuarial Valuation.

For the 2013 Actuarial Valuation, LACERA reported a rate of return on Retirement Fund assets of 12.1%, which corresponds to a $3.467 billion or 9.1% increase in the market value of assets from June 30, 2012. The market rate of return in Fiscal Year 2012-13 compared favorably to the 7.50% assumed rate of return. As a result of the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $893 million or 2.3% from $39.039 billion to $39.932 billion as of June 30, 2013. The 2013 Actuarial Valuation reported that the AAL increased by $1.927 billion to $53.248 billion, and the UAAL increased by $1.034 billion to $13.315 billion from June 30, 2012 to June 30, 2013.

Despite the strong performance of the Retirement Fund relative to the assumed rate of return in Fiscal Year 2012-13, the Funded Ratio decreased from 76.1% to 75.0% as of June 30, 2013. The Funded Ratio has declined steadily since June 30, 2008 after it reached a cyclical high of 94.5%, prior to the economic downturn. The steady decline in the Funded Ratio over the last five years is primarily driven by continuous growth in the AAL and the partial recognition of significant actuarial investment losses in Fiscal Years 2008-09 and 2011-12 (especially in Fiscal Year 2008-09). The $10.428 billion of actuarial investment losses incurred in Fiscal Year 2008-09 have been fully accounted for in the valuation of the Retirement Fund as of June 30, 2013.

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

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

In Fiscal Year 2013-14, LACERA is reporting a 12.5% return on Retirement Fund assets for the nine-month period ended March 31, 2014, which compares favorably to the actuarial assumed investment rate of return of 7.5%. The asset allocation percentages for the Retirement Fund as of March 31, 2014 were 25.8% domestic equity, 26.7% international equity, 22.4% fixed income, 9.9% real estate, 8.5% private equity, 2.8% commodities, 1.2% hedge funds and 2.6% cash.

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

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual required contribution to LACERA. In Fiscal Years 2011-12 and 2012-13, the County's total contributions to the Retirement Fund were $1.027 billion and $1.119 billion, respectively. In Fiscal Year 2013-14, the County's required contribution payments are estimated to increase by $144 million to $1.263 billion. In Fiscal Year 2014-15, the County is budgeting $1.415 billion to fund its retirement contributions to LACERA.

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

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement

Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, 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") was $470.71 million as of June 30, 2012. The County Contribution Credit Reserve has never been included in the actuarial valuation of Retirement Fund assets. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve to fund the establishment of an OPEB trust. As of June 30, 2013, the remaining balance in the County Contribution Credit Reserve was $21.891 million, all of which is attributable to the Los Angeles County Superior Court.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2013, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2013 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would increase from 21.34% to 21.89% for Fiscal Year 2014-15, and the Funded Ratio would decrease from 75.6% to 73.8% as of June 30, 2013. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $36.061 million in Fiscal Year 2014-15.

Pension Obligation Securities

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

New Pension Accounting Standards

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

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

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

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

Postemployment Health Care Benefits

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

In Fiscal Years 2011-12 and 2012-13, total payments from the County to LACERA for postemployment health care benefits were $424.0 million, and $441.1 million, respectively. In Fiscal Year 2013-14, the County is estimating $447.9 million in payments to LACERA for retiree health care. For Fiscal Year 2014-15, the County is budgeting $466.2 million in retiree health care payments to LACERA.

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. GASB 45 does not require the funding of any OPEB liability related to the implementation of this reporting standard.

OPEB Actuarial Valuation

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

In accordance with the requirements of GASB 43, Milliman completed an OPEB actuarial valuation report as of July 1, 2010 (the "2010 OPEB Valuation"), which was issued in March 2011. In the 2010 OPEB Valuation, Milliman reported an AAL of $24.03 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability 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 prior OPEB Valuation.

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

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

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

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

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB AAL. In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust.

Beginning in January 2013, the County transferred $448.8 million from the County Contribution Credit Reserve to the OPEB Trust Fund over a three-month period ending in March 2013. Although the establishment of the OPEB Trust does not modify the County's retiree benefit programs, the County may consider applying general fund revenues to supplement deposits to the OPEB Trust in the future.

The County has reached a tentative agreement with CCU and SEIU to add a new tier of retiree healthcare benefits for employees who begin County service on or after July 1, 2014. Under the new agreement, the County will provide paid medical coverage at the retiree only premium level and not at the current level of full family coverage. The retiree will have the option to purchase coverage for dependents, but the County will only provide a financial subsidy to the retiree. In addition, Medicare-eligible retirees will be required to enroll in Medicare, with the County subsidy based on a Medicare supplement plan. The same vesting rights and years of service crediting formula of 40% after 10 years and 100% after 25 years will still apply to the new tier. The proposed agreement will not affect current retirees or current employees. The new retiree healthcare benefit tier is projected to save an estimated $840 million over the next 30 years and reduce the unfunded liability for retiree healthcare by 20.8%. The agreement will be presented to the Board of Retirement on May 22, 2014 for its consideration, and if approved, it will be presented to the Board of Supervisors for final approval.

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

Long-Term Disability Benefits

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

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP as of July 1, 2009 (the "2009 LTD Valuation") and July 1, 2011 (the "2011 LTD Valuation"). In the 2011 LTD Valuation, the AAL for the County's long-term DBP was $1.019 billion, which represents a 7.0% increase from the $951.8 million AAL reported in the 2009 LTD Valuation. In Fiscal Years 2011-12 and 2012-13, the County made total DBP payments of $36.7 million and $37.6 million, respectively. In Fiscal Year 2013-14, the County is estimating total DBP payments of $39.8 million. For Fiscal Year 2014-15, the County is budgeting $41.9 million for DBP payments. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation. Based on the 2011 LTD Valuation, the June 30, 2013 net OPEB obligation of $8.153 billion includes $189 million for long-term disability benefits.

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 filed "class action grievances" under their respective Memorandums of Understanding against the County. These collective action lawsuits and grievances seek to recover compensation for overtime related to performing pre-shift and post-shift employment activities such as preparing patrol cars, preparing reports, working through meal times and other such activities which occurred "off the clock." Taken together, the number of claimants in the collective actions exceeded 3,000, and there is the potential that the number of claimants to the class grievances may include as many as 9,000 public safety personnel. The initial PPOA class action lawsuit settled for a total of $60,000. In August 2012, a Federal court granted the County's motion with regard to most of the plaintiffs' claims in the two remaining collective actions and granted the County's motion to decertify the collective classes, which resulted in the dismissal of all of the "opt-in" plaintiffs. Following the Federal court's ruling, the plaintiffs in the ALADS case dismissed that case in its entirety, leaving the remaining PPOA case with only three remaining plaintiffs and significantly reducing the County's liability exposure. The County filed a State court action challenging the proposed proceedings involving the class grievances. The State court granted the County's petition for writ of mandate, essentially precluding the cases from proceeding as class grievances. The balance of the State litigation is still in the early stages of the legal process.

Other Litigation

In March, 2008, a lawsuit entitled *Natural Resources Defense Council, Inc., et al. v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "LACFCD") under the citizen suit provision of the Federal Clean Water Act. The case was bifurcated to first determine liability and then penalties and remedies. The County and the LACFCD were found to have violated water quality standards in Malibu, California. Part of the summary judgment granted to the County and LACFCD was appealed to the Ninth Circuit, which upheld the trial court's ruling with certain exceptions for violations at two watersheds. The Ninth Circuit denied the LACFCD's motion for reconsideration and in May 2014 a writ of certiorari was denied by the U.S. Supreme Court, which then remanded the case back to the Ninth Circuit. The Ninth Circuit then remanded the case back to the District Court for further proceedings, which are limited only to the determination of liability on one claim and to start the remedy phase for the two claims in which the County and the LACFCD were already found liable. Plaintiffs are seeking injunctive relief, civil penalties and attorney fees. Any monetary payments attributable to the County will be paid from the County General Fund, and from a separate fund for the portion of the settlement attributable to the LACFCD.

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

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory pass through payments related to the Educational Revenue Augmentation Funds ("ERAF") that were 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. On remand in January 2012, the trial court issued a statement of decision regarding calculation of the statutory payments which reduced the County's exposure from the previously reported range of $24 to $38 million to approximately $17.9 million. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, stating that the statutory payments due to LAUSD should have included a higher share of the ERAF revenue that was diverted by the Triple Flip and Vehicle License Fee Swap legislation. The California Supreme Court denied the County's petition for review. The Court of Appeal's decision has resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. In response to the Court of Appeal's decision, the County has reserved $76.7 million for the expected resolution of this lawsuit.

In 2008, the City of Alhambra, along with 46 other plaintiff cities, filed a *Petition for Writ of Mandat*e 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. In November 2012, the California Supreme Court upheld the appellate court's decision. The case has been remanded to the trial court to resolve outstanding issues regarding the applicable statute of limitations. The County's total liability exposure was estimated at approximately $40 million. The County settled with the Alhambra plaintiffs and two additional claimants for $35.4 million. The *Alhambra* case was dismissed on February 28, 2014, concluding the case. Still remaining as a result of the *Alhambra* Supreme Court decision, is the *Agoura Hills v. COLA* lawsuit involving nine cites. In addition, thirty cities have retained counsel or have potential claims for damages seeking return of the excessive administrative fees charged. The County is currently in settlement negotiations with the remaining cities. The potential remaining liability for the *Agoura Hills* lawsuit and related claims is between $22.8 million and $33.2 million.

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

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

In 2013, Lancaster Hospital Corporation, doing business as Palmdale Regional Medical Center ("PRMC"), filed suit in Los Angeles Superior Court against the State of California, the County of Los Angeles' Community Health Plan, and two other managed care organizations, Care 1st and the LA Care. (*Lancaster Hospital Corporation, dba Palmdale Regional Medical Center v. Douglas, et al).* PRMC alleges that the amounts paid to it for providing emergency medical care, and the subsequent stabilization care provided to Medi-Cal managed care patients assigned to the various managed care health plans were insufficient. PRMC is seeking damages in excess of $10 million from all defendants. The County estimates its potential liability for this lawsuit to be significantly lower.

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

Los Angeles County, along with nineteen other California counties, has appealed a lower court decision concerning a 1999 statute that makes ancillary outpatient services provided to Medi-Cal eligible individuals between the ages of 21 and 65, who are patients of an Institution for Mental Disease a State-only Medi-Cal responsibility. The County estimates the cost of ancillary outpatient services to be approximately $16.6 million per year. If the County is not successful on appeal, the State may recoup this annual amount from the County from Fiscal Year 2008-09 to the present.

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

In September 2011, a lawsuit entitled City of Cerritos et. al., vs. State of California, et. al. was filed against the State and other defendants, including the County. The lawsuit challenges the constitutionality of the redevelopment dissolution legislation (ABX1 26). On January 27, 2012, the trial court denied the petitioners motion for a preliminary injunction. The petitioners have filed an appeal of the trial court's decision, and as of March 2013, this case had been fully briefed. An oral argument hearing date has not been set. If the petitioners were to prevail, the court could retroactively reinstate redevelopment agencies and require the County to return any residual property tax revenue that it received from the Redevelopment Property Tax Trust Fund. The County estimates the potential liability of this case to be $674.4 million, which is based on the distribution of the entire property tax residual since the redevelopment agency dissolution in 2011. The probability of the petitioners succeeding on the appeal is low, as all of the cases at the State level challenging the redevelopment agency dissolution have been unsuccessful. A detailed discussion of ABX1 26 and the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

Pending Litigation

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

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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
06/30/2008	$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%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	51,320,699	12,281,335	76.07%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	74.99%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2013.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2007-08	$38,724,671	-1.5%	90.1%
2008-09	30,498,981	-18.3%	66.8%
2009-10	33,433,888	11.6%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2013.

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

Fiscal Year	Pension Payment to LACERA	OPEB Payment to LACERA	Pension Bonds Debt Service	Total Pension & OPEB Payments	Percent Change Year to Year
2007-08	$827,789	$352,000	$381,603	$1,561,392	-
2008-09	$805,300	$365,424	$320,339	$1,491,063	-4.5%
2009-10	802,500	384,034	358,165	1,544,699	3.6%
2010-11	898,803	406,937	372,130	1,677,870	8.6%
2011-12	1,026,867	424,030	-	1,450,897	-13.5%
2012-13	1,118,514	441,062	-	1,559,576	7.5%
2013-14	1,263,381 *	447,929 *	-	1,711,310	9.7%
2014-15	1,414,762 *	466,166 *	-	1,880,928	9.9%

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs 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. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

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

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

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

COUNTY BUDGET OVERVIEW

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

The General County Budget accounts for approximately 77.8% of the 2014-15 Recommended Budget and appropriates funding for programs that are provided on a mostly county-wide basis *(e.g.*, health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis *(e.g.*, law enforcement, planning and engineering).

Special Revenue Funds represent approximately 9.9% of the 2014-15 Recommended Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, and specific automation projects.

Capital Project Special Funds account for approximately 1.4% of the 2014-15 Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 8.2% of the 2014-15 Recommended Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.7% of the 2014-15 Recommended Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

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

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

Article XIIIB of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2013-14 is $19,345,849,874. The 2013-14 Final Adopted Budget included proceeds from taxes of $7,109,543,000, which is substantially below the statutory limit.

Proposition 62

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California. In February 2005, a claim was filed, and 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. 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. Claim processing for the settlement has been completed. All refunds have been issued and all fees and costs have been paid. After the settlement payments were made, approximately $31 million was transferred to the cy pres fund in addition to an original $10 million deposit. All cy pres funds, which are required to finance enhanced services within the areas in the County in which the tax was collected, have been earmarked for specific projects that have been approved by the court. Twelve projects have been completed, leaving a remaining balance of approximately $29.3 million. The County anticipates that the projects will be fully funded between Fiscal Year 2014-15 and Fiscal Year 2018-19. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62. The plaintiffs filed a motion alleging that the 2008 election was improperly conducted, which was denied on April 26, 2012. The plaintiffs subsequently appealed the ruling, which was denied by the Court of Appeal on October 2, 2013. The plaintiffs sought a petition for review in the California Supreme Court, which was denied on December 11, 2013. Except for the ongoing implementation of the settlement terms, including the expenditure of the remaining cy pres funds, the case has been fully resolved.

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 raised a constitutional question, which the Court determined must be ruled on together with the motion in the Oronoz case related to the 2008 election issue. The case proceeded with the discovery phase and was set for a bench trial, which was heard with the *Oronoz* motion on April 26, 2012. The court ruled in favor of the County and issued final judgment. The plaintiffs filed an appeal, which was denied. The plaintiffs petition to the California Supreme Court was also denied. As of December 2013, this case was completely resolved with no liability to the County.

On March 4, 2011, a lawsuit, *Rajendra Pershadsingh v. County of Los Angeles,* was filed as a class action and 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 placed the TOT on the June 2012 ballot for ratification, and it was approved by the voters. In November 2012, the Court denied class action status on the grounds that the plaintiff is not a proper class representative. The parties have stipulated to entry of judgment, which was entered by the Court in January 2013. The plaintiff filed an appeal in March 2013. Oral arguments will be heard by the Court in June 2014, and the matter will be decided within 90 days thereafter.

On August 1, 2012, a lawsuit, *Harlan Green v. Dean Logan, Registrar-Recorder*, was filed in Los Angeles Superior Court as an election contest and writ petition challenging the ballot materials that were printed and distributed to the voters for Measure H (the TOT ratification measure), and Measure L, a tax on landfill operators in the County, which were approved by the voters. The complaint alleges that ratification of the prior collection of taxes is unconstitutional and in violation of Propositions 62 and 218. The complaint further alleges that: (1) the impartial analysis prepared by County Counsel failed to inform voters of the effect of a "no" vote, (2) the Board of Supervisors was required to order a fiscal impact statement for the measures if they would increase or decrease the revenues or costs to the County, and (3) the resolutions ordering the elections and the arguments in favor of the two measures resulted in improper advocacy by the County and were misleading to voters. The County filed a demurrer to strike the plaintiff's complaint on November 5, 2012. Following a hearing on the case, the Court sustained the County's demurrer on all grounds on December 17, 2012, but allowed the plaintiff 20 days to amend its complaint. The County again demurred to the first amended complaint on February 4, 2013. On March 1, 2013, the Court sustained the County's demurrer without leave to amend and dismissed the action. Plaintiff filed an appeal. All briefs have been filed with the appellate court and resolution is pending. Although the plaintiff is unlikely to prevail, the potential liability to the County for this case is estimated at $31.4 million.

In *Granados v. County of Los Angeles*, a lawsuit filed in 2006, the class action plaintiff challenged the legality of telephone user tax ("TUT") paid to the County from 2004 through 2008. Pursuant to the County Code, section 4.62.060(a), the County imposes a five percent TUT on amounts paid for telephone services by persons or entities located in unincorporated areas in the County. Excluded from the TUT, however, are amounts paid for telephone services exempt from the tax imposed under the Federal Excise Tax ("FET") (IRC, section 4251), which applies to long distance service charged by time and distance. The plaintiff alleges that most long distance telephone service is charged under a postalized fee structure where the amount of the charge depends only upon the amount of elapsed transmission time and not the distance of the call, and that the FET and the TUT cannot be imposed on such services. In March 2012, the Court of Appeal reversed in part an order of the Superior Court granting the County's demurrer on the basis that this action was barred for failure to file individualized claims. Since that time, this action was on hold pending the outcome of the *Oronoz* litigation, Now that the *Oronoz* case has been settled, *Granados* is expected to resume in the trial court sometime in 2014. The amount of unaddressed liability exposure in *Granados* is estimated at approximately $5 million.

Proposition 218

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

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

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

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

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

Proposition 1A 2004

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

Proposition 26

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

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

Future Initiatives

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

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-22 of this Appendix A, $4.236 billion of the $20.271 billion 2014-15 Recommended General County Budget is received from the Federal government and $5.402 billion is funded by the State. The remaining $10.632 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 48% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

The partisan divide in Washington, D.C. has contributed to Congressional gridlock on Federal budget matters, which has made it difficult to enact annual appropriations bills needed to fund Federal programs and operations. As a result of the current political environment, the County does not expect that Federal legislation will be enacted that would significantly reduce mandatory (entitlement) programs, such as Medicaid, Temporary Assistance for Needy Families, Title IV-E Foster Care and Adoption Assistance, Child Support Enforcement, and the Supplemental Nutrition Assistance Program, through which the County receives the vast majority of its Federal revenue. However, the County's Medicaid revenue is expected to grow significantly due to the expansion of Medicaid under the Affordable Care Act.

The County currently receives its Title IV-E Foster Care revenue through a Federal waiver, which expires on June 30, 2014. Under this waiver, which provides the County with greater flexibility over the use of Federal funds, the County receives annual capped allocations which grow at a rate of 2 percent per year. The State of California is currently negotiating with the Federal government to secure an extension of the waiver. The primary issues in the negotiations over the waiver extension are related to the financial terms and conditions that will determine how much waiver funding is provided by the Federal government in future years. The extension of the waiver is especially important to the County, since under current State law, counties are responsible for financing all non-federal child welfare costs.

In December 2013, Congress enacted the Bipartisan Budget Act, which increased the overall discretionary spending cap to $1.012 trillion in Federal Fiscal Year ("FFY") 2014 and $1.014 trillion in FFY 2015 from the post-sequester FFY 2013 level of $986 billion. Although the County does not receive a significant amount of revenue to administer Federal discretionary programs, the funding for such programs is expected to be more stable and reliable in comparison to recent years.

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 the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. The State's budgetary decisions in response to the economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

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

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

Public Safety Realignment

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

The 2014-15 State Budget estimates AB 109 funding at $1.1 billion. Based on the current 31.77% share of the AB 109 funding allocation, the County would expect to receive approximately $349.5 million in Fiscal Year 2014-15. The current distribution of AB 109 funds is based on a short-term agreement between the State and the counties that can be adjusted in the future to more effectively align AB 109 funding with the cost of housing inmates transferred to the counties. A more permanent solution to the AB 109 funding allocation is expected in Fiscal Year 2014-15.

Redevelopment Agencies

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

- Continue making payments on existing legal obligations without incurring any additional debt.

- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453 million in Fiscal Year 2009-10.

Despite the receipt of residual property tax revenue beginning in Fiscal Year 2011-12, the County's 2012-13 Final Adopted Budget did not include any residual tax revenue from the dissolution of the redevelopment agencies. The estimated amount of such revenues in Fiscal Year 2012-13 was uncertain due to fluctuation in the amounts of enforceable obligations and the potential for disputes between successor agencies and the California Department of Finance, which has the authority to determine the validity of such obligations.

In Fiscal Year 2012-13, the County received the following revenue distributions in accordance with the provisions of ABx1 26 and AB 1484:

- Prior Period Residual Adjustments - $25.8 million
- January 2013 Residual - $41.0 million
- June 2013 Residual - $34.0 million
- Low-to-Moderate Income Housing Funds - $78.8 million
- Non-Housing Unencumbered Funds - $56.7 million
- Prior Year Residual Impound - $3.9 million

In Fiscal Year 2013-14, the County's Final Adopted Budget included $60.0 million for Residual Property Tax revenue. As of April 2014, the County has received the following revenue distributions in accordance with the provisions of ABx1 26 and AB 1484:

- Prior Period Residual Adjustments - $5.1 million
- January 2014 Residual - $53.1 million
- Low-to-Moderate Income Housing Funds - $1.3 million
- Non-Housing Unencumbered Funds - $32.5 million
- Sale of Fixed Assets and Reserves - $1.4 million

The County and all of its related taxing entities are expected to receive a residual payment and other revenue disbursements in June 2014, which is currently expected to include $45.9 million of residual payments and $6.2 million of prior period residual adjustments.

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

2014-15 STATE BUDGET

On January 10, 2014, the Governor released his Fiscal Year 2014-15 Proposed State Budget (the "Proposed State Budget"), which projects a beginning fund balance surplus from Fiscal Year 2013-14 of $4.212 billion, total revenues and transfers of $104.503 billion, total expenditures of $106.793 billion, and a year-end surplus of $1.922 billion for Fiscal Year 2014-15. Of the projected year-end surplus, $955 million will be allocated to the Reserve for Liquidation of Encumbrances and $967 million will be deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget also provides for a $1.591 billion deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would be the first such deposit since Fiscal Year 2006-07. The Proposed State Budget also includes a proposal for a constitutional amendment to strengthen the Rainy Day Fund, which would put the State in a more fiscally sound position to pay its longer term liabilities and to address any future revenue shortfalls.

On May 13, 2014, the Governor released the Fiscal Year 2014-15 May Budget Revision (the "May Budget Revision"). The May Budget Revision projects a beginning fund balance surplus from Fiscal Year 2013-14 of $3.903 billion, total revenues and transfers of $105.346 billion, total expenditures of $107.766 billion, and a year-end surplus of $1.483 billion for Fiscal Year 2014-15. Of the projected year-end surplus, $955 million will be allocated to the Reserve for Liquidation of Encumbrances and $528 million will be deposited to the Special Fund for Economic Uncertainties. The May Budget Revision continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the revised amount of $1.604 billion. The May Budget Revision includes a 4.4% increase in available resources and a 7.0% increase in expenditures from Fiscal Year 2013-14, which reflects the improving financial condition of the State.

Although the May Budget Revision would not result in any significant funding reductions to County-administered programs, it continues to include proposals related to the re-allocation of 1991-92 Realignment Program funding as a result of Federal health care reform, which could have a negative impact to future County budgets. The impact to the County from Federal health care reform and the re-allocation of 1991-92 Realignment Program funding is discussed in further detail in the Health Services Budget section.

As a result of the recent economic downturn and the continuing fiscal challenges in California, the long-term financial condition of the State is uncertain. Many future events will affect the amount of funding that is received by the County from the State and Federal governments. As a result, the information in this Official Statement (including 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

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. The passage of Proposition 1A 2004 secured long-term financial protection for local governments by limiting the ability of the State to reallocate local property tax revenues during an economic downturn or State fiscal crisis. Proposition 1A 2004 provides the County with a more reliable funding source by replacing VLF revenue with property taxes, which have historically been one of the least volatile sources of revenue.

The reliability of property tax revenue is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that has not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the recent economic downturn. To illustrate this point, average median home prices in the County declined by 48% from their peak value in August 2007 ($562,346) to a low in January 2012 ($290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in Fiscal Year 2009-10 and 2010-11, respectively. Assessed valuation returned to growth in Fiscal Years 2011-12, 2012-13 and 2013-14, with increases of 1.4%, 2.2% and 4.7% in the Net Local Roll, respectively. For the Fiscal Year 2013-14 tax roll, the County Assessor estimates that approximately 13.1% of all single-family residential parcels, 13.5% of all residential income parcels and 16.3% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

In Fiscal Year 2013-14, the Assessor reported a Net Local Roll of $1.130 trillion, which represents an increase of 4.66% or $50.309 billion from Fiscal Year 2012-13. The 2013-14 Net Local Roll represents the largest revenue-producing valuation in the history of the County. The largest factors contributing to the projected increase in assessed valuation in Fiscal Year 2013-14 are transfers in ownership ($20.284 billion), the restoration of previous decline in value adjustments ($10.378 billion), new construction ($2.950 billion), and an increase in the consumer price index ($17.234 billion).

Starting in Fiscal Year 2007-08, with the downturn in the real estate market, the County Assessor initiated Proposition 8 reviews of 768,000 parcels. As a result of the Assessor's proactive approach to Proposition 8 reviews, the valuations of 550,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations would insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. With the recent improvement in the residential real estate market, the Assessor is currently reviewing 345,000 parcels to determine the extent to which these parcels can be restored to their previous Proposition 13 values.

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

2013-14 FINAL ADOPTED BUDGET

The 2013-14 Final Adopted Budget, which was approved by the Board of Supervisors on October 8, 2013, appropriated $26.009 billion, which represents a 2.8% increase in total funding requirements from Fiscal Year 2012-13. For the General County Budget (General Fund and Hospital Enterprise Fund), the 2013-14 Final Adopted Budget appropriates $20.0 billion, which represents a 3.4% increase from the 2012-13 Final Adopted Budget. The 2013-14 Final Adopted Budget includes funding for 103,678 positions, which reflects a net increase of 624 budgeted positions from Fiscal Year 2012-13.

The primary changes to the NCC portion of the 2013-14 Final Adopted Budget are outlined in the following table.

Fiscal Year 2013-14 NCC Budget Changes

2012-13 One-Time Budget Solutions	$ (103,639,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	(32,161,000)
Pension Costs	(47,757,000)
Employee Salary Increases	(65,493,000)
General Relief Increases	(15,000,000)
Various	(1,778,000)
Net Program Changes	(119,894,000)
Revenue Changes	
Property Taxes	215,710,000
Property Taxes - CRA Dissolution Residual	40,000,000
Realignment Sales Tax	49,626,000
Public Safety Sales Tax	46,415,000
Property Tax Admin Fee	(15,852,000)
Interest Earnings	(11,100,000)
Various Revenue Changes	9,769,000
Ongoing Funding Used for One-Time Needs in 2012-13	42,356,000
Net County Cost	(8,798,000)
Fund Balance	8,798,000
Total Projected Budget Gap	$ -

Expiration of Prior Year One-Time Budget Solutions

The County has previously utilized one-time funding solutions to help balance the budget. The impact on the 2013-14 Recommended Budget from the expiration of one-time funding solutions utilized in Fiscal Year 2012-13 is projected to be a negative $103.639 million.

Unavoidable Cost Increases

The primary components of the unavoidable cost increases are higher expenditures related to employee salaries, pension funding requirements and employee health insurance. The increase in the County's pension funding requirements are primarily due to the net actuarial investment losses sustained by LACERA in Fiscal Years 2008-09 and 2011-12, and the reductions in the assumed investment rates of return, which are described in detail in the Information Statement section of this Appendix A. The increase in the cost of employee salaries is directly related to the new labor agreements with the County's collective bargaining units, which is also described in detail in the Information Statement section of this Appendix A.

Revenue Increases

As the local economy continues to improve, the County is projecting increases in a variety of locally generated revenues and statewide sales tax revenues. For the third consecutive year, the Assessor reported an increase in assessed valuation, which is projected to generate $215.710 million of additional property tax revenue in Fiscal Year 2013-14. In addition, the County is projecting to receive $40.0 million of additional revenue from the property tax residual related to the redevelopment agency dissolution.

The County continues to see year-over-year growth in both Proposition 172 Sales Tax and Realignment Sales Tax, which is projected to provide $96.041 million of additional revenue in Fiscal Year 2013-14.

2014-15 RECOMMENDED BUDGET

The 2014-15 Recommended Budget, which was approved on April 15, 2014, appropriates $26.054 billion, which reflects a $45 million or 0.2% decrease in total funding requirements from Fiscal Year 2013-14. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $20.271 billion, which represents a $262 million or 1.3% increase from Fiscal Year 2013-14. The 2014-15 Recommended Budget appropriates $5.783 billion for Special Funds/District, reflecting a $307 million or 5.0% decrease from Fiscal Year 2013-14.

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

Fiscal Year 2014-15 NCC Budget Changes

2013-14 One-Time Budget Solutions	$ (8,798,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	(30,474,000)
Pension Costs	(79,172,000)
Employee Salary Increases	(82,156,000)
Deferred Compensation Cap Increase	(8,100,000)
Various Cost Increases	(8,628,000)
Program Changes	
Sheriff Jail Violence Recommendations	(36,475,000)
Sheriff Restore Curtailments	(18,000,000)
Mental Health Inpatient Beds - COLA	(6,321,000)
Psychiatric Emergency Services	(5,438,000)
Various Assistance Cost Increases	(4,877,000)
All Other Program Changes	(21,485,000)
Revenue Changes	
Property Taxes	184,899,000
Property Taxes - CRA Dissolution Residual	40,000,000
Realignment Sales Tax	25,471,000
Public Safety Sales Tax	26,913,000
Registrar-Recorder Revenue Shortfall	(13,181,000)
Various Revenue Changes	10,300,000
Net County Cost	(35,522,000)
Fund Balance	35,522,000
Total Projected Budget Gap	$ -

Unavoidable Cost Increases

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

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

Program Changes

Outlined below are some of the significant program changes that are financed with locally generated revenues.

- Citizen's Commission on Jail Violence (CCJV) – Provides the second year of funding ($36.5 million) to implement the CCJV recommendations. This appropriation, coupled with funding provided in Fiscal Year 2013-14, brings the total ongoing funding amount for the CCJV implementation to $56.5 million.

- Cadre of Administrative Reserve Personnel (CARP) – Eliminates the CARP program by providing $18.0 million to the Sheriff's Department for the second year of a two-year funding plan.

- In-Home Supportive Services (IHSS) Program – Increases funding for the IHSS program by $12.8 million based upon State law that requires counties to provide a 3.5% inflation increase to the counties maintenance of effort base amount.

- Inpatient Bed Cost Increases – Reflects a $6.3 million increase for the Department of Mental Health (DMH) as a result of COLA adjustments for both State hospital beds (6% COLA) and Institutions for Mental Diseases (IMD) beds (4.7% COLA). DMH contracts for these beds from private providers and the State, which provides critical care for individuals who require mental health services, and helps to alleviate overcrowding of emergency rooms and hospital inpatient beds throughout the County.

Revenue Increases

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

The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. In the preliminary forecast for Fiscal Year 2014-15, the Assessor projected a 4.06% increase in assessed valuation, which provided the basis for the $184.9 million projected increase in property tax revenue in the 2014-15 Recommended Budget. In addition to the projected growth in property tax revenue, the County has included an additional $40.0 million revenue increase from the property tax residual in Fiscal Year 2014-15 as a result of the redevelopment agency dissolution.

In the final forecast for Fiscal Year 2014-15, which was released in May 15, 2014, the Assessor is projecting a 5.05% increase in assessed valuation. The projected increase in assessed valuation reflects the continuing recovery of the residential housing market, but is somewhat constrained by the recent period of low inflation. The Assessor is expected to release the 2014-15 tax roll by August 2014.

Based on current trends, and a survey of local economic forecasts, the County has assumed a 4.0% growth factor in its overall sales tax projection for the 2014-15 Recommended Budget. Based on the 4% growth rate, the County is projecting a $52.4 million increase in Proposition 172 Sales Tax and Realignment Sales Tax in Fiscal Year 2014-15.

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

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including two Multi-Service Ambulatory Care Centers, six comprehensive health centers, 11 health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,000 physician residents annually.

As a safety net provider, the County is the provider of last resort for millions of medically indigent County residents. Historically, the cost of providing health services has exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which has resulted in an ongoing structural deficit for DHS. By developing new revenue sources, implementing efficiencies and hiring freezes, and using one-time reserve funds, DHS has been able to cover its prior years structural deficits. DHS currently projects a budgetary surplus of $11.5 million for 2013-14 and a balanced budget for 2014-15.

The improvement in the DHS fiscal outlook from prior years is largely due to the approval by the Centers for Medicare and Medicaid Services ("CMS") of a five-year Section 1115 Hospital Financing Waiver (the "Waiver") for public hospitals in California, which became effective November 1, 2010. The Waiver provides funding to partially finance uncompensated care and also provides a new funding source for system improvements at public hospitals through the Delivery System Reform Incentive Pool ("DSRIP"). Since the DSRIP revenue is performance-based, DHS has been focusing its efforts on developing and implementing the structural and operational changes necessary to meet specific goals and outcomes in order to maximize this funding source.

In Fiscal Year 2013-14, DHS expects to recognize $477.7 million in DSRIP revenue with a related intergovernmental transfer of $238.8 million. A mandated semi-annual report was submitted to the State in March 2014 for which DHS expects to receive a DSRIP payment by the end of the current Fiscal Year. The next semi-annual report is due to the State in September 2014. DHS expects to achieve most of the required performance goals, with the corresponding revenue expected to be received in late 2014.

In addition, the Waiver permits the federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive Federal matching funds for Medi-Cal services that would otherwise not be eligible for Federal funding. Federal health care reform provided the framework for the Waiver by allowing an early implementation of some of the law's coverage expansion provisions. The Waiver's Medi-Cal Coverage Expansion ("MCE") program, known as Healthy Way LA ("HWLA") in Los Angeles County, provided for early enrollment, prior to January 2014, for many uninsured DHS patients, thereby improving DHS' payer mix and providing additional revenue. As of December 31, 2013, there were over 300,000 patients enrolled in HWLA. On January 1, 2014, the Patient Protection and Affordable Care Act (ACA) became effective and HWLA enrollees were automatically transitioned to coverage under the ACA's MCE program. The MCE program provides Medi-Cal coverage for citizens or legal residents, and uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. The MCE program is expected to significantly improve DHS' payer mix as previously uninsured patients transition to Medi-Cal coverage. The County has included $223.2 million of additional revenue related to the ACA in the 2014-15 Recommended Budget.

Based on the implementation of the ACA and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of its funding of health care and human services programs that has been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions in 1991-92 Realignment Program funding occurred and ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment that will be "redirected" from the Realignment Health Subaccount to the Family Support Subaccount. The County was able to negotiate its own agreement with the State and a formula that is different than the rest of the counties. The County's unique formula takes into account the entire DHS and includes cost caps, revenue requirements, specific sharing ratios, and a County maintenance of effort. A mathematical formula will be used to determine whether there are "excess" funds available for "redirection" of realignment back to the State. The amount of realignment redirection will be reconciled to the formula two years after the close of Fiscal Year 2013-14. If there are "excess" funds resulting from the formula calculation, the sharing ratio for Fiscal Year 2013-14 is 70% State and 30% County. For Fiscal Year 2014-15 and forward, the sharing ratio is 80% State and 20% County. The 2013-14 Final Adopted Budget included an $88.6 million reduction in State funding from the 1991-92 Realignment Program. This number will be reconciled to actual results two years after the close of Fiscal Year 2013-14. DHS is currently working with the State to determine the amount of the realignment reduction for Fiscal Year 2014-15.

The May Budget Revision proposes to redirect $724.9 million in 1991-92 Realignment Program funding from the counties to the State, which is attributed to the expected increase in revenue to the counties as a result of the expansion of Medi-Cal under the ACA. The State indicates that this amount is based on the methodologies contained in AB 85 (Chapter 24, Statutes of 2013), which modified the distribution of 1991-92 Realignment Program funding to capture and redirect the anticipated financial benefits to counties from the ACA. The May Budget Revision decreases the estimated redirection amount from $900.0 million to $724.9 million in FY 2014-15. The May Budget Revision retains the redirection of $300.0 million for Fiscal Year 2013-14. The Governor has noted that the Fiscal Year 2013-14 and Fiscal Year 2014-15 estimated redirections are interim calculations, with a final reconciliation of the Fiscal Year 2013-14 redirection to take place no later than January 2016.

The estimated reduction in the County's 1991-92 Realignment Program funding from the State for Fiscal Year 2014-15 is estimated at $238.3 million. Although DHS believes that the State has overestimated the increase in Medi-Cal revenue to the County as a result of the ACA, the final determination of the 1991-92 Realignment Program funding is subject to the reconciliation and repayment process based on the County's actual results, as provided in AB 85.

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 $10.0 million.

The Federal and State governments are the primary sources of revenue 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, 2013, the balance of General Fund cash advances to the Hospital Funds was approximately $739.0 million. DHS expects this amount to increase as a result of two key factors that are occurring simultaneously: the reduction in 1991-92 Realignment Program funding, and the substantial increase in the amount of services that have to be claimed on a patient-specific basis instead of through the realignment block grant, which has resulted in delays to cash receipts caused by a significant increase in pending Medi-Cal accounts and increased overall billing volume. Once the initial surge of new Medi-Cal applications is processed, DHS' cash receipts are expected return to a more timely and predictable pattern.

Another factor to note is the State's implementation of the ACA's Hospital Presumptive Eligibility ("HPE") program, which is a simplified, streamlined Medi-Cal application process that determines eligibility quickly and provides immediate, temporary Medi-Cal coverage to eligible patients. Because of the simplified nature of the HPE process, once it is fully operational, payments to DHS are expected to occur at a much faster pace and produce significant increases in DHS' cash flow.

In addition to the funding sources described above, the County's General Fund has also advanced cash to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has recently completed the audit for Fiscal Year 2009-10. The State has indicated their intent to accelerate the audit process to achieve the goal of being only one-year in arrears in relation to the current fiscal year. As of June 30, 2013, the overall receivable balance was $195.9 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable, since it is not currently available to fund the County's budgetary requirements.

Martin Luther King Jr. Hospital

The County-operated Martin Luther King, Jr. Hospital (the "MLK Hospital") was closed in 2007 and converted to a Multi-Service Ambulatory Care Center. Since then, the County and the University of California (the "UC") established an independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. A seven-member MLK Hospital Board of Directors was appointed by the County and the UC in August 2010 to oversee MLK-LA Healthcare, the new 501(c)(3) private, non-profit MLK Hospital. The new MLK Hospital will serve as a safety-net community hospital providing services to a high volume of Medi-Cal and uninsured patients from the surrounding community. Construction of the new MLK Hospital facility achieved substantial completion in October 2013 and the hospital is expected to open in mid- 2015.

To assist with the opening of the MLK Hospital, the County has agreed to provide MLK-LA Healthcare with $50 million of coordination start-up funds, $39.1 million of grant funding, and $82.0 million of short-term and long-term loans. In addition, the County has committed to make an annual intergovernmental transfer of up to $50 million for the benefit of the new hospital. For use of the County-owned hospital facility, MLK-LA Healthcare will make annual lease payments to the County in the amount of $18 million. The County has initially financed the construction of the MLK Hospital with $281.498 million of short-term lease-revenue notes, which are currently outstanding. The County intends to refinance the MLK Hospital and pay-off the short-term notes through the issuance of long-term lease-revenue bonds.

Tobacco Settlement Revenue

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

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

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

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

Neither the MSA nor the Memorandum of Understanding restricts the use of the County’s settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County’s General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. As of June 30, 2013, the County has received approximately $1.471 billion in TSRs and accrued interest, with approximately $1.379 billion of the collected proceeds disbursed, and $92.7 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help improve the operational efficiency of the health system.

BUDGET TABLES

The 2014-15 Recommended Budget is supported by $4.382 billion in property taxes, $4.236 billion in Federal funding, $5.402 billion in State funding, $0.053 billion in cancelled obligated fund balance, $1.202 billion in Fund Balance and $4.996 billion from other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2013-14 Final Adopted Budget with the 2014-15 Recommended Budget.

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

Fund	Final 2010-11	Final 2011-12	Final 2012-13	Final 2013-14	Recommended 2014-15
General Fund	$ 16,380,905	$ 16,229,826	$ 16,750,817	$ 17,206,258	$ 17,214,652
Hospital Enterprise Fund	2,127,184	2,268,712	2,592,117	2,803,170	3,055,965
Total General County Budget	$ 18,508,089	$ 18,498,538	$ 19,342,934	$ 20,009,428	$ 20,270,617

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

	Final 2010-11	Final 2011-12	Final 2012-13	Final 2013-14	Recommended 2014-15
Requirements					
Social Services	$ 5,707,144	$ 5,539,798	$ 5,572,820	$ 5,846,911	$ 6,022,132
Health	5,424,321	5,600,822	5,952,459	6,208,232	6,301,956
Justice	4,745,700	4,697,762	4,985,441	5,146,062	5,322,723
Other	2,630,924	2,660,156	2,832,214	2,808,223	2,623,806
Total	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,270,617**
Revenue Sources					
Property Taxes	$ 3,676,161	$ 3,750,746	$ 3,814,906	$ 4,177,683	$ 4,381,993
State Assistance	4,528,710	4,670,351	5,168,427	5,024,219	5,402,240
Federal Assistance	4,868,199	4,712,400	5,008,928	4,342,123	4,235,928
Other	5,435,019	5,365,041	5,350,673	6,465,403	6,250,456
Total	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,270,617**

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

	Final 2010-11	Final 2011-12	Final 2012-13	Final 2013-14	Recommended 2014-15
Financing Requirements					
Salaries & Employee Benefits	$ 9,004,826	$ 8,895,017	$ 9,322,969	$ 9,671,291	$ 10,191,861
Services & Supplies	6,530,982	6,706,121	6,869,576	7,138,148	6,903,698
Other Charges	3,503,195	3,621,050	3,734,605	3,901,664	4,008,854
Capital Assets	1,077,873	890,217	1,025,119	982,969	872,884
Other Financing Uses	704,520	640,310	615,357	619,569	317,270
Residual Equity Transfers Out	-	-	-	-	-
Interbudget Transfers[1]	(1,452,816)	(1,419,532)	(1,476,794)	(1,417,786)	(1,110,572)
Gross Appropriation	$ 19,368,580	$ 19,333,183	$ 20,090,832	$ 20,895,855	$ 21,183,995
Less: Intrafund Transfers	946,497	975,236	942,276	944,775	960,613
Net Appropriation	$ 18,422,083	$ 18,357,947	$ 19,148,556	$ 19,951,080	$ 20,223,382
Provision for Obligated Fund Balance					
General Reserve	$ -	$ -	$ -	$ -	$ -
Assigned for Rainy Day Funds	-	-	10,000	35,033	
Committed Fund Balance	86,006	140,591	184,378	23,315	47,235
Total Financing Requirements	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,270,617**
Available Financing					
Fund Balance	$ 1,628,644	$ 1,601,571	$ 1,565,502	$ 1,497,581	$ 1,202,184
Cancel Provision for Obligated Fund Balance	409,097	271,027	208,484	239,852	52,644
Property Taxes: Regular Roll	3,654,517	3,709,801	3,778,085	4,123,069	4,310,800
Supplemental Roll	21,644	40,945	36,821	54,614	71,193
Revenue	12,794,187	12,875,194	13,754,042	14,094,312	14,633,796
Total Available Financing	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,270,617**

[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 $1.1 billion in 2014-15, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2013-14 TO RECOMMENDED BUDGET 2014-15
Net Appropriation: By Function
(In thousands)

Function	2013-14 Final Budget (1)	2014-15 Recommended Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 917,814.0	$ 971,309.0	$ 53,495.0	5.83%
General Services	738,562.0	558,754.0	(179,808.0)	-24.35%
Public Buildings	917,843.0	831,529.0	(86,314.0)	-9.40%
Total General	$ 2,574,219.0	$ 2,361,592.0	$ (212,627.0)	-8.26%
Public Protection				
Justice	$ 4,839,809.0	$ 5,010,838.0	$ 171,029.0	3.53%
Other Public Protection	212,399.0	203,504.0	(8,895.0)	-4.19%
Total Public Protection	$ 5,052,208.0	$ 5,214,342.0	$ 162,134.0	3.21%
Health and Sanitation	6,180,079.0	6,301,803.0	121,724.0	1.97%
Public Assistance	5,778,005.0	5,982,657.0	204,652.0	3.54%
Recreation and Cultural Services	299,659.0	295,294.0	(4,365.0)	-1.46%
Insurance and Loss Reserve	66,910.0	67,694.0	784.0	1.17%
Provision for Obligated Fund Balance	58,348.0	47,235.0	(11,113.0)	-19.05%
Total Requirements	**$ 20,009,428.0**	**$ 20,270,617.0**	**$ 261,189.0**	**1.31%**
AVAILABLE FUNDS				
Property Taxes	$ 4,177,683.0	$ 4,381,993.0	$ 204,310.0	4.89%
Fund Balance	1,497,581.0	1,202,184.0	(295,397.0)	-19.72%
Cancelled Prior-Year Reserves	239,852.0	52,644.0	(187,208.0)	-78.05%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 326,663.0	$ 326,663.0	$ -	0.00%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	770,941.0	1,069,559.0	298,618.0	38.73%
Other Public Assistance	1,585,028.0	1,654,697.0	69,669.0	4.40%
Public Protection	1,180,886.0	1,214,650.0	33,764.0	2.86%
Health and Mental Health	945,854.0	963,662.0	17,808.0	1.88%
Capital Projects	134,930.0	131,718.0	(3,212.0)	-2.38%
Other State Revenues	59,417.0	20,791.0	(38,626.0)	-65.01%
Total State Revenues	$ 5,024,219.0	$ 5,402,240.0	$ 378,021.0	7.52%
Federal Revenues				
Public Assistance Subventions	$ 2,484,305.0	$ 2,379,456.0	$ (104,849.0)	-4.22%
Other Public Assistance	234,518.0	225,797.0	(8,721.0)	-3.72%
Public Protection	222,740.0	222,473.0	(267.0)	-0.12%
Health and Mental Health	1,347,470.0	1,362,307.0	14,837.0	1.10%
Capital Projects	6,786.0	1,779.0	(5,007.0)	-73.78%
Other Federal Revenues	46,304.0	44,116.0	(2,188.0)	-4.73%
Total Federal Revenues	$ 4,342,123.0	$ 4,235,928.0	$ (106,195.0)	-2.45%
Other Governmental Agencies	57,195.0	57,006.0	(189.0)	-0.33%
Total Intergovenmental Revenues	$ 9,423,537.0	$ 9,695,174.0	$ 271,637.0	
Fines, Forfeitures and Penalties	214,092.0	216,156.0	2,064.0	0.96%
Licenses, Permits and Franchises	43,740.0	48,258.0	4,518.0	10.33%
Charges for Services	3,131,670.0	3,693,013.0	561,343.0	17.92%
Other Taxes	193,457.0	204,346.0	10,889.0	5.63%
Use of Money and Property	126,061.0	127,151.0	1,090.0	0.86%
Miscellaneous Revenues	517,922.0	384,473.0	(133,449.0)	-25.77%
Operating Contribution from General Fund	443,833.0	265,225.0	(178,608.0)	-40.24%
Total Available Funds	**$ 20,009,428.0**	**$ 20,270,617.0**	**$ 261,189.0**	**1.31%**

(1) Reflects the 2013-14 Final Adopted General County Budget approved by the Board of Supervisors on October 8, 2013
(2) Reflects the 2014-15 Recommended General County Budget approved by the Board of Supervisors on April 14, 2014

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2013-14 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	$ 917,814.0	$ -	$ 917,814.0
General Services	738,562.0	-	738,562.0
Public Buildings	917,843.0	-	917,843.0
Total General	$ 2,574,219.0	$ -	$ 2,574,219.0
Public Protection			
Justice	$ 4,839,809.0	$ -	$ 4,839,809.0
Other Public Protection	212,399.0	-	212,399.0
Total Public Protection	$ 5,052,208.0	$ -	$ 5,052,208.0
Health and Sanitation	$ 3,376,909.0	$ 2,803,170.0	$ 6,180,079.0
Public Assistance	5,778,005.0	-	5,778,005.0
Recreation and Cultural Services	299,659.0	-	299,659.0
Insurance and Loss Reserve	66,910.0	-	66,910.0
Provision for Obligated Fund Balance	58,348.0	-	58,348.0
Total Requirements	**$ 17,206,258.0**	**$ 2,803,170.0**	**$ 20,009,428.0**
AVAILABLE FUNDS			
Property Taxes	$ 4,177,683.0	$ -	$ 4,177,683.0
Fund Balance	1,497,581.0	-	1,497,581.0
Cancel Provision for Obligated Fund Balance	115,192.0	124,660.0	239,852.0
	-		
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 326,663.0	$ -	$ 326,663.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	770,941.0	-	770,941.0
Other Public Assistance	1,585,028.0	-	1,585,028.0
Public Protection	1,180,886.0	-	1,180,886.0
Health and Mental Health	896,343.0	49,511.0	945,854.0
Capital Projects	134,930.0	-	134,930.0
Other State Revenues	59,417.0	-	59,417.0
Total State Revenues	4,974,708.0	49,511.0	5,024,219.0
Federal Revenues			
Public Assistance Subventions	$ 2,484,305.0	$ -	$ 2,484,305.0
Other Public Assistance	234,518.0	-	234,518.0
Public Protection	222,740.0	-	222,740.0
Health and Mental Health	872,956.0	474,514.0	1,347,470.0
Capital Projects	6,786.0	-	6,786.0
Other Federal Revenues	46,304.0	-	46,304.0
Total Federal Revenues	$ 3,867,609.0	$ 474,514.0	$ 4,342,123.0
Other Governmental Agencies	57,195.0	-	57,195.0
Total Intergovenmental Revenues	$ 8,899,512.0	$ 524,025.0	$ 9,423,537.0
Fines, Forfeitures and Penalties	214,088.0	4.0	214,092.0
Licenses, Permits and Franchises	43,614.0	126.0	43,740.0
Charges for Services	1,760,398.0	1,371,272.0	3,131,670.0
Other Taxes	193,457.0	-	193,457.0
Use of Money and Property	125,888.0	173.0	126,061.0
Miscellaneous Revenues	178,845.0	339,077.0	517,922.0
Operating Contribution from General Fund	-	443,833.0	443,833.0
Total Available Funds	**$ 17,206,258.0**	**$ 2,803,170.0**	**$ 20,009,428.0**

(1) Reflects the 2013-14 Final Adopted General County Budget approved by the Board of Supervisors on October 8, 2013

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

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 971,309.0	$ -	$ 971,309.0
General Services	558,754.0	-	558,754.0
Public Buildings	831,529.0	-	831,529.0
Total General	$ 2,361,592.0	$ -	$ 2,361,592.0
Public Protection			
Justice	$ 5,010,838.0	$ -	$ 5,010,838.0
Other Public Protection	203,504.0	-	203,504.0
Total Public Protection	$ 5,214,342.0	$ -	$ 5,214,342.0
Health and Sanitation	$ 3,245,838.0	$ 3,055,965.0	$ 6,301,803.0
Public Assistance	5,982,657.0	-	5,982,657.0
Recreation and Cultural Services	295,294.0	-	295,294.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Provision for Obligated Fund Balance	47,235.0	-	47,235.0
Total Requirements	**$ 17,214,652.0**	**$ 3,055,965.0**	**$ 20,270,617.0**
AVAILABLE FUNDS			
Property Taxes	$ 4,381,993.0	$ -	$ 4,381,993.0
Fund Balance	1,202,184.0	-	1,202,184.0
Cancel Provision for Obligated Fund Balance	52,644.0	-	52,644.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 326,663.0	$ -	$ 326,663.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,069,559.0	-	1,069,559.0
Other Public Assistance	1,654,697.0	-	1,654,697.0
Public Protection	1,214,650.0	-	1,214,650.0
Health and Mental Health	915,054.0	48,608.0	963,662.0
Capital Projects	131,718.0	-	131,718.0
Other State Revenues	20,791.0	-	20,791.0
Total State Revenues	5,353,632.0	48,608.0	5,402,240.0
Federal Revenues			
Public Assistance Subventions	$ 2,354,021.0	$ 25,435.0	$ 2,379,456.0
Other Public Assistance	225,797.0	-	225,797.0
Public Protection	222,473.0	-	222,473.0
Health and Mental Health	893,788.0	468,519.0	1,362,307.0
Capital Projects	1,779.0	-	1,779.0
Other Federal Revenues	44,116.0	-	44,116.0
Total Federal Revenues	$ 3,741,974.0	$ 493,954.0	$ 4,235,928.0
Other Governmental Agencies	57,006.0	-	57,006.0
Total Intergovenmental Revenues	$ 9,152,612.0	$ 542,562.0	$ 9,695,174.0
Fines, Forfeitures and Penalties	216,123.0	33.0	216,156.0
Licenses, Permits and Franchises	48,132.0	126.0	48,258.0
Charges for Services	1,677,146.0	2,015,867.0	3,693,013.0
Other Taxes	204,346.0	-	204,346.0
Use of Money and Property	127,066.0	85.0	127,151.0
Miscellaneous Revenues	152,406.0	232,067.0	384,473.0
Operating Contribution from General Fund	-	265,225.0	265,225.0
Total Available Funds	**$ 17,214,652.0**	**$ 3,055,965.0**	**$ 20,270,617.0**

(1) Reflects the 2014-15 Recommended General County Budget approved by the Board of Supervisors on April 14, 2014

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County, as shown on the Fiscal Year 2013-14 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 $35,203,145,464 which constitutes only 3.24% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2013-14
Southern California Edison Co.	$74,565,811
Douglas Emmett Residential	41,037,496
Participants in Long Beach Unit	23,186,738
Chevron USA Inc./Texaco/Unocal	22,866,100
Tishman Speyer/Archstone Smith/ASN	21,275,582
EQR/ERP Limited	21,260,449
AT&T/Pacific Bell Telephone Co.	20,986,486
Southern California Gas Co.	19,079,862
Verizon/MCI Communications Serv. Inc.	18,569,825
Exxon/Mobil Corp.	18,331,191
BP West Coast/Atlantic Richfield Co.	18,132,474
Prologis/AMB/Catellus	18,105,871
Universal Studios LLC	17,034,562
Phillips 66	16,628,000
Maguire Properties	14,698,465
Tesoro Refining and Marketing Co.	13,712,396
Plains Exploration and Production Co.	13,428,930
Beacon Oil Co./Ultramar/Valero Energy Corp.	11,970,376
CBS Inc./Paramount Pictures Corp.	10,897,711
Anheuser Busch Inc.	10,666,347
	$426,434,672

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

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections from Fiscal Years 2009-10 through 2013-14.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2009-10 THROUGH 2013-14

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 %
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	2,471,700,694	2,423,125,703	98.03%
2012-13	1,035,518,346,306	2,534,711,363	2,495,317,019	98.45%
2013-14	1,085,743,685,894	2,660,124,213	2,618,780,710 (3)	98.45%

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate based on FY 2013-14 collections.

REDEVELOPMENT AGENCIES

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2009-10 through 2013-14.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2009-10 THROUGH 2013-14

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
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	1,187,749,842
2012-13	141,074,221,344	1,189,455,554
2013-14	149,910,987,097	995,288,952 (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 from November 2013 through April 2014.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenue 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.

2013-14 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 14, 2013, the County issued the 2013-14 TRANs with an aggregate principal amount of $1 billion in two separate series: $300.0 million due February 28, 2014 and $700.0 million due June 30, 2014. The 2013-14 TRANs are general obligations of the County attributable to the 2013-14 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 pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2013-14 for the purpose of repaying the 2013-14 TRANs on their respective maturity dates. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2013-14 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2013	$367,911,111
January, 2014	300,000,000
February, 2014	100,000,000
March, 2014	50,000,000
April, 2014	200,000,000
Total	$1,017,911,111

* Includes $1 billion of 2013-14 TRANs principal and 2.00% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis since Fiscal Year 2009-10.

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

	2009-10	2010-11	2011-12	2012-13	Estimated 2013-14
Property Taxes	$3,768,220	$3,733,822	$3,725,324	$4,276,875	$4,175,053
Other Taxes	154,228	137,907	172,703	167,054	187,090
Licenses, Permits and Franchises	46,825	56,799	58,642	61,268	57,950
Fines, Forfeitures and Penalties	254,428	242,904	218,380	226,737	215,034
Investment and Rental Income	133,640	123,582	111,506	107,105	100,951
State In-Lieu Taxes	424,760	401,679	366,352	335,310	349,611
State Homeowner Exemptions	21,966	21,616	21,505	21,101	19,736
Charges for Current Services	1,673,098	1,574,709	1,678,238	1,546,370	1,544,875
Other Revenue*	192,973	465,163	392,137	552,414	518,121
TOTAL UNRESTRICTED RECEIPTS	$6,670,138	$6,758,181	$6,744,787	$7,294,234	$7,168,421

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

Intrafund and Interfund Borrowing

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

Funds Available for Intrafund Borrowing

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

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

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

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

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

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

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2012-13 and Fiscal Year 2013-14.

General Fund Cash Flow Statements

The Fiscal Year 2012-13 and Fiscal Year 2013-14 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2012-13, the County had an ending General Fund cash balance of $893 million. In Fiscal Year 2013-14, the County is estimating an ending cash balance in the General Fund of $710 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of March 31, 2014, 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	$8.815
Schools and Community Colleges	12.309
Independent Public Agencies	2.351
Total	$23.475

Of these entities, the discretionary participants accounted for 10.02% 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 19, 2013, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated April 30, 2014, the book value of the Treasury Pool as of March 31, 2014 was approximately $23.475 billion and the corresponding market value was approximately $23.318 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. 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 (the "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 March 31,2014:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	52.45
Certificates of Deposit	17.38
Commercial Paper	28.96
Bankers Acceptances	0.00
Municipal Obligations	0.21
Corporate Notes & Deposit Notes	1.00
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of March 31, 2014, approximately 38.57% of the investments mature within 60 days, with an average of 683 days to maturity for the entire portfolio.

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

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2013, 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 budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2013-14 Final Adopted Budget included an available General Fund balance of $1,497,581,000 as of June 30, 2013.

The 2013-14 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

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

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

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary accounting 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 of accounting, revenues are not recognized until the qualifying expenditures are incurred.

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

- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as 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 discussed in further detail in Note 11 to the 2012-13 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

The table below provides a reconciliation of the General Fund's June 30, 2013 fund balance on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheets for the General Fund since 2008-09 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, 2013 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,497,581
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	148,100
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	127,360
Accrual of liabilities for accrued compendated absences not required by GAAP	58,636
Change in revenue accruals related to encumbrances	(25,829)
Deferral of property tax receivables	(73,874)
Deferral of sale of tobacco settlement revenue	(245,987)
Change in fair value of Investments	(22,017)
Reserve for "Rainy Day" Fund	197,012
Unassigned Fund Balance - GAAP Basis	$1,660,982

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2009, 2010, 2011 2012 and 2013.
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS

	June 30, 2009	June 30, 2010	June 30, 2011*	June 30, 2012*	June 30, 2013*
Pooled Cash and Investments	$1,841,579	$1,689,490	$2,151,267	$2,010,858	$1,637,765
Other Investments	6,099	5,839	16,589	11,109	5,676
Taxes Receivable	301,269	246,288	210,914	186,830	171,919
Other Receivables	1,907,656	1,808,478	1,763,649	1,586,097	1,777,034
Due from Other Funds	326,379	436,441	356,860	407,604	391,605
Advances to Other Funds	825,017	1,018,161	1,063,061	703,512	754,376
Inventories	46,486	44,279	54,145	51,616	47,375
Total Assets	$5,254,485	$5,248,976	$5,616,485	$4,957,626	$4,785,750

LIABILITIES

	June 30, 2009	June 30, 2010	June 30, 2011*	June 30, 2012*	June 30, 2013*
Accounts Payable	$247,337	$266,916	$286,597	$354,119	$321,509
Accrued Payroll	504,374	286,407	289,546	303,615	309,926
Other Payables	121,665	454,244	1,039,126	525,438	89,852
Due to Other Funds	495,105	501,705	464,170	390,153	461,480
Deferred Revenue	343,386	346,829	382,897	346,488	302,656
Advances Payable	361,964	382,476	411,508	379,847	404,975
Third-Party Payor Liability	13,836	14,588	20,198	16,015	15,702
Total Liabilities	$2,087,667	$2,253,165	$2,894,042	$2,315,675	$1,906,100

EQUITY

	June 30, 2009	June 30, 2010	June 30, 2011*	June 30, 2012*	June 30, 2013*
Fund Balance (Deficit)					
Reserved	$539,851	$784,428			
Unreserved					
Designated	971,579	618,899			
Undesignated	1,655,388	1,592,484			
Total Unreserved	2,626,967	2,211,383		-	-
Nonspendable			$259,127	$259,597	$253,836
Restricted			35,377	55,115	59,786
Committed				332,255	528,865
Assigned			763,038	405,285	376,181
Unassigned			1,664,901	1,589,699	1,660,982
Total Equity	3,166,818	2,995,811	2,722,443	2,641,951	2,879,650
Total Liabilities and Equity	$5,254,485	$5,248,976	$5,616,485	$4,957,626	$4,785,750

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2009, 2010, 2011, 2012 and 2013.
*The County implemented GASB Statement 54 "Fund Balance Reporting and Government Fund Type Definitions" in FY 2010-11. The governmental fund balances are reported in the new required GASB 54 format.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2008-09 THROUGH 2012-13 (in thousands of $)

	2008-09	2009-10	2010-11	2011-12	2012-13
REVENUES:					
Taxes	$3,970,566	$3,864,654	$3,843,366	$3,980,409	$4,267,858
Licenses, Permits & Franchises	54,877	49,079	56,656	57,144	61,412
Fines, Forfeitures and Penalties	264,375	258,842	244,787	217,972	222,226
Use of Money and Property	183,772	124,049	130,140	103,029	89,841
Aid from Other Government	7,211,150	7,337,716	7,506,492	7,632,814	8,182,687
Charges for Services	1,654,173	1,659,224	1,641,399	1,700,540	1,565,937
Miscellaneous Revenues	198,837	191,878	145,414	134,071	216,977
TOTAL	$13,537,750	$13,485,442	$13,568,254	$13,825,979	$14,606,938
EXPENDITURES					
General	$946,008	$859,319	$883,854	$983,077	$979,989
Public Protection	4,420,786	4,412,935	4,401,985	4,538,075	4,694,982
Health and Sanitation	2,480,693	2,421,615	2,476,524	2,689,192	2,779,870
Public Assistance	4,796,019	5,025,312	5,217,560	5,108,516	5,247,031
Recreation and Cultural Services	242,999	247,094	263,046	255,818	272,835
Debt Service	247,248	271,378	278,477	24,602	30,816
Capital Outlay	772	2,115	32,598	20,106	8,065
Total	$13,134,525	$13,239,768	$13,554,044	$13,619,386	$14,013,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$403,225	$245,674	$14,210	$206,593	$593,350
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($612,505)	($419,756)	($340,128)	($306,002)	($359,171)
Sales of Capital Assets	886	960	9,027	3,789	740
Capital Leases	772	2,115	43,523	15,128	2,780
OTHER FINANCING SOURCES (USES)-Net	($610,847)	($416,681)	($287,578)	($287,085)	($355,651)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	($207,622)	($171,007)	($273,368)	($80,492)	$237,699
Beginning Fund Balance	3,374,440	3,166,818	2,995,811	2,722,443	2,641,951
Ending Fund Balance	$3,166,818	$2,995,811	$2,722,443	$2,641,951	$2,879,650

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2009, 2010, 2011, 2012 and 2013.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2012-13: 12 MONTHS ACTUAL
2013-14: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2012-13
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 75,748	$ 38,711	$ 38,476	354,248	$ 1,079,173	$ 2,192,736
Auditor Unapportioned Property Tax	626,076	173,546	81,291	134,373	803,356	1,640,406
Unsecured Property Tax	134,579	47,432	130,094	155,442	113,881	69,629
Miscellaneous Fees & Taxes	8,213	19,785	32,294	16,413	10,350	10,368
State Redemption Fund	27,819	57,470	63,680	60,239	45,099	36,089
Education Revenue Augmentation	16,766	9,346	0	0	5,048	111,700
State Reimbursement Fund	0	0	0	0	476	9,976
Sales Tax Replacement Fund	4,747	21,974	30,725	30,725	30,799	64,470
Vehicle License Fee Replacement Fund	28,895	133,759	187,029	187,029	187,480	392,443
Property Tax Rebate Fund	1,970	468	4,569	4,507	4,655	3,814
Utility User Tax Trust Fund	1,041	1,294	4,457	9,662	13,036	15,277
Subtotal	$ 925,854	$ 503,785	$ 572,615	$ 952,638	$ 2,293,353	$ 4,546,908
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 443,818	$ 468,722	$ 437,481	519,801	$ 468,715	$ 455,094
Payroll Revolving Fund	55,057	41,640	47,243	43,394	39,269	53,609
Asset Development Fund	41,429	41,437	41,448	41,460	41,475	41,482
Productivity Investment Fund	5,346	5,287	4,125	3,371	3,384	3,372
Motor Vehicle Capital Outlays	991	991	991	1,004	1,116	1,116
Civic Center Parking	142	68	96	233	277	191
Reporters Salary Fund	401	86	335	441	266	527
Cable TV Franchise Fund	11,203	10,818	11,385	11,463	11,388	11,862
Megaflex Long-Term Disability	18,465	18,346	18,312	18,170	18,114	18,003
Megaflex Long-Term Disability & Health	6,818	6,882	6,967	7,040	7,128	7,201
Megaflex Short-Term Disability	30,645	30,922	31,342	31,595	31,877	32,208
Subtotal	$ 614,315	$ 625,199	$ 599,725	$ 677,972	$ 623,009	$ 624,665
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ (1,478)	$ (4,065)	$ 2,414	(1,045)	$ 7,867	$ 204
Olive View-UCLA Medical Center	(4,437)	(1,917)	3,363	2,004	723	(1,780)
LAC+USC Medical Center	(10,090)	(709)	7,014	2,973	6,660	3,907
MLK Ambulatory Care Center	558	513	514	514	514	514
Rancho Los Amigos Rehab Center	612	531	1,298	529	1,179	436
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ (14,835)	$ (5,647)	$ 14,603	$ 4,975	$ 16,943	$ 3,281
GRAND TOTAL	**$ 1,525,334**	**$ 1,123,337**	**$ 1,186,943**	**$ 1,635,585**	**$ 2,933,305**	**$ 5,174,854**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	
						PROPERTY TAX GROUP
$ 795,003	$ 444,307	$ 629,180	$ 2,275,972	$ 598,309	$ 128,267	**Tax Collector Trust Fund**
873,382	549,077	347,905	857,322	717,737	178,138	**Auditor Unapportioned Property Tax**
55,760	55,250	51,687	41,022	56,222	80,069	**Unsecured Property Tax**
9,001	8,991	8,652	8,743	9,496	8,854	**Miscellaneous Fees & Taxes**
31,896	31,524	22,985	25,827	21,535	21,145	**State Redemption Fund**
62,789	33,152	3,249	240,129	76,774	57,627	**Education Revenue Augmentation**
19,035	1,214	1,214	2,326	21,175	8,803	**State Reimbursement Fund**
88,981	21,185	38,506	42,991	74,228	0	**Sales Tax Replacement Fund**
596,579	250,598	356,034	383,334	557,783	0	**Vehicle License Fee Replacement Fund**
1,751	663	1,393	2,685	276	3,090	**Property Tax Rebate Fund**
10,630	4,929	9,766	3,045	5,011	10,558	**Utility User Tax Trust Fund**
$ 2,544,807	$ 1,400,890	$ 1,470,571	$ 3,883,396	$ 2,138,546	$ 496,551	**Subtotal**
						VARIOUS TRUST GROUP
$ 440,580	$ 433,269	$ 446,496	$ 451,573	$ 471,080	$ 447,509	**Departmental Trust Fund**
44,392	44,346	51,007	52,247	49,500	54,614	**Payroll Revolving Fund**
41,491	41,497	41,511	41,609	41,647	41,981	**Asset Development Fund**
4,724	4,792	4,688	4,414	4,192	3,925	**Productivity Investment Fund**
1,116	1,095	1,032	1,000	935	925	**Motor Vehicle Capital Outlays**
216	210	63	302	199	133	**Civic Center Parking**
584	449	555	644	344	357	**Reporters Salary Fund**
12,051	11,765	12,315	12,330	12,070	12,699	**Cable TV Franchise Fund**
17,949	17,900	17,782	17,696	17,565	17,464	**Megaflex Long-Term Disability**
7,280	7,333	7,419	7,480	7,563	7,626	**Megaflex Long-Term Disability & Health**
32,468	32,666	32,986	33,321	33,769	34,145	**Megaflex Short-Term Disability**
$ 602,851	$ 595,322	$ 615,854	$ 622,616	$ 638,864	$ 621,378	**Subtotal**
						HOSPITAL GROUP
$ 929	$ (413)	$ 193	$ (990)	$ 559	$ 2,448	**Harbor-UCLA Medical Center**
669	74	(1,190)	(1,622)	(898)	1,503	**Olive View-UCLA Medical Center**
(401)	1,338	3,660	(158)	4,104	4,729	**LAC + USC Medical Center**
483	456	456	460	462	459	**MLK Ambulatory Care Center**
923	150	1,453	506	254	653	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 2,603	$ 1,605	$ 4,572	$ (1,804)	$ 4,481	$ 9,792	**Subtotal**
$ 3,150,261	**$ 1,997,817**	**$ 2,090,997**	**$ 4,504,208**	**$ 2,781,891**	**$ 1,127,721**	**GRAND TOTAL**

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

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

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2014	February 2014	March 2014	April 2014	Estimate May 2014	Estimate June 2014	
						PROPERTY TAX GROUP
$ 764,399	$ 448,356	$ 619,297	$ 2,355,863	$ 897,292	$ 164,829	**Tax Collector Trust Fund**
1,010,774	755,277	605,574	1,006,019	631,667	551,053	**Auditor Unapportioned Property Tax**
54,018	51,531	49,196	46,604	86,649	117,399	**Unsecured Property Tax**
9,700	8,958	8,709	8,313	8,844	8,527	**Miscellaneous Fees & Taxes**
25,862	29,801	22,127	28,790	31,728	23,139	**State Redemption Fund**
337,070	102,465	90,314	337,174	0	1,497	**Education Revenue Augmentation**
17,462	1,180	1,180	2,259	26,803	10,312	**State Reimbursement Fund**
38,237	2,589	16,001	23,786	115,000	0	**Sales Tax Replacement Fund**
295,110	123,211	198,050	239,818	526,021	3,444	**Vehicle License Fee Replacement Fund**
403	1,354	1,030	(1,469)	(33,593)	(18,123)	**Property Tax Rebate Fund**
21,889	7,222	10,216	9,454	36,148	10,964	**Utility User Tax Trust Fund**
$ 2,574,924	$ 1,531,944	$ 1,621,694	$ 4,056,611	$ 2,326,559	$ 873,041	**Subtotal**
						VARIOUS TRUST GROUP
$ 476,175	$ 456,370	$ 559,710	$ 668,625	$ 423,642	$ 419,434	**Departmental Trust Fund**
51,228	53,760	58,033	46,438	59,703	49,577	**Payroll Revolving Fund**
42,391	42,423	42,816	42,983	39,257	39,331	**Asset Development Fund**
6,194	5,848	5,632	5,465	7,447	7,116	**Productivity Investment Fund**
971	958	958	929	2,349	2,350	**Motor Vehicle Capital Outlays**
253	239	73	319	46	391	**Civic Center Parking**
451	461	393	419	487	1,009	**Reporters Salary Fund**
12,314	12,078	12,597	12,617	8,895	9,287	**Cable TV Franchise Fund**
16,363	16,310	16,152	15,922	19,674	19,597	**Megaflex Long-Term Disability**
8,109	8,123	8,192	8,267	4,852	4,933	**Megaflex Long-Term Disability & Health**
36,325	36,663	37,097	37,542	23,553	23,959	**Megaflex Short-Term Disability**
$ 650,774	$ 633,233	$ 741,653	$ 839,526	$ 589,905	$ 576,984	**Subtotal**
						HOSPITAL GROUP
$ 1,149	$ (1,366)	$ (1,796)	$ 2,477	$ 1,000	$ 1,000	**Harbor-UCLA Medical Center**
1,940	323	1,622	2,217	1,000	1,000	**Olive View-UCLA Medical Center**
(3,802)	1,479	(4,937)	1,585	1,000	1,000	**LAC + USC Medical Center**
454	455	456	456	1,000	1,000	**MLK Ambulatory Care Center**
333	(1,656)	492	962	1,000	1,000	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 74	$ (765)	$ (4,163)	$ 7,697	$ 5,000	$ 5,000	**Subtotal**
$ 3,225,772	**$ 2,164,412**	**$ 2,359,184**	**$ 4,903,834**	**$ 2,921,464**	**$ 1,455,025**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2012-13: 12 MONTHS ACTUAL
2013-14: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2012-13
(in thousands of $)

	July 2012	August 2012	September 2012	October 2012	November 2012
BEGINNING BALANCE	$ 817,362	$ 1,346,913	$ 830,197	$ 332,888	$ 39,289
RECEIPTS					
Property Taxes	$ 190,785	$ 95,686	$ 12	0	$ 42,108
Other Taxes	8,228	15,403	9,268	5,414	18,923
Licenses, Permits & Franchises	1,614	7,628	2,532	3,740	2,527
Fines, Forfeitures & Penalties	33,107	23,045	11,583	12,622	18,662
Investment and Rental Income	7,953	9,061	7,741	7,954	10,397
Motor Vehicle (VLF) Realignment	19,025	31,760	38,218	27,008	27,103
Sales Taxes - Proposition 172	60,808	51,528	48,556	49,713	60,100
Sales Taxes -1991 Program Realignment	56,732	0	49,401	127,196	57,950
Other Intergovernmental Revenue	106,417	131,944	69,445	68,696	128,408
Charges for Current Services	82,543	233,645	56,676	104,986	114,350
Other Revenue & Tobacco Settlement	57,010	55,917	10,764	29,252	10,429
Transfers & Reimbursements	8,309	68	64	26,593	11,830
Hospital Loan Repayment*	0	28,908	64,866	273,913	20,407
Welfare Advances	235,975	266,594	347,883	379,759	386,926
Other Financing Sources/MHSA	87,363	(320)	10,952	26,184	11,976
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	1,100,000	0	0	0	0
Total Receipts	$ 2,055,869	$ 950,867	$ 727,961	$ 1,143,030	$ 922,096
DISBURSEMENTS					
Welfare Warrants	$ 182,126	$ 207,257	$ 229,790	$ 239,949	$ 222,748
Salaries	395,392	391,636	385,900	384,581	389,151
Employee Benefits	221,487	226,339	155,838	167,247	157,155
Vendor Payments	526,935	417,409	284,267	374,618	266,027
Loans to Hospitals*	0	10,509	56,344	169,433	160,617
Hospital Subsidy Payments	178,016	184,087	109,316	21,305	15,313
Transfer Payments	22,362	30,346	3,815	79,496	18,262
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,526,318	$ 1,467,583	$ 1,225,270	$ 1,436,629	$ 1,229,273
ENDING BALANCE	**$ 1,346,913**	**$ 830,197**	**$ 332,888**	**$ 39,289**	**$ (267,888)**
Borrowable Resources(Avg. Balance)	$ 1,525,334	$ 1,123,337	$ 1,186,943	$ 1,635,585	$ 2,933,305
Total Cash Available	$ 2,872,247	$ 1,953,534	$ 1,519,831	$ 1,674,874	$ 2,665,417

* The net change in the outstanding Hospital Loan Balance is a decrease of $48.85 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	Total 2012-13
	$ (267,888)	$ 378,664	$ 291,248	$ 270,061	$ (302,319)	$ 208,117	$ 806,070	
	$ 1,021,812	$ 985,321	$ 210,944	$ 8,169	$ 695,798	$ 892,869	$ 133,371	$ 4,276,875
	11,815	31,508	8,334	10,925	22,569	9,090	15,577	167,054
	2,071	3,160	9,090	10,771	9,208	4,487	4,440	61,268
	11,376	11,700	25,211	13,183	17,433	36,688	12,127	226,737
	9,938	9,963	8,260	8,366	8,589	7,335	11,548	107,105
	27,069	24,562	32,608	26,311	31,519	28,632	21,495	335,310
	48,606	47,417	73,779	44,001	45,474	61,972	49,653	641,607
	50,876	49,641	77,894	48,765	48,017	65,428	52,422	684,322
	353,801	295,257	156,658	166,388	366,733	240,564	203,422	2,287,733
	139,002	169,561	88,974	106,040	187,630	106,087	156,876	1,546,370
	21,384	48,772	27,905	32,558	129,874	55,284	73,265	552,414
	42,973	5,598	9,309	19,247	(95)	13,242	18,185	155,323
	225,272	63,655	307,754	0	490,875	162,986	240,037	1,878,673
	295,155	324,654	314,398	297,939	300,683	370,776	356,156	3,876,898
	48,382	44,582	32,719	25,226	35,591	30,888	34,946	388,489
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	1,100,000
	$ 2,309,532	$ 2,115,351	$ 1,383,837	$ 817,889	$ 2,389,898	$ 2,086,328	$ 1,383,520	$ 18,286,178
	$ 216,000	$ 188,607	$ 184,623	$ 241,571	$ 211,739	$ 211,852	$ 247,061	$ 2,583,323
	397,851	402,459	393,662	377,947	388,896	375,629	380,795	4,663,899
	138,792	491,450	246,070	205,339	237,308	238,350	192,605	2,677,980
	324,475	382,967	288,728	312,564	330,759	384,036	330,655	4,223,440
	177,089	317,388	178,919	154,054	406,340	212,608	84,222	1,927,523
	1,828	0	0	0	8,224	0	0	518,089
	4,167	89,896	3,022	43,794	76,196	65,900	61,477	498,733
	402,778	330,000	110,000	55,000	220,000	0	0	1,117,778
	0	0	0	0	0	0	0	0
	$ 1,662,980	$ 2,202,767	$ 1,405,024	$ 1,390,269	$ 1,879,462	$ 1,488,375	$ 1,296,815	$ 18,210,765
	$ 378,664	**$ 291,248**	**$ 270,061**	**$ (302,319)**	**$ 208,117**	**$ 806,070**	**$ 892,775**	
	5,174,854	$ 3,150,261	$ 1,997,817	$ 2,090,997	$ 4,504,208	$ 2,781,891	$ 1,127,721	
	$ 5,553,518	$ 3,441,509	$ 2,267,878	$ 1,788,678	$ 4,712,325	$ 3,587,961	$ 2,020,496	

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

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

* The net change in the outstanding Hospital Loan Balance is a decrease of $231 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2013	January 2014	February 2014	March 2014	April 2014	Estimated May 2014	Estimated June 2014	Total 2013-14
$ (16,816)	$ 358,844	$ 797,772	$ 689,240	$ (6,076)	$ 396,747	$ 779,157	
$ 1,044,377	$ 1,004,008	$ 194,235	$ 11,826	$ 757,203	$ 876,768	$ 103,771	$ 4,175,053
10,198	11,049	31,542	8,054	24,030	8,390	11,723	187,090
3,951	2,632	10,112	5,885	7,068	4,503	4,534	57,950
11,257	11,177	27,640	16,801	13,462	31,142	13,428	215,034
6,492	10,207	8,205	6,617	7,441	7,348	7,192	100,951
24,809	25,311	27,297	30,629	30,979	32,720	22,978	349,611
51,498	50,915	73,037	48,393	46,845	54,556	46,834	652,898
55,879	45,938	66,923	37,739	36,190	49,734	38,595	638,763
266,245	225,840	189,730	170,266	209,704	212,306	156,078	2,305,915
129,125	142,290	121,664	124,423	104,106	159,018	134,502	1,544,875
24,191	36,672	36,434	29,574	88,157	36,454	31,173	518,121
43,363	3,475	9,465	8,533	8,702	8,398	19,805	156,815
139,496	333,068	137,663	0	428,330	152,182	358,692	2,360,231
421,891	366,885	362,837	274,824	458,467	260,386	269,446	4,225,269
1,579	38,430	45,916	0	60,026	33,331	37,572	363,858
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,000,000
$ 2,234,351	$ 2,307,897	$ 1,342,700	$ 773,564	$ 2,280,710	$ 1,927,238	$ 1,256,324	$ 18,852,435
$ 213,680	$ 215,706	$ 212,626	$ 219,445	$ 221,001	$ 240,310	$ 228,910	$ 2,602,819
398,620	410,549	404,087	402,616	404,295	395,449	398,325	4,760,436
230,595	258,833	252,651	273,150	218,947	305,322	233,813	2,934,271
434,934	357,425	294,949	359,942	366,767	350,977	300,814	4,326,494
274,611	247,142	182,493	158,827	367,382	186,585	157,910	2,591,244
(68,627)	(92)	0	0	21,700	0	0	353,831
8,988	79,406	2,405	4,900	77,795	66,185	5,424	447,920
365,890	300,000	102,021	50,000	200,000	0	0	1,017,911
0	0	0	0	0	0	0	0
$ 1,858,691	$ 1,868,969	$ 1,451,232	$ 1,468,880	$ 1,877,887	$ 1,544,828	$ 1,325,196	$ 19,034,925
$ 358,844	**$ 797,772**	**$ 689,240**	**$ (6,076)**	**$ 396,747**	**$ 779,157**	**$ 710,284**	
5,582,245	$ 3,225,772	$ 2,164,412	$ 2,359,184	$ 4,903,834	$ 2,921,464	$ 1,455,025	
$ 5,941,089	$ 4,023,544	$ 2,853,652	$ 2,353,108	$ 5,300,581	$ 3,700,621	$ 2,165,309	

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, 2013, approximately $1.622 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $485 million of the outstanding debt. Revenues from special districts, special funds and Hospital Enterprise Funds secure the remaining $1.137 billion of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2013-14.

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

2013-14 Payments

Funding Source	2013-14 Payment
Total 2013-14 Payment Obligations	$163,661,451
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	63,028,144
Courthouse Construction Funds	27,324,194
Special Districts/Special Funds	5,218,114
Net 2013-14 General Fund Obligations	$68,090,999

Source: Los Angeles County Auditor-Controller

The principal amount of the County's outstanding intermediate and long-term debt obligations decreased to $1.554 billion as of May 1, 2014, which includes debt issuance and repayment activity in Fiscal Year 2013-14. An additional $700 million in TRANs, $49.0 million in Bond Anticipation Notes, and $393.0 million in tax-exempt commercial paper and direct placement revolving notes were also outstanding as of May 1, 2014. The following table summarizes the outstanding General County debt and note obligations.

SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2014 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$700,000
Bond Anticipation Notes	49,000
Tax-Exempt Commercial Paper	393,000
Intermediate & Long-Term Obligations	1,553,975
Total Outstanding Principal	$2,695,975

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

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

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

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

Pursuant to a resolution adopted by the Board of Supervisors on May 14, 2013, the County issued $1.0 billion of 2013-14 TRANs on July 1, 2013, with two tranches: $300.0 million due February 28, 2014 and $700.0 million due June 30, 2014. The 2013-14 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2013-14, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2013-14 Tax and Revenue Anticipation Notes" of this Appendix A. The deposit obligations to the Repayment Fund for the 2013-14 TRANs have been satisfied.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2014, $49.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2014.

Lease Revenue Note Program

In April 2013, the County restructured and expanded its Lease Revenue Commercial Paper Program. Under the new Lease Revenue Note Program (the "Note Program"), the County increased the maximum authorized principal amount from $400 million to $600 million. The short-term lease revenue notes issued through the Note Program will continue to finance construction costs on various capital projects throughout the County. The Note Program consists of three Irrevocable, Direct-Pay Letters of Credit ("LOC") in the aggregate principal amount of $450 million issued by JP Morgan (Series A - $150 million), U.S. Bank (Series B - $100 million) and Wells Fargo (Series C - $200 million); and a Direct Placement Revolving Credit Facility with Bank of America (Series D - $150 million). The Note Program will continue to be secured by a lease-revenue financing structure between LAC-CAL and the County, and the same portfolio of twenty-five County-owned properties pledged as collateral to secure the credit facilities. The four credit agreements, which are scheduled to terminate on April 18, 2016, provide credit enhancement and liquidity facilities to support the issuance of tax-exempt, taxable and 501c(3) eligible commercial paper and short-term direct placement revolving notes. As of May 1, 2014, $393 million of tax-exempt commercial paper and direct placement revolving notes are outstanding. The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2013, approximately $1.6 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 2013-14 Final Adopted Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2013-14. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Property Tax Roll") increased from 0.127% in Fiscal Year 2012-13 to 0.144% in Fiscal Year 2013-14. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Property Tax Roll over the past ten years.

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

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2004-05	$2,785,149,946	$749,156,125,470	0.372%
2005-06	2,387,949,433	823,746,755,234	0.290%
2006-07	1,786,504,365	913,572,838,291	0.196%
2007-08	1,441,826,104	997,789,741,224	0.145%
2008-09	1,180,113,183	1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%

Source: Los Angeles County Assessor 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 Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement. The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS 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 $260.0 million as of May 1, 2014 due to repayment activity in Fiscal Year 2013-14.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2013

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF May 1, 2014

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2013

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2013-14	68,090,998	63,028,144	27,324,194	5,218,114	163,661,451
2014-15	70,021,480	65,957,535	26,513,038	4,916,449	167,408,502
2015-16	53,942,057	68,342,886	25,635,249	5,450,204	153,370,396
2016-17	43,951,208	57,364,871	21,865,780	5,518,936	128,700,795
2017-18	40,644,871	50,461,957	16,975,475	5,589,701	113,672,004
2018-19	41,455,314	50,467,524	16,976,475	5,661,666	114,560,979
2019-20	42,286,836	50,471,921	16,965,725	5,738,989	115,463,470
2020-21	42,225,703	50,429,239	16,957,350	5,811,030	115,423,321
2021-22	43,128,172	50,423,184	16,954,300	5,891,477	116,397,133
2022-23	44,068,146	50,420,052	16,951,625	1,964,679	113,404,502
2023-24	21,336,851	50,410,165	16,943,875	1,964,399	90,655,290
2024-25	21,329,246	50,403,888	16,933,500	1,964,880	90,631,514
2025-26	21,324,622	50,395,048	16,929,000	1,964,679	90,613,349
2026-27	21,319,857	50,391,691	16,918,875	1,965,037	90,595,460
2027-28	21,231,392	50,383,353	16,906,750	1,964,948	90,486,442
2028-29	20,926,862	50,371,753	16,905,750	1,964,757	90,169,122
2029-30	20,706,986	50,364,260	16,893,613	1,964,791	89,929,649
2030-31	20,699,541	50,345,701	9,432,600	1,964,040	82,441,882
2031-32	20,692,657	50,341,280	9,431,488	1,964,600	82,430,025
2032-33	20,686,831	50,331,926	6,918,000	1,964,522	79,901,279
2033-34	20,678,510	50,315,721	6,918,750	1,964,130	79,877,110
2034-35	20,671,547	50,309,705	-	1,964,544	72,945,796
2035-36	20,663,546	50,294,766	-	1,964,230	72,922,543
2036-37	20,654,663	50,283,745	-	1,964,430	72,902,838
2037-38	20,647,344	50,278,866	-	1,965,008	72,891,219
2038-39	20,637,744	50,259,691	-	1,964,508	72,861,944
2039-40	20,630,169	50,246,289	-	1,964,284	72,840,743
2040-41	20,621,310	50,237,761	-	1,964,726	72,823,797
2041-42	-	19,945,100	-	1,964,300	21,909,400
2042-43	-	19,948,218	-	1,964,607	21,912,825
Total	$ 865,274,464	$ 1,503,226,238	$ 354,251,413	$ 91,052,666	$ 2,813,804,779

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2013

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2013-14	484,873,320	841,724,907	239,074,099	56,470,000	1,622,142,327
2014-15	447,567,848	821,829,997	223,014,357	54,297,828	1,546,710,029
2015-16	407,533,243	793,696,326	207,011,017	51,919,931	1,460,160,517
2016-17	383,051,657	761,775,789	191,140,940	48,892,308	1,384,860,693
2017-18	368,611,095	739,556,802	178,385,000	45,668,167	1,332,221,064
2018-19	357,889,063	723,352,176	170,020,000	42,241,165	1,293,502,404
2019-20	346,866,443	706,347,922	161,225,000	38,597,265	1,253,036,630
2020-21	335,526,942	688,476,303	151,990,000	34,717,435	1,210,710,679
2021-22	316,534,023	669,817,455	142,290,000	30,570,777	1,159,212,255
2022-23	287,603,559	650,368,047	132,110,000	26,135,498	1,096,217,104
2023-24	256,372,302	630,069,623	121,425,000	25,404,357	1,033,271,281
2024-25	246,679,815	608,863,906	110,200,000	24,636,008	990,379,729
2025-26	236,566,357	586,643,269	98,410,000	23,827,763	945,447,389
2026-27	225,981,235	563,319,690	86,020,000	22,978,277	898,299,202
2027-28	214,900,089	538,830,160	73,005,000	22,084,859	848,820,108
2028-29	203,377,909	513,114,829	59,335,000	21,145,717	796,973,455
2029-30	191,606,152	486,115,239	44,965,000	20,158,609	742,845,000
2030-31	179,476,720	457,762,435	29,895,000	19,120,845	686,255,000
2031-32	166,749,828	427,999,539	21,735,000	18,030,633	634,515,000
2032-33	153,395,098	396,740,964	13,170,000	16,883,939	580,190,000
2033-34	139,380,124	363,916,356	6,750,000	15,678,519	525,725,000
2034-35	124,674,529	329,453,785	-	14,411,686	468,540,000
2035-36	109,235,780	293,295,333	-	13,083,887	415,615,000
2036-37	93,021,347	255,401,290	-	11,697,363	360,120,000
2037-38	75,992,750	215,683,273	-	10,248,977	301,925,000
2038-39	58,166,190	174,133,219	-	8,735,591	241,035,000
2039-40	39,576,097	130,747,077	-	7,151,826	177,475,000
2040-41	20,198,169	85,416,324	-	5,490,508	111,105,000
2041-42	-	38,047,845	-	3,747,155	41,795,000
2042-43	-	19,481,371	-	1,918,629	21,400,000

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2013

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	$ 13,830,000	$ 13,830,000			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	$ 1,060,121			$ 1,060,121	
Sheriffs Training Academy	875,155	875,155			
San Fernando Court	1,465,824			1,465,824	
Total 2002 Lease Rev Bonds Ser B	$ 3,401,100	$ 875,155	$ 0	$ 2,525,945	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 769,641	$ 769,641			
Alhambra Courthouse	580,471			$ 580,471	
Burbank Courthouse	758,838			758,838	
Ameron Building (Sheriff Headquarters)	2,499,772	2,499,772			
Biscailuz Center	224,699	224,699			
Emergency Operations Center	1,958,551	1,958,551			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,484,907		$ 1,484,907		
Martin Luther King Medical Center - Trauma Center	6,208,619		6,208,619		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	102,987		102,987		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,383,663		4,383,663		
Rancho Los Amigos Medical Center - Parking Structure	1,637,827		1,637,827		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	688,139		688,139		
San Fernando Valley Juvenile Hall	971,631	971,631			
LAC/USC Medical Center Marengo Street Parking Garage	2,592,333		2,592,333		
LAX Area Courthouse	6,916,272			6,916,272	
San Fernando Valley Courthouse (Chatsworth)	5,486,174			5,486,174	
Total 2005 Lease Rev Refg Bonds Ser A	$ 37,264,525	$ 6,424,293	$ 17,098,477	$ 13,741,756	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,347,721				$ 3,347,721
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,191,313			$ 1,191,313	
Lynwood Regional Justice Center	10,395,525	$ 10,395,525			
Men's Central Jail - Twin Towers	9,807,275	9,807,275			
Van Nuys Courthouse	2,945,850			2,945,850	
Total 2006 Lease Rev Refg Bonds Ser A	$ 24,339,963	$ 20,202,800	$ 0	$ 4,137,163	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 6,919,331			$ 6,919,331	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 183,412	$ 183,412			
Patriotic Hall Renovation	296,178	296,178			
Olive View Medical Center ER/TB Unit	341,274		$ 341,274		
Olive View Medical Center Seismic	140,591		140,591		
Harbor/UCLA Surgery/ Emergency	2,138,582		2,138,582		
Harbor/UCLA Seismic Retrofit	329,778		329,778		
Hall of Justice Rehabilitation	1,529,022	1,529,022			
Total 2010 Multiple Capital Projects I, Series A	$ 4,958,837	$ 2,008,612	$ 2,950,226	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,166,023	$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Olive View Medical Center ER/TB Unit	2,169,611		$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Total 2010 Multiple Capital Projects I, Series B	$ 31,525,258	$ 12,769,528	$ 18,755,731	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 1,598,681	$ 1,598,681			
2012 Refg COPs: Disney Parking Project	$ 2,533,750	$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 8,418,306		$ 8,418,306		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,247,825		10,247,825		
Martin Luther King Jr. Data Center	325,459		325,459		
Fire Station 128	282,741				$ 282,741
Fire Station 132	457,303				457,303
Fire Station 150	709,311			`	709,311
Fire Station 156	421,038				421,038
Total 2012 Multiple Capital Projects II, Series 2012	$ 20,861,984	$ 0	$ 18,991,591	$ 0	$ 1,870,393
Total Long-Term Obligations	$ 150,581,151	$ 60,242,818	$ 57,796,024	$ 27,324,194	$ 5,218,114
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 13,080,300	$ 7,848,180	$ 5,232,120		
Total Intermediate-Term Obligations	$ 13,080,300	$ 7,848,180	$ 5,232,120	$ 0	$ 0
Total Obligations	$ 163,661,451	$ 68,090,998	$ 63,028,144	$ 27,324,194	$ 5,218,114

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, 2013

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	$ 23,842,515	$ 23,842,515			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	$ 3,760,656			$ 3,760,656	
Sheriffs Training Academy	3,104,508	$ 3,104,508			
San Fernando Court	5,199,837			5,199,837	
Total 2002 Lease Rev Bonds Ser B	$ 12,065,000	$ 3,104,508	$ 0	$ 8,960,492	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 1,683,495	$ 1,683,495			
Alhambra Courthouse	1,490,217			$ 1,490,217	
Burbank Courthouse	2,755,450			2,755,450	
Ameron Building (Sheriff Headquarters)	3,846,005	3,846,005			
Biscailuz Center	341,733	341,733			
Emergency Operations Center	3,663,967	3,663,967			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	3,590,438		$ 3,590,438		
Martin Luther King Medical Center - Trauma Center	19,849,497		19,849,497		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	207,264		207,264		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	12,402,901		12,402,901		
Rancho Los Amigos Medical Center - Parking Structure	4,629,544		4,629,544		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	1,365,968		1,365,968		
San Fernando Valley Juvenile Hall	2,403,654	2,403,654			
LAC/USC Medical Center Marengo Street Parking Garage	7,331,926		7,331,926		
LAX Area Courthouse	68,948,745			68,948,745	
San Fernando Valley Courthouse (Chatsworth)	54,604,195			54,604,195	
Total 2005 Lease Rev Refg Bonds Ser A	$ 189,115,000	$ 11,938,855	$ 49,377,538	$ 127,798,607	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 26,040,000				$ 26,040,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 4,005,000			$ 4,005,000	
Lynwood Regional Justice Center	22,565,000	$ 22,565,000			
Men's Central Jail - Twin Towers	21,350,000	21,350,000			
Van Nuys Courthouse	7,860,000			7,860,000	
Total 2006 Lease Rev Refg Bonds Ser A	$ 55,780,000	$ 43,915,000	$ 0	$ 11,865,000	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 90,450,000			$ 90,450,000	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 3,805,955	$ 3,805,955			
Patriotic Hall Renovation	6,145,932	6,145,932			
Olive View Medical Center ER/TB Unit	7,081,718		$ 7,081,718		
Olive View Medical Center Seismic	2,917,390		2,917,390		
Harbor/UCLA Surgery/ Emergency	44,377,348		44,377,348		
Harbor/UCLA Seismic Retrofit	6,843,176		6,843,176		
Hall of Justice Rehabilitation	31,728,482	31,728,482			
Total 2010 Multiple Capital Projects I, Series A	$ 102,900,000	$ 41,680,368	$ 61,219,632	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Olive View Medical Center ER/TB Unit	47,349,441		$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 278,681,262	$ 409,323,738	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 11,799,812	$ 11,799,812			
2012 Refg COPs: Disney Parking Project	$ 50,675,000	$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 136,960,000		$ 136,960,000		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	166,725,000		166,725,000		
Martin Luther King Jr. Data Center	5,295,000		5,295,000		
Fire Station 128	4,600,000				$ 4,600,000
Fire Station 132	7,440,000				7,440,000
Fire Station 150	11,540,000				11,540,000
Fire Station 156	6,850,000				6,850,000
Total 2012 Multiple Capital Projects II, Series 2012	$ 339,410,000	$ 0	$ 308,980,000	$ 0	$ 30,430,000
Total Long-Term Obligations	$ 1,590,082,327	$ 465,637,320	$ 828,900,907	$ 239,074,099	$ 56,470,000
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 32,060,000	$ 19,236,000	$ 12,824,000		
Total Intermediate-Term Obligations	$ 32,060,000	$ 19,236,000	$ 12,824,000	$ 0	$ 0
Total Obligations	$ 1,622,142,327	$ 484,873,320	$ 841,724,907	$ 239,074,099	$ 56,470,000

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 MAY 1, 2014

Title	Outstanding Principal	Total Future Payments		2013-14 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 20,437,430	$ 108,015,000		$ 0
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	9,305,000	10,443,200		279,150
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	160,345,000	218,894,550		3,908,378
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	26,040,000	32,081,786		2,756,361
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	33,450,000	34,646,544		0
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	87,820,000	138,370,391		0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	118,704,794		0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,262,075,452	(1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	10,317,599	10,959,550	(1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	70,965,500		0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	339,330,000	630,291,250		0
Total Long-Term Obligations	$ 1,528,625,029	$ 2,635,448,016		$ 6,943,888
Intermediate-Term Obligations				
Equipment				
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 25,350,000	$ 27,324,025		$ 5,684,825
Total Intermediate-Term Obligations	$ 25,350,000	$ 27,324,025		$ 5,684,825
Total Obligations	$ 1,553,975,029	$ 2,662,772,041		$ 12,628,713

COPs = Certificates of Participation

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

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

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2014
Full Cash Value (2013-14): $1,002,929,749,280 (after deducting $150,188,266,124 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %	Debt as of 5/1/14	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Los Angeles County Flood Control District	100.000 %	$ 17,480,000	
Metropolitan Water District	48.548	64,216,867	
Los Angeles Community College District	100.000	3,642,560,000	
Other Community College Districts	Various (1)	2,404,800,489	
Arcadia Unified School District	100.000	165,906,030	
Beverly Hills Unified School District	100.000	212,000,399	
Glendale Unified School District	100.000	158,699,986	
Long Beach Unified School District	100.000	536,547,292	
Los Angeles Unified School District	100.000	10,618,110,000	
Pasadena Unified School District	100.000	360,460,000	
Pomona Unified School District	100.000	202,359,426	
Redondo Beach Unified School District	100.000	205,432,952	
Santa Monica-Malibu Unified School District	100.000	291,068,787	
Torrance Unified School District	100.000	269,613,018	
Other Unified School Districts	Various (1)	2,875,114,367	
High School and School Districts	Various (1)	1,843,704,606	
City of Los Angeles	100.000	991,940,000	
City of Industry	100.000	126,265,000	
Other Cities	100.000	79,085,000	
Palmdale Water District Water Revenue Bonds	100.000	55,742,931	(2)
Palos Verdes Library District	100.000	3,530,000	
Community Facilities Districts	100.000	764,689,023	
Los Angeles County Regional Park & Open Space Assessment District	100.000	113,615,000	
1915 Act and Benefit Assessment Bonds - Estimate	100.000	108,422,262	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 26,111,363,435	
Less: Palmdale Water District Water Revenue Bonds supported by net operating revenues		(35,675,475)	
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		26,075,687,960	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,814,000,030**	
Los Angeles County Office of Education Certificates of Participation	100.000	9,529,882	
Community College District Certificates of Participation	Various (3)	50,047,729	
Baldwin Park Unified School District Certificates of Participation	100.000	40,875,000	
Compton Unified School District Certificates of Participation	100.000	26,675,000	
Los Angeles Unified School District Certificates of Participation	100.000	365,858,657	
Paramount Unified School District Certificates of Participation	100.000	27,375,213	
Other Unified School District Certificates of Participation	Various (3)	140,163,255	
High School and Elementary School District General Fund Obligations	Various (3)	140,798,894	
City of Beverly Hills General Fund Obligations	100.000	188,260,000	
City of Los Angeles General Fund and Judgment Obligations	100.000	1,773,605,479	
City of Long Beach General Fund Obligations	100.000	173,790,000	
City of Long Beach Pension Obligations	100.000	45,675,000	
City of Pasadena General Fund Obligations	100.000	483,196,382	
City of Pasadena Pension Obligations	100.000	133,905,000	
Other Cities' General Fund Obligations	100.000	1,302,465,161	
Los Angeles County Sanitation Districts Financing Authority	100.000	205,563,658	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,921,784,340	
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**		**(5,491,835)**	
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds		(5,052,000)	
Cities' self-supporting bonds		(523,774,229)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,387,466,276	
OVERLAPPING TAX INCREMENT DEBT: (Successor Agency):		$ 4,603,503,989	
TOTAL GROSS DIRECT DEBT		$ 1,814,000,030	
TOTAL NET DIRECT DEBT		$ 1,808,508,195	
TOTAL GROSS OVERLAPPING DEBT		$ 35,822,651,734	
TOTAL NET OVERLAPPING DEBT		$ 35,258,150,030	
GROSS COMBINED TOTAL DEBT		$ 37,636,651,764	(4)
NET COMBINED TOTAL DEBT		$ 37,066,658,225	

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

RATIOS TO 2013-14 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	2.28 %
Total Net Overlapping Tax and Assessment Debt	2.28 %
Gross Combined Direct Debt ($1,814,000,030)	0.16 %
Net Combined Direct Debt ($1,808,508,195)	0.16 %
Gross Combined Total Debt	3.26 %
Net Combined Total Debt	3.21 %
Ratios to Redevelopment Incremental Valuation ($150,188,266,124):	
Total Overlapping Tax Increment Debt	3.07 %

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 2013 Gross Product of $583.9 billion, Los Angeles County's economy is larger than that of 43 states and all but 20 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. While still working through the effects of a severe recession, the County's economy experienced continued growth in 2013, with an increase of 1.1% in economic output (as measured by Gross Product), a 1.8% increase in personal income and a 2.9% increase in taxable retail sales. The economic recovery is expected to continue in 2014, with several sectors of the local economy experiencing growth.

The County's unemployment rate averaged 9.8% in 2013, which represents an improvement from its 2012 unemployment rate of 11%. In 2014 and 2015, the job market is expected to show continued improvement, with a projected decline in the unemployment rate to 8.7% and 7.8%, respectively. The significant job losses which occurred during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects. With over $16 billion in voter-approved general obligation bond measures, historically low interest rates and cost-effective financing programs and incentives provided by the Federal government, local governments and school and community college districts have undertaken major capital construction projects.

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

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 360,800 workers employed in this sector in 2013. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked as the eighth largest among the world's port facilities. The County's technology sector, which employed 186,400 in 2013, has become a large and growing source of highly compensated jobs in the local economy.

Quality of Life

Higher Education

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

Culture

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

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

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library. Construction on the new Broad Museum of Contemporary Art is underway with an expected completion date in late 2014. The 3-story structure is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

Recreation

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

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

Population

The County is the most populous county in the U.S. with over 10 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 26.2% of the total population of California. The demographic profile of the County indicates that 48.2% of the population is Hispanic and 51.8% non-Hispanic. 27.3% of the County's population are White, 14.9% are Asian-Pacific Islander, and 9.3% are African American. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 76.4% of the adult population has a high school diploma or higher, and 29.5% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The recent economic downturn, which started in late 2007, affected the entire nation and had a significant adverse impact on the local economy. The unemployment rate climbed to 12.6% in 2010, but gradually decreased over the last three years to 9.8% in 2013. In comparison, the average unemployment rates for the State of California and the nation in 2013 were 8.9% and 7.4%, respectively. The employment situation in the County showed signs of improvement in 2013, with estimated total net job growth of 61,600 among the various sectors of the local economy. In 2014, total non-farm employment is projected to grow by 1.6% (61,900 jobs), resulting in a lower unemployment rate of 8.7%. Table F details the non-agricultural employment statistics by sector for the County from 2009 through 2013.

Personal Income

Total personal income grew in the County by an estimated 1.8% in 2013. The 2013 total personal income of $451.1 billion represents an estimated 24.9% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") is projecting continued growth in personal income of 4.5% for 2014 and 4.7% for 2015. Table C provides a summary of the personal income statistics for the County from 2009 through 2013.

Consumer Spending

The County is a national leader in consumer spending. As forecasted by LAEDC, the County experienced a 2.9% increase in taxable retail sales in 2013, with continued growth of 3.8% projected for 2014. The forecasted $101.2 billion of taxable retail sales in the County in 2013 represents over 25.6% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in the County from 2009 through 2013.

Industry

With an estimated annual economic output of $583.9 billion in 2013, the County continues to rank among the world's largest economies. The County's 2013 Gross Product represents approximately 28.1% 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 the County from 2009 through 2013.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of $431.7 billion in 2008. After suffering a substantial decrease in 2009, the value of two-way trade in the LACD has experienced strong growth over the last several years. From 2009 to 2012, the value of two-way trade at LACD increased by 43.4% which surpassed the record level attained in 2008. LACD continued this trend in 2013, handling approximately $503.1 billion worth of international trade, which represents a 3.1% increase from 2012. Based on the latest LAEDC projections, international trade is expected to exceed $510 billion in 2014, with continued growth projected for 2015. The LACD maintained its ranking as the top customs district in the nation for international trade in 2013, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC has projected an increase of 3% for 2014 in the value of international trade handled through the LACD.

Transportation/Infrastructure

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

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the sixth busiest airport in the world and third in the United States for passenger traffic. In 2013, LAX served 66.7 million passengers, representing a 4.7% increase from the previous year. The 1.9 million tons of air cargo handled at LAX in 2013, and the corresponding value of $86.9 billion, represents a decrease of 1.9% from 2012 levels. A $4.1 billion capital improvement project is currently underway at LAX, which is expected to generate approximately 40,000 local jobs. Long Beach Airport just completed the construction of a new 74,000 square feet passenger concourse at a cost of $45 million, which is projected to increase the airport's passenger levels over the next few years. Bob Hope Airport is in the planning stage of replacing its passenger concourse with a new state of the art facility. Construction is scheduled to begin on the new concourse in 2016.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been the fastest growing port facility in the United States, and are the busiest port complex in the U.S. and western hemisphere, and the eighth 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 2013, the port complex experienced a 3.4% increase in the volume of cargo from 2012, and is projecting continued growth in 2014 and 2015.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2013, it was ranked as the busiest container port in the United States for the thirteenth 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 24 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2013, the Port handled over 7.9 million TEUs, which represents a 2.5% decrease in container volume from 2012.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-third busiest in the world in 2012. The Port of Long Beach covers over 3,200 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2013, the port handled over 6.7 million TEUs of container cargo, which represents a increase of 11.7% from 2012.

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 the County. The Fiscal Year 2013-14 operating budget for the MTA is $5.0 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 2013, the Los Angeles region hosted a record high 28.5 million overnight visitors, representing a 2.2% increase from 2012. The newly built hotels in downtown Los Angeles 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 2013, with tourists and business travelers spending in excess of $17 billion.

Real Estate and Construction

The County's residential housing market experienced a significant downturn starting in late 2007. The average median price for new and existing homes decreased by nearly 46% from a peak of $532,281 in 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market stabilized in 2012, and began to show signs of a recovery, as the average median home price increased by 17.0% from the first quarter to the fourth quarter of 2012 ($301,239 to $352,544). In 2013, the real estate market experienced continued growth, as the average median home price increased by 22.1% to $430,343 in the fourth quarter of 2013. After a record high of 105,433 in 2009, notices of default recorded decreased by 80% to 20,970 in 2013, and have leveled off at a rate of approximately 1,750 per month over the previous year. Foreclosures, as measured by the number of trustees deeds recorded, decreased by over 82% from a cyclical high of 39,774 in 2008 to 7,248 in 2013. The number of trustees deeds recorded in 2013 represents a 58% decrease from the 17,123 recorded in 2012. The positive foreclosure trend accelerated in 2013, as the number of trustees deeds recorded was only 1,448 in the Fourth quarter of 2013. The County's residential real estate market is expected to show continued improvement in 2014.

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained relatively stable assessed valuations. The stability of the property tax base is primarily due to the significant amount "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2013-14, the County Assessor reported a Net Local Roll of $1.13 trillion, which represents a 4.7% increase from the Net Local Roll of $1.08 trillion in Fiscal Year 2012-13. The Net Local Roll in Fiscal Year 2013-14 represents an 8.4% increase from Fiscal Year 2010-11, and the third consecutive year of assessed valuation growth after the recent economic downturn.

The commercial real estate sector experienced modest improvement in 2013, which is expected to continue in 2014. Construction lending experienced a significant increase of 39% from $4.601 billion in 2012 to $6.379 billion in 2013. Office market vacancy rates were essentially unchanged from 2012 to 2013, with the average vacancy rate increasing slightly from 16.7% to 16.9%, which is still significantly higher than the 9.7% rate in 2007, prior to the severe economic downturn. Industrial market vacancy rates experienced continued improvement in 2013, decreasing from 2.1% in 2012 to 1.9% in 2013, which is slightly higher than the 1.5% vacancy rate in 2007. A Korean conglomerate has broken ground on a new skyscraper in Downtown Los Angeles, which will become the tallest building in the western United States when completed in 2017. The 73-story, 1,100-foot tall structure, which will include a hotel, office space and condos, represents a $1.1 billion private investment in an area of the County that is currently experiencing robust growth and development.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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

	2009	2010	2011	2012	2013
Los Angeles County	$530,021	$543,740	$557,500	$577,500	$583,900
State of California	1,847,044	1,901,072	1,958,900	2,045,700	2,075,500
United States	13,939,000	14,526,500	15,094,000	15,653,370	16,724,300
Los Angeles County as a % of California	28.70%	28.60%	28.46%	28.23%	28.13%

Source: Los Angeles Economic Development Corporation - 2013-14 Economic Forecast and Industry Outlook February 2014

TABLE B: POPULATION LEVELS

	2009	2010	2011	2012	2013
Los Angeles County	9,805,200	9,825,100	9,860,900	9,945,000	10,019,400
State of California	37,077,200	37,309,400	37,570,100	37,826,400	38,204,600
Los Angeles County as a % of California	26.45%	26.33%	26.25%	26.29%	26.23%

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

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

	2009	2010	2011	2012	2013
Los Angeles County	$394,900	$404,000	$424,800	$443,100	$451,100
Orange County	145,900	147,200	154,800	161,700	165,100
Riverside and San Bernardino Counties	123,200	126,300	133,800	138,800	141,800
Ventura County	36,000	37,000	39,300	40,800	42,400
State of California	1,536,400	1,579,100	1,683,200	1,768,000	1,810,500
Los Angeles County as a % of California	25.70%	25.58%	25.24%	25.06%	24.92%

Source: Los Angeles Economic Development Corporation - 2013-2014 Mid-Year Economic Forecast and Industry Outlook February 2014

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

	2009	2010	2011	2012	2013
Los Angeles County	$78,400	$82,200	$89,300	$98,400	$101,200
State of California	311,200	326,800	355,500	379,000	395,900
Los Angeles County as a % of California	25.19%	25.15%	25.12%	25.96%	25.56%

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

TABLE E: UNEMPLOYMENT RATES

	2009	2010	2011	2012	2013
Los Angeles County	11.6%	12.6%	12.3%	11.0%	9.8%
State of California	11.3%	12.4%	11.8%	10.5%	8.9%
United States	9.3%	9.6%	8.9%	8.1%	7.4%

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2009	2010	2011	2012	2013
Government	595.8	579.6	565.5	556.8	550.0
Wholesale & Retail Trade	591.5	588.7	595.9	607.7	610.3
Health Care & Social Assistance	404.6	410.9	419.2	428.2	437.4
Manufacturing	389.2	373.2	366.8	365.7	360.8
Leisure & Hospitality	385.6	384.8	394.6	414.1	433.0
Professional, Scientific & Technical Services	250.2	245.6	255.3	267.0	276.8
Administrative & Support Services	225.3	228.7	232.4	244.1	253.6
Information	191.2	191.5	191.9	190.3	193.9
Transportation & Utilities	151.2	150.6	151.8	154.3	153.9
Finance & Insurance	142.3	137.8	136.8	138.6	140.2
Construction	117.3	104.5	105.0	108.8	116.2
Educational Services	110.1	111.1	114.2	116.1	122.0
Real Estate	73.8	71.7	71.6	71.7	75.4
Management of Enterprises	54.4	53.2	55.3	56.1	57.0
Other	140.8	141.4	142.2	144.8	145.4
Total	3,823.3	3,773.3	3,798.5	3,864.3	3,925.9

Source: Los Angeles Economic Development Corporation - 2013-2014 Economic Forecast and Industry Outlook February 2014

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

Type of Activity	2009	2010	2011	2012	2013
International Air Cargo (Tons)					
Los Angeles International Airport	916.0	1,125.2	1,080.7	1,135.8	1,119.0
As Percentage of Total Air Cargo	50.98%	67.63%	57.80%	57.85%	58.10%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,796.5	1,663.9	1,869.6	1,963.2	1,926.1
Long Beach Airport	35.1	29.0	28.2	27.0	26.9
Bob Hope Airport (Burbank)	42.9	44.4	43.9	47.4	52.9
Total	1,874.5	1,737.2	1,941.8	2,037.6	2,005.8
International Air Passengers					
Los Angeles International Airport	15,100.9	15,936.0	16,731.3	17,152.9	17,852.1
As Percentage of Total Passengers	26.72%	26.98%	27.05%	26.93%	26.78%
Total Air Passengers					
Los Angeles International Airport	56,520.9	59,070.1	61,862.5	63,688.1	66,667.6
Long Beach Airport	1,466.5	1,460.0	1,532.4	1,643.4	1,497.5
Bob Hope Airport (Burbank)	4,588.4	4,461.3	3,942.3	3,725.5	3,844.1
Total	62,575.8	64,991.4	67,337.2	69,057.0	72,009.2
Container Volume (TEUs)					
Port of Los Angeles	6,749.0	7,831.9	7,940.5	8,077.7	7,868.6
Port of Long Beach	5,067.6	6,263.5	6,061.1	6,045.7	6,730.6
Total	11,816.6	14,095.4	14,001.6	14,123.4	14,599.2

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

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

Customs District	2009	2010	2011	2012	2013
Los Angeles, CA	$340,200	$417,100	$467,600	$487,900	$503,100
New York, NY	$288,900	$354,500	$418,000	$412,200	$410,700
Laredo, TX	$145,600	$184,200	$214,500	$237,300	$251,100
Houston, TX	$164,900	$208,400	$263,200	$268,200	$247,100
Detroit, MI	$168,000	$215,100	$239,400	$246,300	$239,100
New Orleans, LA	$142,300	$182,700	$222,700	$230,700	$218,200
Seattle, WA	$119,800	$136,800	$154,800	$167,900	$178,000
Chicago, IL	$112,200	$138,400	$147,900	$154,700	$162,600
Savannah, GA	$86,900	$106,600	$124,900	$131,000	$127,000
San Francisco, CA	$87,000	$107,700	$120,400	$120,200	$124,800

Source: Los Angeles Economic Development Corporation - 2013 International Trade Report

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

Port	2009	2010	2011	2012	2013
Los Angeles-Long Beach, CA	167,866	193,591	199,509	201,706	207,241
Tacoma, WA	28,701	27,507	28,428	30,975	31,823
Oakland, CA	27,872	29,475	30,285	30,305	30,907
Seattle, WA	25,070	31,337	29,856	25,549	18,120
Portland, OR	16,348	19,661	19,140	17,948	13,516
Kalama, WA	9,065	11,653	11,570	10,199	9,305
San Diego, CA	3,506	4,074	4,287	4,822	5,168
Port Hueneme	2,998	3,356	4,095	4,520	4,921
Vancouver, WA	5,135	6,110	6,198	4,915	2,001

Source: Los Angeles Economic Development Corporation - 2013 International Trade Report

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

Port	2009	2010	2011	2012	2013
Los Angeles-Long Beach, CA	11,817	14,095	14,002	14,124	14,600
New York, NY	4,562	5,292	5,503	5,530	5,467
Savannah, GA	2,357	2,825	2,945	2,966	3,034
Oakland, CA	2,045	2,330	2,343	2,344	2,347
Seattle, WA	1,585	2,140	2,034	1,869	2,224
Norfolk, VA	1,745	1,895	1,918	2,106	1,950
Charleston, SC	1,368	1,280	1,380	921	1,892
Houston, TX	1,797	1,812	1,866	1,786	1,601
Tacoma, WA	1,546	1,455	1,489	1,455	1,593

Source: Los Angeles Economic Development Corporation - 2013 International Trade Report

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

Indicator	2009	2010	2011	2012	2013
1. Construction Lending (in millions)	$ 2,465	$ 2,128	$ 3,258	$ 4,601	$ 6,379
2. Residential Purchase Lending (in millions)	$ 22,111	$ 22,491	$ 20,469	$ 23,675	$ 27,907
3. New & Existing Median Home Prices	$ 321,550	$ 335,363	$ 316,469	$ 330,463	$ 412,096
4. New & Existing Home Sales	81,072	77,313	74,216	83,686	84,034
5. Notices of Default Recorded	105,433	68,603	64,490	49,354	20,970
6. Unsold New Housing (at year-end)	1,629	1,997	1,517	845	561
7. Office Market Vacancy Rates	16.0%	17.0%	17.0%	16.7%	16.9%
8. Industrial Market Vacancy Rates	3.3%	3.2%	2.9%	2.1%	1.9%

Source: Real Estate Research Council of Southern California - 4th Quarter 2013

TABLE L: BUILDING PERMITS AND VALUATIONS

	2009	2010	2011	2012	2013
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	2,131	2,439	2,370	2,756	3,599
b. Multi-Family	3,522	5,029	8,033	7,950	12,631
Total Residential Building Permits	5,653	7,468	10,403	10,706	16,230
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 798	$ 922	$ 1,032	$ 1,128	$ 1,507
b. Multi-Family	522	811	1,222	1,416	1,921
c. Alterations and Additions	1,073	1,110	1,122	674	1,193
Residential Building Valuations Subtotal	$ 2,393	$ 2,843	$ 3,376	$ 3,218	$ 4,621
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 192	$ 133	$ 156	$ 38	$ 246
b. Retail Buildings	222	263	223	115	385
c. Hotels and Motels	11	28	24	5	145
d. Industrial Buildings	40	56	136	169	128
e. Alterations and Additions	1,658	1,662	1,774	1,095	2,012
f. Other	551	535	806	381	669
Non-Residential Building Valuations Subtotal	$ 2,674	$ 2,677	$ 3,119	$ 1,803	$ 3,585
Total Building Valuations (in millions)	$ 5,067	$ 5,520	$ 6,495	$ 5,021	$ 8,206

Source: Real Estate Research Council of Southern California - 4th Quarter 2013

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2013 Ranking)		Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	36,495	174,870
2	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,100	68,000
3	Target Corp.	Retailer	Minneapolis, MN	15,000	361,000
4	University of Southern California	Education-Private University	Los Angeles, CA	14,525	14,525
5	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	13,746	260,000
6	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	N/A
7	Providence Health & Services	Health Care	Renton, WA	10,983	N/A
8	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	10,663	10,663
9	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,630	340,000
10	Walt Disney Co.	Entertainment	Burbank, CA	10,500	166,000
11	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	10,463	161,173
12	Wells Fargo	Diversified Financial Services	San Francisco, CA	10,100	N/A
13	AT&T Inc.	Telecommunications	Dallas, TX	8,900	245,000
14	UPS	Transportation and Freight	Atlanta, GA	8,845	399,000
15	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,649	8,900
16	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,200	95,000
17	American Apparel, Inc.	Apparel Manufacturer and Retailer	Los Angeles, CA	7,960	12,000
18	Edison International	Electric Utility	Rosemead, CA	7,850	16,593
19	Vons	Grocery Retailer	Pleasanton, CA	7,750	25,300
20	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,700	244,300
21	Warner Bros. Entertainment Inc.	Entertainment	Burbank, CA	7,400	N/A
22	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	6,793	68,000
23	JP Morgan Chase	Banking and Financial Services	New York, NY	6,300	254,000
24	Dignity Health	Hospitals	San Francisco, CA	6,106	53,347
25	Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,000	18,000

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, September 2013

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
TABLE OF CONTENTS

Page

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Walnut Creek

Oakland

Century City

Newport Beach

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) (discretely presented component unit), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) (discretely presented component unit), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net position/fund balances and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Discretely presented component units	100%	100%	100%
Aggregate remaining fund information	68%	70%	11%

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District Fund, Flood Control District Fund, Public Library Fund, and Regional Park and Open Space District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2012, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 66, *Technical Corrections - 2012, An Amendment of GASB Statements No. 10 and No. 62.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 22 and the schedules of funding progress on pages 121 and 122 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 16, 2013

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2013. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets, reduced by total liabilities and deferred inflows of resources) of the County was positive $10.956 billion. However, net position is classified into three categories and the unrestricted component is negative $8.641 billion. See further discussion on page 8.

During the current year, the County's net position decreased by a total of $758 million. Net position related to governmental activities decreased by $679 million, while net position related to business-type activities decreased by $79 million. Growth in liabilities associated with postemployment health insurance benefits was $1.235 billion during the current year and represented the single largest factor in reducing the County's net position. See further discussion on page 8.

At the end of the current year, the County's General Fund reported a total fund balance of $2.880 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $254 million, restricted fund balance of $60 million, committed fund balance of $529 million, assigned fund balance of $376 million, and $1.661 billion of unassigned fund balance.

The County's capital asset balances were $18.668 billion at year-end and increased by $334 million during the year, after restatement of prior year balances.

During the current year, the County's total long-term debt increased by $178 million, after restatement of prior year balances. Newly issued and accreted long-term debt of $701 million exceeded long-term debt maturities of $523 million.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities presents information that indicates how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the 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, and interest on long-term debt.

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation Fund represent the County's business activities. In the prior year, the Community Development Commission was also reflected among the County's business activities. See further discussion below under "Discretely Presented Component Units."

- Discretely Presented Component Units - Component units are separate entities for which the County is financially accountable. As discussed in Note 2 to the basic financial statements, the County implemented GASB Statement No. 61 in the current year and the Community Development Commission, which was reported as a blended component unit in the prior year, is now regarded as a discretely presented component unit. In addition, First 5 LA continues to be discretely presented in the financial statements.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by $10.956 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2013 and 2012 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 7,947,075	$ 8,411,714	$ 1,423,547	$ 1,073,713	$ 9,370,622	$ 9,485,427
Capital assets	15,838,545	15,701,869	2,829,716	2,787,9666	18,668,261	18,489,835
Total assets	23,785,620	24,113,583	4,253,263	3,861,679	28,038,883	27,975,262
Current and other liabilities	1,326,042	1,761,689	401,345	268,362	1,727,387	2,030,051
Long-term liabilities	11,966,513	10,977,896	3,286,521	2,836,246	15,253,034	13,814,142
Total liabilities	13,292,555	12,739,585	3,687,866	3,104,608	16,980,421	15,844,193
Deferred inflows of resources	102,089				102,089	
Net position:						
Net investment in capital assets	14,654,785	14,593,171	2,218,647	2,241,059	16,873,432	16,834,230
Restricted	2,655,717	2,908,564	68,169	104,997	2,723,886	3,013,561
Unrestricted (deficit)	(6,919,526)	(6,127,737)	(1,721,419)	(1,588,985)	(8,640,945)	(7,716,722)
Total net position	$ 10,390,976	$ 11,373,998	$ 565,397	$ 757,071	$ 10,956,373	$ 12,131,069

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

Current and Other Assets

Current and other assets decreased by $465 million for governmental activities and increased by $350 million for business-type activities. For governmental activities, there was a reduction of $435 million in investment purchase transactions which took place at the end of the current year and settled subsequent to the statement of net position date. This decrease was offset by corresponding reductions in liabilities (Other Payables) of like amount. For business-type activities, current and other assets increased by $350 million, largely due to a $329 million increase in the Hospitals' accounts receivable.

Liabilities

Current and other liabilities decreased by $436 million for governmental activities, largely due to the previously mentioned $435 million reduction of liabilities associated with investment purchase transactions pending settlement at year-end. For business-type activities, a net increase of $133 million in current and other liabilities was primarily due to a $136 million increase in accounts payable for intergovernmental transfer expenses associated with the

Liabilities-Continued

Hospitals. Long-term liabilities increased by $989 million for governmental activities and by $450 million for business-type activities. Liabilities for other postemployment benefits (OPEB), although partially funded beyond a pay-as-you-go basis in the current year, increased for both governmental and business-type activities by $1.035 billion and $199 million, respectively. Additional significant factors increasing liabilities were newly issued capital improvement bonds and third party payor liabilities for the business-type activities. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 9 and 11 to the basic financial statements.

Deferred Inflows of Resources

As discussed in Notes 2 and 7 to the basic financial statements, the County implemented GASB Statements Nos. 60 and 63 in the current year. Sixteen of the County's golf courses are managed by private operators and were determined to be service concession arrangements. The County receives installment payments from the private operators and the present value of such payments was $102 million and is recorded as a deferred inflow of resources, which is a newly established segment of the Statement of Net Position.

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

Net Investment in Capital Assets

The largest portion of the County's net position ($16.873 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 Position

The County's restricted net position at year-end was $2.724 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

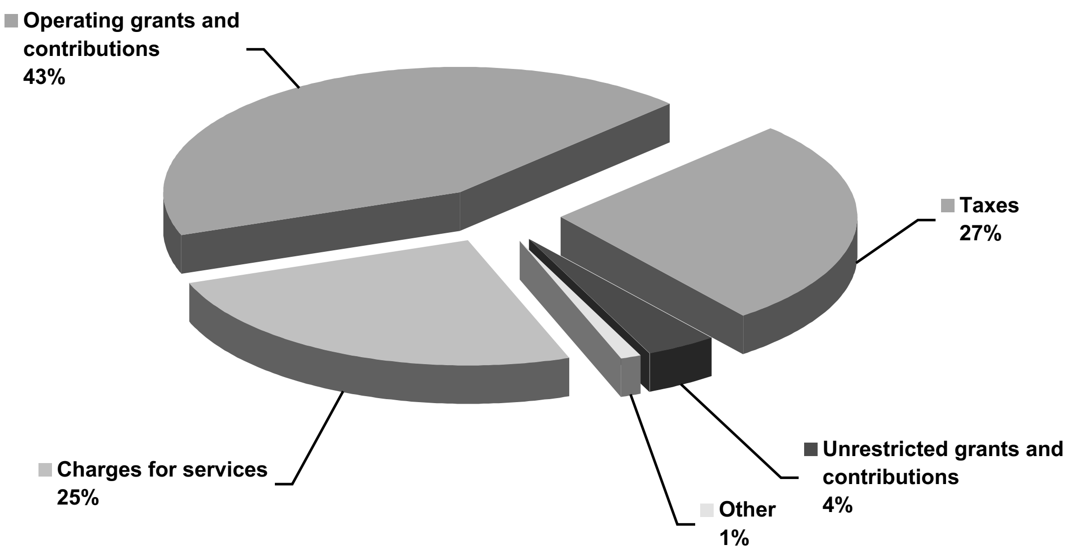
The County's total unrestricted net position is negative $8.641 billion. Both governmental and business-type activities reported deficits in this category of $6.920 billion and $1.721 billion, respectively. The deficits closely parallel the OPEB related liabilities of $6.812 billion for governmental activities and $1.341 billion for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, compensated absences, and litigation and self-insurance claims. As discussed in Note 9 to the basic financial statements, the County funded OPEB by $449 million beyond the pay-as-you-go amount during the current year.

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

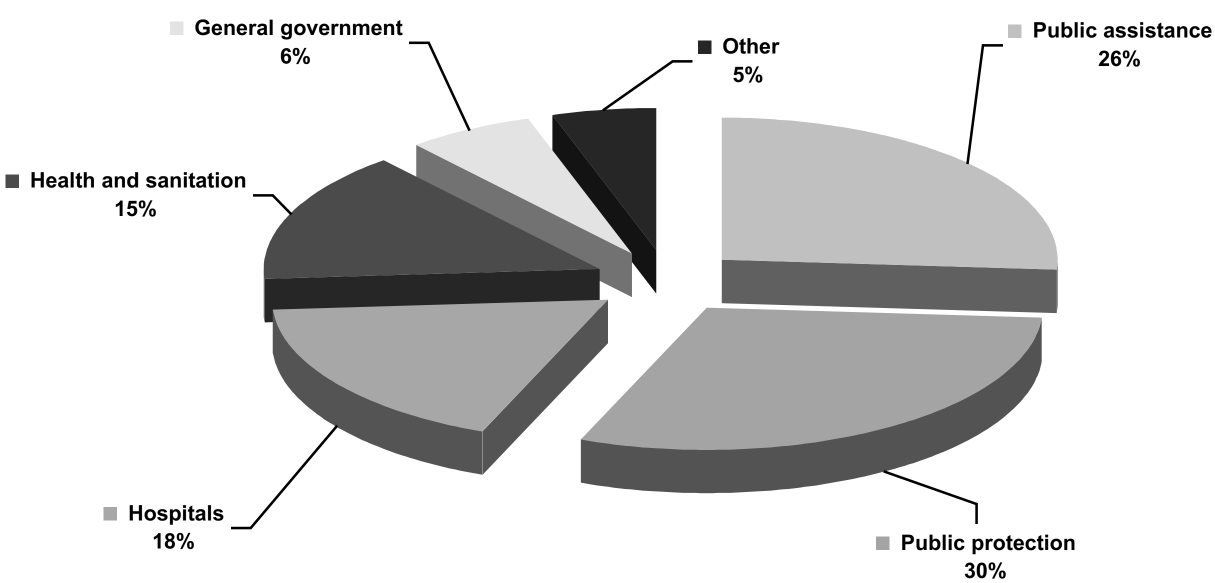
Summary of Changes in Net Position
For the Years Ended June 30, 2013 and 2012
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 2,589,542	$ 2,712,525	$ 2,446,892	$ 2,262,644	$ 5,036,434	$ 4,975,169
Operating grants and contributions	8,186,681	7,715,282	522,112	776,779	8,708,793	8,492,061
Capital grants and contributions	104,486	38,352	47	1,311	104,533	39,663
General revenues:						
Taxes	5,570,043	5,192,668	4,347	4,382	5,574,390	5,197,050
Unrestricted grants and contributions	745,406	608,967	37	51	745,443	609,018
Investment earnings (loss)	(920)	82,271	(171)	1,770	(1,091)	84,041
Miscellaneous	150,957	134,827	13,171	21,657	164,128	156,484
Total revenues	17,346,195	16,484,892	2,986,435	3,068,594	20,332,630	19,553,486
Expenses:						
General government	1,274,689	1,315,662			1,274,689	1,315,662
Public protection	6,309,193	6,608,319			6,309,193	6,608,319
Public ways and facilities	381,211	355,527			381,211	355,527
Health and sanitation	3,066,172	3,036,296			3,066,172	3,036,296
Public assistance	5,538,106	5,599,244			5,538,106	5,599,244
Education	119,680	112,497			119,680	112,497
Recreation and cultural services	316,372	310,369			316,372	310,369
Interest on long-term debt	105,491	110,541			105,491	110,541
Hospitals			3,889,206	3,768,699	3,889,206	3,768,699
Waterworks			84,824	94,651	84,824	94,651
Aviation			5,332	5,022	5,332	5,022
Community Development Commission				289,924		289,924
Total expenses	17,110,914	17,448,455	3,979,362	4,158,296	21,090,276	21,606,751
Excess (deficiency) before transfers and extraordinary item	235,281	(963,563)	(992,927)	(1,089,702)	(757,646)	(2,053,265)
Transfers	(913,686)	(818,923)	913,686	818,923		
Extraordinary item		(6,282)				(6,282)
Changes in net position	(678,405)	(1,788,768)	(79,241)	(270,779)	(757,646)	(2,059,547)
Net position – beginning, as restated	11,069,381	13,162,766	644,638	1,027,850	11,714,019	14,190,616
Net position – ending	$ 10,390,976	$ 11,373,998	$ 565,397	$ 757,071	$ 10,956,373	$ 12,131,069

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013



Governmental Activities

Revenues from governmental activities increased by $861 million (5.2%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $471 million. State Assembly Bill 109 public safety realignment revenues grew by $143 million, as this program expanded in the current year. There was also growth of $130 million associated with the State Mental Health Services Act (Proposition 63). Proposition 63 revenue growth was attributable to higher State income taxes and positive State adjustments to prior year revenues. Public assistance programs experienced net revenue growth of $122 million, as State revenues grew by $219 million and federal revenues were lower by $97 million. Program revenue growth of $75 million was due to the federal Delivery System Incentive Pool revenues, which were a newly recognized funding source for the County's health services administration program.

- Taxes, the County's largest general revenue source, were $377 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes, which grew by $348 million. The County's assessed property tax roll grew for the second consecutive year and was 2.2% higher in the current year. Property tax revenues were also recognized in conjunction with the prior year dissolution of redevelopment agencies, which shifted residual property taxes to local government agencies, including the County. The County's share of such residual tax revenues in the current year was $125 million and grew by $25 million. Current year revenues of $241 million, referred to as "pass through" payments from redevelopment dissolution, are apportioned directly to the County and are classified as property tax revenues. In the prior year, such revenues were $101 million and classified as Other Intergovernmental Revenues. The redevelopment dissolution process places high priority on pass through revenues and resulted in more timely recognition of such revenues.

- An investment loss of nearly $1 million was recognized in the current year, as compared with positive investment earnings of $82 million in the prior year. As discussed in Note 5 to the basic financial statements, the County Treasury Pool incurred unrealized losses of $179 million at the end of the current year. Although Treasury Pool investments are generally held to maturity, the amount of unrealized losses exceeded realized gains on matured investments.

Expenses related to governmental activities decreased by $338 million (1.9%) during the current year. There were two major factors contributing to lower overall expenses. As discussed in Note 9 to the basic financial statements, the County utilized savings from LACERA pension reserves to fund $449 million of OPEB costs beyond the pay-as-you-go amount in the current year. The additional funding source was offset by growth in current year OPEB costs of $174 million, resulting in a net reduction of current year OPEB costs of $275 million. In the prior year, the County reevaluated its liabilities for accrued vacation and sick leave and recognized higher one-time costs for these benefits in the prior year. In the current year, these expenses

Governmental Activities-Continued

were comparatively lower by $322 million. The current year cost reductions of $597 million noted above were partially offset by increases in salaries and other employee benefits of $306 million. Although there were no cost of living wage increases in the current year, expenses were generally higher due to costs associated with new employees, promotions, employee health care benefits and pension contributions.

Business-type Activities

Revenues from business-type activities decreased in comparison to the prior year by $82 million (2.7%). As previously discussed, the Community Development Commission (CDC) is discretely presented in the current year and represented $296 million of business-type revenues in the prior year. Adjusting for this change, business-type revenues were otherwise higher by $214 million. This increase was associated with the County's Hospitals, which recognized a year-over-year increase of $246 million from a revenue source known as "Managed Care for Seniors and Persons with Disabilities." This amount was partially offset by lower revenues from the Medi-Cal demonstration project. Hospital revenue sources are discussed in more detail in Note 14 to the basic financial statements.

Expenses related to business-type activities decreased from the previous year by $179 million (4.3%). CDC business-type expenses were $290 million in the prior year. Similar to the adjustment discussed in the preceding paragraph for CDC, business-type expenses were otherwise higher by $111 million. Intergovernmental transfer expenses were $130 million higher and these increases were associated with the County Hospitals' managed care programs. For all Hospital facilities, the average patient census during the current year was 1,234 patients per day, which was lower in comparison with 1,263 for the prior year.

Financial Analysis of the County's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.107 billion, an increase of $229 million in comparison with the prior year. Of the total fund balances, $265 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $2.980 billion is classified as restricted, $653 million as committed, and $548 million as assigned. The remaining balance of $1.661 billion is classified as unassigned and is entirely associated with the General Fund.

Governmental Funds-Continued

Revenues from all governmental funds for the current year were $17.251 billion, an increase of $795 million (4.8%) from the previous year. Expenditures for all governmental funds in the current year were $16.409 billion, an increase of $459 million (2.9%) from the previous year. In addition, other financing uses exceeded other financing sources by $613 million as compared to $560 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $238 million (9.0%). At the end of the current fiscal year, the General Fund's total fund balance was $2.880 billion. Of this amount, $254 million is classified as nonspendable, $60 million as restricted, $529 million as committed, $376 million as assigned and the remaining $1.661 billion is classified as unassigned.

General Fund revenues during the current year were $14.607 billion, an increase of $781 million (5.6%) from the previous year. General Fund expenditures during the current year were $14.014 billion, an increase of $394 million (2.9%) from the previous year. Other financing sources/uses-net was negative $356 million in the current year as compared to negative $287 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Intergovernmental revenues increased overall by $550 million, with growth in all segments, led by increases in State revenues of $388 million, federal revenues of $86 million and "other" intergovernmental revenues of $76 million. State revenue growth of $388 million was largely associated with public assistance programs, which grew by $219 million, due to higher levels of reimbursable program and administrative costs. There was also growth of $143 million associated with the State's Assembly Bill 109 public safety realignment initiative as the program continues to expand, especially in the Sheriff's and Probation Departments, which recognized increased revenues of $75 million and $49 million, respectively. There were also year-over-year increases in State Proposition 172 revenues of $36 million. Federal revenue growth of $86 million was principally due to the federal Delivery System Incentive Pool revenues, which were a newly recognized funding source of $75 million for the County's health services administration program. Excess assets from redevelopment agencies are not derived from current property taxes and are classified as "other" intergovernmental revenues. The General Fund's share of such revenues in the current year was $135 million, was offset by the reclassification of $74 million of pass through revenues, and these were the major factors that led to the net increase of "other" intergovernmental revenues.

Governmental Funds-Continued

- Revenues from taxes increased by $287 million and property taxes comprised $262 million of this increase. Current year revenues of $191 million, referred to as "pass through" payments from redevelopment dissolution, are apportioned directly to the County's General Fund and are classified as property tax revenues. In the prior year, such revenues were $74 million and classified as "other" intergovernmental revenues. As previously mentioned, assessed property values were higher in the current year and additional property tax revenues were $55 million. Residual property tax revenues from redevelopment dissolution were $16 million higher in the current year, growing from $88 million to $104 million.
- General fund expenditures increased by a total of $394 million, or 2.9%. Within this total, there were increases of $400 million in current expenditures, increases in debt service expenditures of $6 million, and capital outlay expenditures were lower by $12 million. The most significant increase in current expenditures was in the public protection category, where expenditures were higher by $157 million. Of this amount, salaries and employee benefits increased by $112 million and were largely associated with the Sheriff's and Probation Departments. Current expenditures were also higher by $139 million in the public assistance category and $123 million was related to administering a variety of assistance programs. Expenditures were also higher by $91 million for health and sanitation programs.

The Fire Protection District reported a year-end fund balance of $237 million, which represented an increase of $33 million from the previous year. The increase in fund balance also brought additional liquidity to the District, as total pooled cash and investments increased by $45 million. Revenues increased by $63 million, of which $57 million was attributable to property taxes. Expenditures were higher by $27 million, of which $18 million was related to salaries and benefits.

The Flood Control District reported a year-end fund balance of $243 million, which was $48 million higher than the previous year. Revenues were $9 million higher in the current year and the increase was associated with property tax growth. Expenditures were nearly unchanged, as the current year expenditures were $187 million, or $3 million lower than the prior year amount of $190 million.

The Public Library Fund reported a year-end fund balance of $59 million, which was $5 million higher than the previous year. Revenues grew by $5 million, due to higher property tax revenues. Expenditures increased in the current year by $7 million. There was a net decrease of $8 million for "transfers in," as contributions from the County's General Fund were $42 million in the current year, as compared to $50 million in the prior year.

The Regional Park and Open Space District reported a year-end fund balance of $330 million, which was $8 million higher than the previous year. Current year revenues were lower by $6 million, as investment losses in the current period were nearly $2 million compared with positive investment income of $5 million in the prior year. Expenditures were nearly unchanged, at $35 million in the current year versus $36 million in the prior year.

Proprietary Funds

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

The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The amount of subsidy, per facility, ranged from $71 million for Rancho Los Amigos National Rehabilitation Center to $331 million for the LAC+USC Medical Center. The total subsidy amount was $718 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was $643 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 ($116 million), Harbor-UCLA Medical Center ($61 million), and Olive-View UCLA Medical Center ($38 million). The total amount of current year Measure B transfers ($215 million) was higher than the prior year amount of $194 million.

Waterworks Funds reported year-end net position of $820 million, an $8 million reduction from the previous year. Current year operating revenues of $72 million were $4 million higher than the previous year's amount of $68 million. Current year operating expenses of $85 million were $10 million lower than the previous year's amount of $95 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $68 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 264,749	$ 4,250,866	$ 4,263,363	$ 12,497
Intergovernmental revenues	282,836	8,976,288	8,158,498	(817,790)
Charges for services	(28,232)	1,737,959	1,572,231	(165,728)
All other revenues	63,641	618,327	600,932	(17,395)
Other sources and transfers in	14,139	736,892	492,185	(244,707)
Total	$ 597,133	$ 16,320,332	$ 15,087,209	$ (1,233,123)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $597 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $283 million. Of this amount, there were federal and State revenues of $97 million added to the budget for public assistance programs due to rate increases for adoptions and foster care and increases to the In-Home Supportive Services program for higher levels of reimbursable costs. Budgeted Federal revenues, referred to as "Delivery System Reform Incentive Pool," were increased by $81 million to reflect over-realized revenue amounts. There was a $51 million increase to budgeted federal and State revenues associated with reimbursement of disaster recovery expenditures incurred in previous years. Net additions of $38 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution. There were other net additions to budgeted intergovernmental revenues of $16 million.

- The budget for tax revenues was increased by $265 million. Of this increase, $159 million was added to the budget for unanticipated property tax revenues recognized in conjunction with redevelopment dissolution. Additionally, $89 million was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues. The remaining $17 million of increased tax revenues was appropriated for a variety of programs.

- There was a net increase of $64 million related to "all other revenues" and $37 million of this amount was attributable to tobacco settlement revenues, which exceeded the original budget amount. There were a variety of revenue increases accounting for the remaining $27 million.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $15.087 billion, or 7.6%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers in."

- Actual intergovernmental revenues were $818 million lower than the amount budgeted. Budgeted intergovernmental revenues of $272 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Mental health programs accounted for approximately $208 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Approximately $160 million was associated with social service, child and family programs, where reimbursable costs were lower than anticipated due to hiring and promotion delays, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Public health related programs experienced budgeted revenue shortfalls of $56 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Probation Department under-realized revenues of $47 million due to lower than expected reimbursement of salaries, services and supplies. The Registrar-Recorder did not realize $24 million of federal funds (Help America Vote Act) due to lower than anticipated eligible costs. The remaining variance of $51 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $245 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund (Proposition 63) did not fully materialize at the budgeted level and "transfers in" were $134 million lower than budgeted. In addition, "transfers in" totaling $90 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 $21 million.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (46,960)	$ 1,581,512	$ 969,912	$ 611,600
Public protection	11,133	4,963,094	4,701,404	261,690
Health and sanitation	24,306	3,381,053	2,946,179	434,874
Public assistance	108,383	5,648,187	5,289,991	358,196
All other expenditures	(8,996)	1,201,615	384,714	816,901
Transfers out	128,854	716,512	698,521	17,991
Contingencies	88,839	88,839		88,839
Fund balance changes-net	291,574	305,022	164,409	140,613
Total	$ 597,133	$ 17,885,834	$15,155,130	$ 2,730,704

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately $597 million. As discussed below, the most significant increases occurred in the following areas:

- Net budgetary changes of $292 million were made to various fund balance components. Increases were made to fund balance commitments to augment the County's "rainy day" fund by $94 million and to provide $64 million for low and moderate income housing. Fund balance committed for health services, funded by tobacco settlement revenues, was increased by $43 million. Fund balance commitments were also established for budgetary uncertainties and Sheriff's operations by $38 million and $31 million, respectively. Miscellaneous increases of $22 million were made to other fund balance categories, which had the effect of reducing unassigned fund balance.
- Appropriations for "transfers out" were increased by $129 million. Of this amount, $57 million was appropriated to augment the amount of fund transfers from the General Fund to various Hospital Funds. An additional $51 million of one-time federal and State disaster reimbursement funds were allocated to fund transfers to debt service funds for purposes of redeeming long-term debt obligations. The remaining $21 million was appropriated to fund transfers out to various other funds.
- Public assistance appropriations were increased by $108 million. As previously mentioned, estimated revenues of $97 million were added to the budget to augment appropriations for public assistance programs, primarily to fund cost increases in the adoptions, foster care, and in-home supportive services programs. Various increases in public assistance appropriations comprised the remaining $11 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.731 billion lower (15.3%) than the final total budget of $17.886 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $817 million less than the budgeted amount. Nearly all ($808 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- The general government function reported actual expenditures that were $612 million less than the amount budgeted. Of this amount, $446 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. The remaining $166 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.

- Overall expenditures for the health and sanitation category were $435 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $297 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. The public health program recognized budgetary savings of $63 million, with approximately half of the budgeted savings in the salaries and benefits category and the remaining half due to lower than expected contract service costs. The County's managed care program recognized budgetary savings of $45 million, nearly all of which was contracted services. The remaining variance of $30 million was associated with other health programs.

- Actual public assistance expenditures were $358 million lower than the final budget. Of this amount, $297 million was concentrated in social service, children, and family programs. Administrative costs in these areas were lower than anticipated due to overall cost containment efforts, vacant positions, and delays in implementing new technology initiatives. There were also direct program savings associated with lower than anticipated caseloads. There were $41 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of $20 million was related to other public assistance programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2013 were $18.668 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $334 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	$ 7,533,653	$ 7,441,982	$ 91,671
Buildings and improvements	3,934,494	3,879,751	54,743
Infrastructure	5,037,495	5,106,802	(69,307)
Equipment	510,535	500,572	9,963
Software	319,782	337,633	(17,851)
Capital assets, in progress	1,332,302	1,067,151	265,151
Total	$ 18,668,261	$ 18,333,891	$ 334,370

The County's major capital asset initiatives during the current year continued to focus on new medical facilities and major improvements for the Hospitals. There was significant construction-in-progress at Harbor/UCLA Medical Center, as $71 million was capitalized for surgical facilities and seismic retrofit projects. There were an additional $84 million of capitalized construction costs for the Martin Luther King, Jr. inpatient tower project, and $62 million for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center project. As of the end of the current year, there were $657 million of capital construction commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by $178 million, as newly issued debt and accretions of $701 million exceeded debt maturities of $523 million. Specific changes related to governmental and business-type activities are presented in Note 11 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- Lease revenue obligation notes of $302 million were issued for governmental and business-type activities in the amounts of $256 million and $46 million, respectively. For governmental activities, debt was issued to finance a new hospital facility that will be operated by a non-profit organization (see Note 14 to the basic financial statements) and fire department facilities. For business-type activities, debt was issued to finance hospital and ambulatory care improvements.

Debt Administration-Continued

- New debt of $15 million was issued to finance the acquisition of equipment. Equipment debt totaling $19 million was redeemed during the year in accordance with maturity schedules.

- New debt of $339 million was issued for governmental and business-type activities in the amounts of $36 million and $303 million, respectively. New debt related to governmental activities is for fire stations and, for business-type activities, the debt proceeds are for the High Desert and Martin Luther King, Jr., ambulatory care centers.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $1.1 billion in tax and revenue anticipation notes, with maturities of $300 million on February 28, 2013, $400 million on March 29, 2013, and $400 million on June 28, 2013. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

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

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

During the current year, the County's bond ratings remained the same as the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2013-2014 Budget on June 24, 2013. The Budget was adopted based on estimated fund balances that would be available at the end of 2012-2013. The Board updated the Budget on October 8, 2013 to reflect final 2012-2013 fund balances and other pertinent financial information. For the County's General Fund, the 2013-2014 Budget, as updated in October 2013, utilized $1.498 billion of fund balance, which exceeded the previously estimated fund balance of $1.135 billion. Of the additional fund balance of $363 million, $173 million was used to carryover lapsed appropriations and the remaining $190 million was used to fund one-time projects and programs.

The County's 2013-2014 Budget anticipates the continuation of moderate growth that began to emerge in 2012-2013. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. Revenues associated with sales taxes are trending higher and assessed property values are 4.66% higher, marking the third consecutive year of increased value, which will provide additional property tax revenues to the County. Among the fiscal challenges facing the County are restoration of fund balance and capital outlay appropriations in the General Fund that were drawn upon to withstand the economic downturn. The County also faces salary increases that have been negotiated or for which negotiations are in progress.

The County's budget outlook, while favorable, continues to depend on the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports that State revenues are growing at a faster pace than expenditures and projects State budget surpluses at least through 2017-2018. This forecast for the State should enable the County to more reliably develop its own financial forecast and spending plans for the near future.

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2013 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	PRESENTED COMPONENT UNITS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 4,022,769	66,051	$ 4,088,820	$ 830,841
Other	843,194	28,632	871,826	
Total pooled cash and investments	4,865,963	94,683	4,960,646	830,841
Other investments (Note 5)	63,719		63,719	194,760
Taxes receivable	250,297	787	251,084	
Accounts receivable - net (Note 14)		1,458,937	1,458,937	33,721
Interest receivable	17,003	385	17,388	684
Other receivables	1,982,376	264,604	2,246,980	57,724
Internal balances (Note 15)	689,964	(689,964)		
Inventories	66,240	20,118	86,358	22,528
Restricted assets (Note 5)	11,513	273,997	285,510	
Net pension obligation				589
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,100,366	765,589	8,865,955	103,427
Capital assets, net of accumulated depreciation	7,738,179	2,064,127	9,802,306	87,310
Total capital assets	15,838,545	2,829,716	18,668,261	190,737
TOTAL ASSETS	23,785,620	4,253,263	28,038,883	1,331,584
LIABILITIES				
Accounts payable	372,995	290,413	663,408	51,954
Accrued payroll	361,108	74,583	435,691	
Other payables (Note 5)	94,718	11,266	105,984	4,606
Accrued interest payable	20,680	24,287	44,967	
Unearned revenue	64,951	320	65,271	202
Advances payable	411,590	476	412,066	
Long-term liabilities: (Note 11)				
Due within one year	938,639	162,290	1,100,929	6,124
Due in more than one year	11,027,874	3,124,231	14,152,105	70,808
TOTAL LIABILITIES	13,292,555	3,687,866	16,980,421	133,694
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangements (Note 7)	102,089		102,089	
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	14,654,785	2,218,647	16,873,432	148,435
Restricted for:				
Capital projects	63,308		63,308	
Debt service	58,411	6,148	64,559	
Permanent funds - nonspendable	2,230		2,230	
Permanent funds - spendable	290		290	
General government	538,308		538,308	
Public protection	544,075		544,075	
Public ways and facilities	443,144	62,021	505,165	
Health and sanitation	662,118		662,118	
Recreation	336,326		336,326	
Community development				276,834
First 5 LA				723,253
Other	7,507		7,507	
Unrestricted (deficit)	(6,919,526)	(1,721,419)	(8,640,945)	49,368
TOTAL NET POSITION	$ 10,390,976	565,397	$ 10,956,373	$ 1,197,890

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, 2013 (in thousands)

		PROGRAM REVENUES		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,274,689	473,047	46,272	4,530
Public protection	6,309,193	1,248,402	1,421,567	10,318
Public ways and facilities	381,211	35,107	185,658	89,436
Health and sanitation	3,066,172	615,531	1,959,545	138
Public assistance	5,538,106	13,661	4,569,892	
Education	119,680	2,967	2,167	
Recreation and cultural services	316,372	200,827	1,580	64
Interest on long-term debt	105,491			
Total governmental activities	17,110,914	2,589,542	8,186,681	104,486
Business-type activities:				
Hospitals	3,889,206	2,371,130	521,292	
Waterworks	84,824	71,956	606	
Aviation	5,332	3,806	214	47
Total business-type activities	3,979,362	2,446,892	522,112	47
Total primary government	$ 21,090,276	5,036,434	8,708,793	104,533
DISCRETELY PRESENTED COMPONENT UNITS	$ 629,238	63,947	494,083	

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 loss
Miscellaneous
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET POSITION
NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)
NET POSITION, JUNE 30, 2013

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

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION				
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (750,840)		$ (750,840)		General government
(3,628,906)		(3,628,906)		Public protection
(71,010)		(71,010)		Public ways and facilities
(490,958)		(490,958)		Health and sanitation
(954,553)		(954,553)		Public assistance
(114,546)		(114,546)		Education
(113,901)		(113,901)		Recreation and cultural services
(105,491)		(105,491)		Interest on long-term debt
(6,230,205)		(6,230,205)		Total governmental activities
				Business-type activities:
	(996,784)	(996,784)		Hospitals
	(12,262)	(12,262)		Waterworks
	(1,265)	(1,265)		Aviation
	(1,010,311)	(1,010,311)		Total business-type activities
(6,230,205)	(1,010,311)	(7,240,516)		Total primary government
			$ (71,208)	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
4,963,533	4,346	4,967,879		Property taxes
56,834		56,834		Utility users taxes
356,208		356,208		Voter approved taxes
65,984		65,984		Documentary transfer taxes
33,523	1	33,524		Other taxes
93,961		93,961		Sales and use taxes, levied by the State
				Grants and contributions not restricted
745,406	37	745,443		to special programs
(920)	(171)	(1,091)	(3,443)	Investment loss
150,957	13,171	164,128	412	Miscellaneous
(913,686)	913,686			TRANSFERS - NET
5,551,800	931,070	6,482,870	(3,031)	Total general revenues and transfers
(678,405)	(79,241)	(757,646)	(74,239)	CHANGE IN NET POSITION
11,069,381	644,638	11,714,019	1,272,129	NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)
$ 10,390,976	565,397	$ 10,956,373	$ 1,197,890	NET POSITION, JUNE 30, 2013

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013 (in thousands)

		GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS					
Pooled cash and investments: (Notes 1 and 5)					
Operating	$	866,912	211,307	260,619	60,441
Other		770,853	16,348	2,485	1,548
Total pooled cash and investments		1,637,765	227,655	263,104	61,989
Other investments (Notes 4 and 5)		5,676			119
Taxes receivable		171,919	42,025	13,013	6,123
Interest receivable		8,668	626	749	178
Other receivables		1,768,366	38,480	8,284	1,390
Due from other funds (Note 15)		391,605	2,046	10,594	1,955
Advances to other funds (Note 15)		754,376		6,473	
Inventories		47,375	8,045		916
TOTAL ASSETS	$	4,785,750	318,877	302,217	72,670
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$	321,509	4,649	4,130	1,235
Accrued payroll		309,926	32,788		3,313
Other payables (Note 5)		89,852	2,289		431
Due to other funds (Note 15)		461,480	10,980	19,428	4,105
Deferred revenue		302,656	31,424	35,678	4,590
Advances payable		404,975			
Third party payor (Notes 11 and 14)		15,702			
TOTAL LIABILITIES		1,906,100	82,130	59,236	13,674
FUND BALANCES (Note 20):					
Nonspendable		253,836	8,045		916
Restricted		59,786	228,702	242,882	9,841
Committed		528,865			
Assigned		376,181		99	48,239
Unassigned		1,660,982			
TOTAL FUND BALANCES		2,879,650	236,747	242,981	58,996
TOTAL LIABILITIES AND FUND BALANCES	$	4,785,750	318,877	302,217	72,670

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)
$ 329,344	2,264,216		$ 3,992,839	Operating
1,417	45,424		838,075	Other
330,761	2,309,640		4,830,914	Total pooled cash and investments
	200,794	(142,870)	63,719	Other investments (Notes 4 and 5)
2,422	14,795		250,297	Taxes receivable
1,030	5,629		16,880	Interest receivable
5,335	47,703		1,869,558	Other receivables
806	321,112		728,118	Due from other funds (Note 15)
	12,088		772,937	Advances to other funds (Note 15)
			56,336	Inventories
$ 340,354	2,911,761	(142,870)	$ 8,588,759	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 1,469	30,946		$ 363,938	Accounts payable
	88		346,115	Accrued payroll
	100		92,672	Other payables (Note 5)
3,167	340,064		839,224	Due to other funds (Note 15)
5,878	31,967		412,193	Deferred revenue
	6,248		411,223	Advances payable
	654		16,356	Third party payor (Notes 11 and 14)
10,514	410,067		2,481,721	TOTAL LIABILITIES
				FUND BALANCES (Note 20):
	2,230		265,027	Nonspendable
329,840	2,251,854	(142,870)	2,980,035	Restricted
	123,956		652,821	Committed
	123,654		548,173	Assigned
			1,660,982	Unassigned
329,840	2,501,694	(142,870)	6,107,038	TOTAL FUND BALANCES
$ 340,354	2,911,761	(142,870)	$ 8,588,759	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013 (in thousands)

Fund balances - total governmental funds (page 27)			$ 6,107,038
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not reported in governmental funds:			
Land and easements	$	7,350,011	
Construction-in-progress		750,355	
Buildings and improvements - net		2,703,462	
Equipment - net		305,343	
Intangible software - net		279,394	
Infrastructure - net		4,317,292	15,705,857
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	$	188,305	
Long-term receivables		160,793	349,098
Installment receivables from service concession arrangements.			102,089
Accrued interest payable is not recognized in governmental funds.			(20,513)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds and notes	$	(1,496,695)	
Unamortized premiums on bonds and notes		(32,107)	
Unamortized loss on bond refunding		23,165	
Accreted interest on bonds and notes		(172,142)	
Capital lease obligations		(183,056)	
Accrued compensated absences		(1,146,316)	
Workers' compensation		(1,792,881)	
Litigation and self-insurance		(177,078)	
Pollution remediation obligations		(15,886)	
OPEB obligation		(6,520,427)	(11,513,423)
Deferred inflows from service concession arrangements.			(102,089)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.			(237,081)
Net position of governmental activities (page 23)			$ 10,390,976

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, 2013 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 4,267,858	686,402	112,453	72,792
Licenses, permits and franchises	61,412	13,370	769	
Fines, forfeitures and penalties	222,226	3,976	1,696	555
Revenue from use of money and property:				
Investment income (loss) (Note 5)	8,011	(1,264)	513	(227)
Rents and concessions (Note 10)	80,046	115	6,956	15
Royalties	1,784		1,240	
Intergovernmental revenues:				
Federal	3,167,738	8,989	1,421	9
State	4,851,855	11,937	3,771	2,628
Other	163,094	29,847	4,356	2,505
Charges for services	1,565,937	169,337	117,399	2,374
Miscellaneous	216,977	651	5,169	488
TOTAL REVENUES	14,606,938	923,360	255,743	81,139
EXPENDITURES:				
Current:				
General government	979,989			
Public protection	4,694,982	883,456	187,368	
Public ways and facilities				
Health and sanitation	2,779,870			
Public assistance	5,247,031			
Education				115,750
Recreation and cultural services	272,835			
Debt service:				
Principal	10,065	773		228
Interest and other charges	20,751	101		6
Capital outlay	8,065			
TOTAL EXPENDITURES	14,013,588	884,330	187,368	115,984
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	593,350	39,030	68,375	(34,845)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 15)	504,567	387	171	42,103
Transfers out (Note 15)	(863,738)	(6,421)	(20,364)	(2,621)
Issuance of debt (Note 11)				
Bond premium proceeds (Note 11)				
Proceeds from capital leases (Note 10)	2,780			
Sales of capital assets	740	186	128	6
TOTAL OTHER FINANCING SOURCES (USES)	(355,651)	(5,848)	(20,065)	39,488
NET CHANGE IN FUND BALANCES	237,699	33,182	48,310	4,643
FUND BALANCES, JULY 1, 2012, AS RESTATED (Note 2)	2,641,951	203,565	194,671	54,353
FUND BALANCES, JUNE 30, 2013	$ 2,879,650	236,747	242,981	58,996

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:
$	347,234		$ 5,486,739	Taxes
	16,282		91,833	Licenses, permits and franchises
808	73,049		302,310	Fines, forfeitures and penalties
				Revenue from use of money and property:
(1,809)	2,150	(7,925)	(551)	Investment income (loss) (Note 5)
	31,092		118,224	Rents and concessions (Note 10)
	5		3,029	Royalties
				Intergovernmental revenues:
	27,480		3,205,637	Federal
	586,662		5,456,853	State
	15,343		215,145	Other
80,380	152,602		2,088,029	Charges for services
	60,233		283,518	Miscellaneous
79,379	1,312,132	(7,925)	17,250,766	TOTAL REVENUES
				EXPENDITURES:
				Current:
	17,701		997,690	General government
	76,480		5,842,286	Public protection
	326,159		326,159	Public ways and facilities
	149,281		2,929,151	Health and sanitation
	8,624		5,255,655	Public assistance
			115,750	Education
36,215	10,813		319,863	Recreation and cultural services
				Debt service:
	140,370	(27,855)	123,581	Principal
	88,156	(7,925)	101,089	Interest and other charges
	389,742		397,807	Capital outlay
36,215	1,207,326	(35,780)	16,409,031	TOTAL EXPENDITURES
43,164	104,806	27,855	841,735	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	235,236		782,464	Transfers in (Note 15)
(35,488)	(767,636)		(1,696,268)	Transfers out (Note 15)
	293,284		293,284	Issuance of debt (Note 11)
	3,848		3,848	Bond premium proceeds (Note 11)
			2,780	Proceeds from capital leases (Note 10)
	305		1,365	Sales of capital assets
(35,488)	(234,963)		(612,527)	TOTAL OTHER FINANCING SOURCES (USES)
7,676	(130,157)	27,855	229,208	NET CHANGE IN FUND BALANCES
322,164	2,631,851	(170,725)	5,877,830	FUND BALANCES, JULY 1, 2012, AS RESTATED (Note 2)
$ 329,840	2,501,694	(142,870)	$ 6,107,038	FUND BALANCES, JUNE 30, 2013

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, 2013 (in thousands)

Net change in fund balances - total governmental funds (page 31)		$ 229,208
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	$ 432,727	
Less - current year depreciation expense	(357,705)	75,022
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(1,378)
Contribution of capital assets is not recognized in the governmental funds.		99,377
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in deferred revenues	$ (52,201)	
Change in unamortized premiums	4,000	
Change in unamortized refunding losses	(2,784)	(50,985)
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(298,302)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Certificates of participation and bonds	$ 84,660	
Notes, loans, and lease revenue obligation notes	189,065	
Assessment bonds	27,855	
Other long-term notes, loans and capital leases	11,066	312,646
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	$ 18,782	
Change in litigation and self-insurance	(20,345)	
Change in pollution remediation obligations	9,408	
Change in accrued compensated absences	(16,190)	
Change in OPEB obligation	(991,118)	
Change in accrued interest payable	(277)	
Change in accretion of bonds and notes	2,991	
Change in accretion of tobacco settlement bonds	(2,471)	
Transfer of capital assets from governmental fund to enterprise fund	(41)	(999,261)
The portion of internal service funds that is reported with governmental activities.		(44,732)
Change in net position of governmental activities (page 25)		$ (678,405)

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, 2013 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,986,117	4,250,866	4,263,363	12,497
Licenses, permits and franchises	49,767	49,767	61,412	11,645
Fines, forfeitures and penalties	216,892	217,769	222,226	4,457
Revenue from use of money and property:				
Investment income	39,980	40,495	32,494	(8,001)
Rents and concessions	92,110	105,778	80,046	(25,732)
Royalties	225	225	1,784	1,559
Intergovernmental revenues:				
Federal	3,698,294	3,878,878	3,171,764	(707,114)
State	4,823,288	4,886,877	4,814,183	(72,694)
Other	171,870	210,533	172,551	(37,982)
Charges for services	1,766,191	1,737,959	1,572,231	(165,728)
Miscellaneous	155,712	204,293	202,970	(1,323)
TOTAL REVENUES	15,000,446	15,583,440	14,595,024	(988,416)
EXPENDITURES:				
Current:				
General government	1,628,472	1,581,512	969,912	(611,600)
Public protection	4,951,961	4,963,094	4,701,404	(261,690)
Health and sanitation	3,356,747	3,381,053	2,946,179	(434,874)
Public assistance	5,539,804	5,648,187	5,289,991	(358,196)
Recreation and cultural services	282,240	284,038	274,912	(9,126)
Debt service-				
Interest	2,988	2,988	2,988	
Capital outlay	925,383	914,589	106,814	(807,775)
TOTAL EXPENDITURES	16,687,595	16,775,461	14,292,200	(2,483,261)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,687,149)	(1,192,021)	302,824	1,494,845
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	354	354	740	386
Transfers in	722,399	736,538	491,445	(245,093)
Transfers out	(587,658)	(716,512)	(698,521)	17,991
Appropriation for contingencies		(88,839)		88,839
Changes in fund balance	(13,448)	(305,022)	(164,409)	140,613
OTHER FINANCING SOURCES (USES) - NET	121,647	(373,481)	(370,745)	2,736
NET CHANGE IN FUND BALANCE	(1,565,502)	(1,565,502)	(67,921)	1,497,581
FUND BALANCE, JULY 1, 2012 (Note 16)	1,565,502	1,565,502	1,565,502	
FUND BALANCE, JUNE 30, 2013 (Note 16)	$		1,497,581	1,497,581

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, 2013 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 623,995	677,134	685,136	8,002
Licenses, permits and franchises	13,058	13,058	13,370	312
Fines, forfeitures and penalties	4,131	4,131	3,976	(155)
Revenue from use of money and property:				
Investment income	1,500	1,500	782	(718)
Rents and concessions	85	85	115	30
Intergovernmental revenues:				
Federal	15,112	15,112	8,989	(6,123)
State	13,796	13,796	11,937	(1,859)
Other	30,028	4,019	29,847	25,828
Charges for services	171,840	171,840	169,337	(2,503)
Miscellaneous	415	415	651	236
TOTAL REVENUES	873,960	901,090	924,140	23,050
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	779,402	779,434	758,587	(20,847)
Services and supplies	123,699	123,837	102,843	(20,994)
Other charges	6,091	6,091	2,363	(3,728)
Capital assets	21,027	21,244	13,756	(7,488)
TOTAL EXPENDITURES	930,219	930,606	877,549	(53,057)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,259)	(29,516)	46,591	76,107
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	297	297	186	(111)
Transfers in		387	387	
Transfers out	(4,815)	(4,815)	(4,815)	
Appropriation for contingencies		(27,130)		27,130
Changes in fund balance	13,966	13,966	15,216	1,250
OTHER FINANCING SOURCES (USES) - NET	9,448	(17,295)	10,974	28,269
NET CHANGE IN FUND BALANCE	(46,811)	(46,811)	57,565	104,376
FUND BALANCE, JULY 1, 2012 (Note 16)	46,811	46,811	46,811	
FUND BALANCE, JUNE 30, 2013 (Note 16)	$		104,376	104,376

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, 2013 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 96,827	109,380	108,635	(745)
Licenses, permits and franchises	711	711	769	58
Fines, forfeitures and penalties	1,824	1,824	1,696	(128)
Revenue from use of money and property:				
Investment income	1,901	1,901	3,080	1,179
Rents and concessions	7,567	7,567	6,956	(611)
Royalties	700	700	1,240	540
Intergovernmental revenues:				
Federal			1,421	1,421
State	839	839	3,771	2,932
Other	4,957	726	4,356	3,630
Charges for services	112,668	112,668	117,128	4,460
Miscellaneous	1,771	1,771	5,169	3,398
TOTAL REVENUES	229,765	238,087	254,221	16,134
EXPENDITURES:				
Current-Public protection:				
Services and supplies	204,721	198,373	180,788	(17,585)
Other charges	21,047	21,397	19,495	(1,902)
Capital assets	519	277	104	(173)
Capital outlay	19,775	25,773	9,057	(16,716)
TOTAL EXPENDITURES	246,062	245,820	209,444	(36,376)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,297)	(7,733)	44,777	52,510
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	70	70	128	58
Transfers out	(3,266)	(3,508)	(1,105)	2,403
Appropriation for contingencies		(8,322)		8,322
Changes in fund balance	(34,156)	(34,156)	(20,875)	13,281
OTHER FINANCING SOURCES (USES) - NET	(37,352)	(45,916)	(21,852)	24,064
NET CHANGE IN FUND BALANCE	(53,649)	(53,649)	22,925	76,574
FUND BALANCE, JULY 1, 2012 (Note 16)	53,649	53,649	53,649	
FUND BALANCE, JUNE 30, 2013 (Note 16)	$		76,574	76,574

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, 2013 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 69,233	71,198	71,364	166
Fines, forfeitures and penalties			555	555
Revenue from use of money and property:				
Investment income	400	400	388	(12)
Rents and concessions	15	15	15	
Intergovernmental revenues:				
Federal	61	61	9	(52)
State	857	857	2,628	1,771
Other	1,575	165	2,505	2,340
Charges for services	3,082	3,082	2,374	(708)
Miscellaneous	1,021	1,021	488	(533)
TOTAL REVENUES	76,244	76,799	80,326	3,527
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	81,982	82,723	74,029	(8,694)
Services and supplies	68,642	72,803	43,210	(29,593)
Other charges	434	434	275	(159)
Capital assets	580	580	299	(281)
TOTAL EXPENDITURES	151,638	156,540	117,813	(38,727)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(75,394)	(79,741)	(37,487)	42,254
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	13	13	6	(7)
Transfers in	47,449	51,383	42,103	(9,280)
Transfers out	(1,563)	(2,621)	(2,621)	
Appropriation for contingencies		(555)		555
Changes in fund balance	(683)	1,343	5,109	3,766
OTHER FINANCING SOURCES (USES) - NET	45,216	49,563	44,597	(4,966)
NET CHANGE IN FUND BALANCE	(30,178)	(30,178)	7,110	37,288
FUND BALANCE, JULY 1, 2012 (Note 16)	30,178	30,178	30,178	
FUND BALANCE, JUNE 30, 2013 (Note 16)	$		37,288	37,288

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, 2013 (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	$ 931	931	808	(123)
Revenue from use of money and property-				
Investment income	3,136	3,136	1,960	(1,176)
Charges for services	80,398	80,398	80,133	(265)
TOTAL REVENUES	84,465	84,465	82,901	(1,564)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	5,721	5,721	4,747	(974)
Other charges	227,101	227,271	46,564	(180,707)
TOTAL EXPENDITURES	232,822	232,992	51,311	(181,681)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(148,357)	(148,527)	31,590	180,117
OTHER FINANCING SOURCES (USES):				
Transfers in	91,218	91,218	87,446	(3,772)
Transfers out	(127,254)	(127,254)	(122,934)	4,320
Appropriation for contingencies	(8,379)	(8,209)		8,209
Changes in fund balance	(7,515)	(7,515)	(3,761)	3,754
OTHER FINANCING SOURCES (USES) - NET	(51,930)	(51,760)	(39,249)	12,511
NET CHANGE IN FUND BALANCE	(200,287)	(200,287)	(7,659)	192,628
FUND BALANCE, JULY 1, 2012 (Note 16)	200,516	200,516	200,516	
FUND BALANCE, JUNE 30, 2013 (Note 16)	$ 229	229	192,857	192,628

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,547	604	1,495	280
Other	7,462	4,598	13,431	2,126
Total pooled cash and investments	9,009	5,202	14,926	2,406
Taxes receivable				
Accounts receivable - net (Note 14)	454,028	283,138	588,965	118,860
Interest receivable	97	81	21	5
Other receivables	16,052	13,031	25,174	5,723
Due from other funds (Note 15)	70,045	39,297	114,821	30,795
Advances to other funds (Note 15)				
Inventories	6,500	4,162	8,308	1,145
Total current assets	555,731	344,911	752,215	158,934
Noncurrent assets:				
Restricted assets (Note 5)	185,879	78,514	4,804	2,768
Other receivables (Note 14 and 15)	49,207	34,122	80,428	40,867
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	272,319	203,865	1,080,000	187,179
Equipment	77,288	44,820	94,955	16,043
Intangible - software	15,991	14,359	20,167	5,616
Infrastructure				
Construction in progress	460,563	87,440	537	11,499
Less accumulated depreciation	(223,217)	(128,053)	(275,091)	(115,077)
Total capital assets - net	606,220	238,857	938,751	105,477
Total noncurrent assets	841,306	351,493	1,023,983	149,112
TOTAL ASSETS	1,397,037	696,404	1,776,198	308,046
LIABILITIES				
Current liabilities:				
Accounts payable	95,565	43,210	120,777	26,194
Accrued payroll	22,805	14,049	31,487	6,242
Other payables	4,236	2,017	3,576	1,077
Accrued interest payable	17,248	6,818	53	138
Due to other funds (Note 15)	43,568	35,847	77,471	33,222
Advances from other funds (Note 15)	281,542	194,786	228,184	47,776
Advances payable			476	
Unearned revenue			208	45
Current portion of long-term liabilities (Note 11)	32,174	13,443	93,281	18,607
Total current liabilities	497,138	310,170	555,513	133,301
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	53,841	28,612	67,022	13,399
Bonds and notes (Note 11)	575,195	213,815	4,005	9,311
Premiums on bonds and notes payable (Note 11)	19,216	14,917	286	665
Workers' compensation (Notes 11 and 18)	66,724	21,333	107,417	19,994
Litigation and self-insurance (Notes 11 and 18)	26,269	927	47,330	3,451
OPEB obligation (Notes 9 and 11)	377,637	264,520	574,585	124,701
Third party payor (Notes 11 and 14)	94,777	49,894	283,376	47,806
Total noncurrent liabilities	1,213,659	594,018	1,084,021	219,327
TOTAL LIABILITIES	1,710,797	904,188	1,639,534	352,628
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	210,885	102,212	894,597	85,950
Restricted:				
Debt service		1,344	4,804	
Public ways and facilities				
Unrestricted (deficit)	(524,645)	(311,340)	(762,737)	(130,532)
TOTAL NET POSITION (Note 3)	$ (313,760)	(207,784)	136,664	(44,582)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 53,119	8,102	$ 65,147	$ 30,834	Operating
1,005	8	28,630	5,121	Other
54,124	8,110	93,777	35,955	Total pooled cash and investments
787		787		Taxes receivable
13,650	296	1,458,937		Accounts receivable - net (Note 14)
155	24	383	125	Interest receivable
		59,980	10,064	Other receivables
1,108	7	256,073	73,867	Due from other funds (Note 15)
1,351		1,351		Advances to other funds (Note 15)
3		20,118	9,904	Inventories
71,178	8,437	1,891,406	129,915	Total current assets
				Noncurrent assets:
		271,965	13,545	Restricted assets (Note 5)
		204,624		Other receivables (Note 14 and 15)
				Capital assets: (Notes 6 and 10)
11,328	134,212	183,642		Land and easements
119,091	34,437	1,896,891	1,734	Buildings and improvements
1,106	1,278	235,490	273,360	Equipment
1,222		57,355		Intangible - software
1,179,881	53,771	1,233,652		Infrastructure
21,520	388	581,947		Construction in progress
(567,811)	(58,991)	(1,368,240)	(133,427)	Less accumulated depreciation
766,337	165,095	2,820,737	141,667	Total capital assets - net
766,337	165,095	3,297,326	155,212	Total noncurrent assets
837,515	173,532	5,188,732	285,127	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
4,035	67	289,848	9,622	Accounts payable
		74,583	14,993	Accrued payroll
	360	11,266	2,045	Other payables
		24,257	197	Accrued interest payable
4,784	211	195,103	23,731	Due to other funds (Note 15)
		752,288	22,000	Advances from other funds (Note 15)
		476		Advances payable
67		320	1,559	Unearned revenue
271		157,776	38,124	Current portion of long-term liabilities (Note 11)
9,157	638	1,505,917	112,271	Total current liabilities
				Noncurrent liabilities:
		162,874	44,232	Accrued compensated absences (Note 11)
8,111		810,437	35,250	Bonds and notes (Note 11)
		35,084		Premiums on bonds and notes payable (Note 11)
		215,468	36,862	Workers' compensation (Notes 11 and 18)
		77,977		Litigation and self-insurance (Notes 11 and 18)
		1,341,443	291,875	OPEB obligation (Notes 9 and 11)
		475,853		Third party payor (Notes 11 and 14)
8,111		3,119,136	408,219	Total noncurrent liabilities
17,268	638	4,625,053	520,490	TOTAL LIABILITIES
				NET POSITION
758,226	165,095	2,216,965	93,023	Net investment in capital assets (Notes 6 and 11)
				Restricted:
		6,148		Debt service
62,021		62,021		Public ways and facilities
	7,799	(1,721,455)	(328,386)	Unrestricted (deficit)
$ 820,247	172,894	563,679	$ (235,363)	TOTAL NET POSITION (Note 3)
		1,718		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 565,397		NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	$ 688,033	419,691	1,057,167	205,286
Rentals				
Charges for services				
Other (Note 14)	184,570	112,077	214,938	23,663
TOTAL OPERATING REVENUES	872,603	531,768	1,272,105	228,949
OPERATING EXPENSES:				
Salaries and employee benefits	584,952	368,304	813,044	164,244
Services and supplies	127,941	85,993	203,418	26,828
Other professional services	183,813	119,851	345,547	39,195
Depreciation and amortization (Note 6)	7,579	6,946	26,005	3,073
Medical malpractice	5,555		12,021	3,713
Rent	7,793	3,996	4,651	2,020
TOTAL OPERATING EXPENSES	917,633	585,090	1,404,686	239,073
OPERATING LOSS	(45,030)	(53,322)	(132,581)	(10,124)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	(10)	68	(5)	(21)
Interest expense	(36,486)	(11,513)	(4,019)	(1,785)
Intergovernmental transfers expense (Note 14)	(207,331)	(101,072)	(324,332)	(55,379)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(243,827)	(112,517)	(328,356)	(57,185)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(288,857)	(165,839)	(460,937)	(67,309)
Capital contributions	41			
Transfers in (Note 15)	287,368	127,720	447,332	71,031
Transfers out (Note 15)	(3,822)	(1,074)	(16,506)	
CHANGE IN NET POSITION	(5,270)	(39,193)	(30,111)	3,722
TOTAL NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)	(308,490)	(168,591)	166,775	(48,304)
TOTAL NET POSITION, JUNE 30, 2013	$ (313,760)	(207,784)	136,664	(44,582)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 2,370,177	$	Net patient service revenues (Note 14)
	3,423	3,423	26,323	Rentals
71,948	383	72,331	440,803	Charges for services
83	77	535,408		Other (Note 14)
72,031	3,883	2,981,339	467,126	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,930,544	393,787	Salaries and employee benefits
59,785	2,419	506,384	42,262	Services and supplies
2,973	1,005	692,384	40,930	Other professional services
21,928	1,908	67,439	33,587	Depreciation and amortization (Note 6)
		21,289		Medical malpractice
		18,460		Rent
84,686	5,332	3,236,500	510,566	TOTAL OPERATING EXPENSES
(12,655)	(1,449)	(255,161)	(43,440)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,347		4,347		Taxes
(168)	(35)	(171)	(351)	Investment income (loss)
(138)		(53,941)	(1,891)	Interest expense
		(688,114)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
264	30	294		State
377	184	561		Federal
2		2		Other
4,684	179	(737,022)	(2,242)	TOTAL NONOPERATING REVENUES (EXPENSES)
(7,971)	(1,270)	(992,183)	(45,682)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
	47	88		Capital contributions
154		933,605	6,120	Transfers in (Note 15)
(113)		(21,515)	(4,406)	Transfers out (Note 15)
(7,930)	(1,223)	(80,005)	(43,968)	CHANGE IN NET POSITION
828,177	174,117		(191,395)	TOTAL NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)
$ 820,247	172,894		$ (235,363)	TOTAL NET POSITION, JUNE 30, 2013
		764		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (79,241)		CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from patient services	$ 588,368	388,919	894,042	154,677
Rentals received				
Rentals received from other funds				
Cash received from charges for services				
Other operating revenues	184,577	112,086	214,954	23,668
Cash received for services provided to other funds	17,606	14,207	25,566	905
Cash paid for salaries and employee benefits	(507,877)	(325,076)	(684,656)	(143,817)
Cash (paid) refunded for services and supplies	(9,841)	(25,899)	(18,606)	29,197
Other operating expenses	(218,663)	(127,371)	(417,087)	(41,310)
Cash paid for services from other funds	(126,172)	(52,050)	(131,215)	(21,996)
Net cash provided by (required for) operating activities	(72,002)	(15,184)	(117,002)	1,324
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash advances received/returned from other funds	623,919	363,957	859,644	121,157
Cash advances paid/returned to other funds	(594,611)	(373,903)	(819,748)	(130,490)
Interest paid on advances	(1,036)	(556)	(968)	(244)
Intergovernmental transfers	(207,331)	(101,072)	(324,332)	(55,379)
Intergovernmental receipts				
Transfers in	287,368	127,720	447,332	71,031
Transfers out	(3,822)	(1,074)	(16,506)	
Net cash provided by noncapital financing activities	104,487	15,072	145,422	6,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	166,725	136,960	38,147	7,804
Interest paid on capital borrowing	(30,322)	(6,389)	(3,195)	(1,912)
Principal payments on bonds and notes	(61,093)	(32,340)	(91,165)	(8,946)
Proceeds from bond premiums	18,161	14,917		
Acquisition and construction of capital assets	(136,876)	(55,480)	6,261	(3,121)
Net cash provided by (required for) capital and related financing activities	(43,405)	57,668	(49,952)	(6,175)
CASH FLOWS FROM INVESTING ACTIVITIES - Investment income (losses)	(6)	(5)	26	(22)
Net increase (decrease) in cash and cash equivalents	(10,926)	57,551	(21,506)	1,202
Cash and cash equivalents, July 1, 2012, as restated (Note 2)	205,814	26,165	41,236	3,972
Cash and cash equivalents, June 30, 2013	$ 194,888	83,716	19,730	5,174

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$		$ 2,026,006	$	Cash received from patient services
	3,423	3,423	14	Rentals received
			26,306	Rentals received from other funds
70,651	1,729	72,380	35,767	Cash received from charges for services
83	77	535,445		Other operating revenues
		58,284	395,760	Cash received for services provided to other funds
		(1,661,426)	(347,616)	Cash paid for salaries and employee benefits
(58,516)	(2,889)	(86,554)	(36,512)	Cash (paid) refunded for services and supplies
(2,702)	(1,005)	(808,138)	(40,930)	Other operating expenses
		(331,433)		Cash paid for services from other funds
9,516	1,335	(192,013)	32,789	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
94		1,968,771		Cash advances received/returned from other funds
		(1,918,752)		Cash advances paid/returned to other funds
		(2,804)		Interest paid on advances
		(688,114)		Intergovernmental transfers
643	214	857		Intergovernmental receipts
154		933,605	6,120	Transfers in
(113)		(21,515)	(4,406)	Transfers out
778	214	272,048	1,714	Net cash provided by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,551		4,551		Proceeds from taxes
	47	47		Capital contributions
3,079		352,715	15,000	Proceeds from bonds and notes
(155)		(41,973)	(1,885)	Interest paid on capital borrowing
(24)		(193,568)	(19,410)	Principal payments on bonds and notes
		33,078		Proceeds from bond premiums
(9,029)	(721)	(198,966)	(30,169)	Acquisition and construction of capital assets
(1,578)	(674)	(44,116)	(36,464)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES -
(216)	(42)	(265)	(367)	Investment income (losses)
8,500	833	35,654	(2,328)	Net increase (decrease) in cash and cash equivalents
45,624	7,277	330,088	51,828	Cash and cash equivalents, July 1, 2012, as restated (Note 2)
$ 54,124	8,110	$ 365,742	$ 49,500	Cash and cash equivalents, June 30, 2013

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating loss	$ (45,030)	(53,322)	(132,581)	(10,124)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	7,579	6,946	26,005	3,073
Other revenues (expenses) - net	(27,268)	(806)	(2,012)	55
(Increase) decrease in:				
Accounts receivable - net	(77,730)	(64,263)	(174,723)	(12,407)
Other receivables	22,861	15,311	(12,336)	(10,692)
Due from other funds	(13,673)	11,837	(58,858)	(25,177)
Inventories	(68)	58	(2,529)	(43)
Increase (decrease) in:				
Accounts payable	42,479	15,986	54,111	14,130
Accrued payroll	406	261	585	142
Other payables	(97)	(5)	(90)	(28)
Accrued compensated absences	(844)	(664)	(1,185)	465
Due to other funds	(22,861)	(6,883)	4,422	20,001
Unearned revenue			(1,215)	45
Workers' compensation	(3,465)	(460)	(2,954)	(168)
Litigation and self-insurance	3,672	(1,480)	(5,924)	3,618
OPEB obligation	56,316	41,545	81,630	19,806
Third party payor	(14,279)	20,755	110,652	(1,372)
TOTAL ADJUSTMENTS	(26,972)	38,138	15,579	11,448
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (72,002)	(15,184)	(117,002)	1,324
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Capital contributions	$ 41			
TOTAL	$ 41			
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 9,009	5,202	14,926	2,406
Restricted assets	185,879	78,514	4,804	2,768
TOTAL	$ 194,888	83,716	19,730	5,174

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (12,655)	(1,449)	$ (255,161)	$ (43,440)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
21,928	1,908	67,439	33,587	Depreciation and amortization
	150	(29,881)	(691)	Other revenues (expenses) - net
				(Increase) decrease in:
(1,298)	1,351	(329,070)		Accounts receivable - net
348		15,492	(1,468)	Other receivables
(349)	(5)	(86,225)	(9,851)	Due from other funds
		(2,582)	749	Inventories
				Increase (decrease) in:
552	(536)	126,722	55	Accounts payable
		1,394	415	Accrued payroll
	37	(183)	(27)	Other payables
		(2,228)	(435)	Accrued compensated absences
717	(121)	(4,725)	5,637	Due to other funds
2		(1,168)	1,436	Unearned revenue
		(7,047)	2,612	Workers' compensation
271		157		Litigation and self-insurance
		199,297	44,210	OPEB obligation
		115,756		Third party payor
22,171	2,784	63,148	76,229	TOTAL ADJUSTMENTS
$ 9,516	1,335	$ (192,013)	$ 32,789	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$		$ 41	$	Capital contributions
$		$ 41	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 54,124	8,110	$ 93,777	$ 35,955	Pooled cash and investments
		271,965	13,545	Restricted assets
$ 54,124	8,110	$ 365,742	$ 49,500	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 67,519	$ 15,335,934	$ 1,472,480
Other investments: (Note 5)		95,200	29,606
Stocks	21,585,974		
Bonds	9,868,608		
Short-term investments	1,828,105		
Commodities	1,194,331		
Real estate	4,108,198		
Mortgages	104,771		
Alternative assets	4,224,741		
Cash collateral on loaned securities	138,273		
Taxes receivable			309,215
Interest receivable	89,930	47,843	21,291
Other receivables	964,520		
TOTAL ASSETS	44,174,970	15,478,977	1,832,592
LIABILITIES			
Accounts payable	1,743,312		
Other payables (Note 5)	209,284	115,000	
Due to other governments			1,832,592
TOTAL LIABILITIES	1,952,596	115,000	1,832,592
NET POSITION			
Restricted for pension benefits and other purposes	$ 42,222,374	$ 15,363,977	$

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 1,172,014	$
Member	679,572	
Contributions to investment trust funds		48,689,093
Total contributions	1,851,586	48,689,093
Investment earnings (losses):		
Investment income (loss)	2,085,006	(67,935)
Net increase in the fair value of investments	2,659,788	
Securities lending income (Note 5)	4,689	
Total investment earnings (losses)	4,749,483	(67,935)
Less - Investment expenses-		
Expense from investing activities	90,259	
Net investment earnings (losses)	4,659,224	(67,935)
Miscellaneous	385	
TOTAL ADDITIONS	6,511,195	48,621,158
DEDUCTIONS:		
Salaries and employee benefits	40,088	
Services and supplies	13,948	
Benefit payments	2,516,339	
Distributions from investment trust funds		47,274,065
Miscellaneous	25,202	
TOTAL DEDUCTIONS	2,595,577	47,274,065
CHANGE IN NET POSITION	3,915,618	1,347,093
NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)	38,306,756	14,016,884
NET POSITION, JUNE 30, 2013	$ 42,222,374	$ 15,363,977

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2013 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments-			
Operating	$ 123,569	707,272	$ 830,841
Total pooled cash and investments	123,569	707,272	830,841
Other investments	193,176	1,584	194,760
Accounts receivable - net	33,721		33,721
Interest receivable		684	684
Other receivables	11,161	46,563	57,724
Inventories	22,528		22,528
Net pension obligation	589		589
Capital assets:			
Capital assets, not being depreciated	101,388	2,039	103,427
Capital assets, net of accumulated depreciation	76,994	10,316	87,310
Total capital assets	178,382	12,355	190,737
TOTAL ASSETS	563,126	768,458	1,331,584
LIABILITIES			
Accounts payable	23,240	28,714	51,954
Other payables	946	3,660	4,606
Unearned revenue	202		202
Long-term liabilities:			
Due within one year	6,056	68	6,124
Due in more than one year	70,400	408	70,808
TOTAL LIABILITIES	100,844	32,850	133,694
NET POSITION			
Net investment in capital assets	136,080	12,355	148,435
Restricted for:			
Community development	276,834		276,834
First 5 LA		723,253	723,253
Unrestricted	49,368		49,368
TOTAL NET POSITION	$ 462,282	735,608	$ 1,197,890

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expense	$ (429,163)	(200,075)	$ (629,238)
Program revenues:			
Charges for services	63,947		63,947
Operating grants and contributions	396,905	97,178	494,083
Net program (expenses) revenues	31,689	(102,897)	(71,208)
GENERAL REVENUES:			
Investment loss	(41)	(3,402)	(3,443)
Miscellaneous	313	99	412
Total general revenues (losses)	272	(3,303)	(3,031)
CHANGE IN NET POSITION	31,961	(106,200)	(74,239)
NET POSITION, JULY 1, 2012, AS RESTATED (Note 2)	430,321	841,808	1,272,129
NET POSITION, JUNE 30, 2013	$ 462,282	735,608	$ 1,197,890

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

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

Blended Component Units

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

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

The various districts are included primarily because the Board is also their governing board. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding. LACERA is reported in the Pension and Other Postemployment Benefit (OPEB) Trust Funds on the Statement of Net Position - Fiduciary Funds of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County. Separate financial statements are issued by LACERA.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

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

Discretely Presented Component Units

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

Due to the implementation of GASB Statement No. 61, the County determined that the CDC is a discretely presented component unit rather than a blended component unit.

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

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

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

Los Angeles County Children and Families First – Proposition 10 Commission

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a discretely presented component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. First 5 hires its own employees, including an Executive Director and functions independent of the County. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County. The financial activity of First 5 is reported on the Statement of Net Position – Discretely Presented Component units of the basic financial statements. Separate financial statements are issued by First 5.

Related Organization

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

Component Units Financial Statements

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

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), the basic financial statements consist of the following:

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

Government-wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the restricted net position balances were $2.656 billion and $68.17 million for governmental activities and business-type activities, respectively. For governmental activities, $705.83 million was restricted by enabling legislation.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

General Fund

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

Fire Protection District Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Flood Control District Fund

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

Public Library Fund

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

Regional Park and Open Space District Fund

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

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

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

Aviation Funds

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

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension and Other Postemployment Benefit Trust Funds

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

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

Investment Trust Funds

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

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

Agency Funds

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred revenue in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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

Budgetary Data

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

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $26.395 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, 2013. 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 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2012-2013 assessed valuation of the County of Los Angeles approximated $1.094 trillion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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

The County is divided into 12,229 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.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the “Redevelopment Dissolution Act” was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as “residual taxes,” are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies’ remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2013, the County’s share of residual property tax revenues was $125.08 million, of which $104.61 million was recognized in the County’s General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments

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

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2013 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

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.

Inventories

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

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in GASB Statement No. 62. The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," the County recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred inflows of resources the County has recognized.

Advances Payable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Compensated Absences

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

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

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums, discounts and deferred losses on refunding, 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, discount or deferred losses on refundings. 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. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 20.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

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

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

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

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. In the FY 2012-2013 budget, the County adopted the GASB 54 criteria and determined that an ordinance or resolution is equally binding, and either action can establish a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

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

Cash Flows

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

Use of Estimates

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

2. NEW PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current basic financial statements:

GASB 60	Accounting and Financial Reporting for Service Concession Arrangements	Improving financial reporting by addressing issues related to service concession arrangements. (Note 7)
GASB 61	The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34	Clarifies the reporting equity interest in legally separate organizations and requires the primary government to report its equity interest in a component unit as an asset and changes the criteria for reporting blended versus discretely presented component units. (Notes 1, 2, 6 and 11)
GASB 62	Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements	Improves financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.
GASB 63	Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position	Provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames Net Assets as Net Position. (Notes 1 and 7)
GASB 66	Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62	Improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 10 and No. 62.

2. NEW PRONOUNCEMENTS-Continued

Restatement of Net Position

Due to the implementation of GASB 61, the County made a change in accounting principle which resulted in a restatement of net position due to the CDC becoming a discretely presented component unit rather than a blended component unit. The adjustment to the beginning net position is presented below (in thousands):

	Net Position/ Fund Balance July 1, 2012 as Previously reported	Effect of CDC	Net Position/ Fund Balance July 1, 2012, as restated
Government-Wide:			
Governmental activities	$ 11,373,998	$ (304,617)	$ 11,069,381
Business-type activities	757,071	(112,433)	644,638
Discretely Presented Component Unit	841,808	430,321	1,272,129
Fund Financial Statements:			
Nonmajor Governmental funds	2,897,599	(265,748)	2,631,851
Nonmajor Enterprise funds	286,550	(112,433)	174,117
Nonmajor Internal Service funds	(188,189)	(3,206)	(191,395)
Fiduciary funds	5,971	(5,971)	

3. DEFICIT NET POSITION

The following funds had a deficit net position at June 30, 2013 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 313,760
Olive View-UCLA Medical Center	207,784
Rancho Los Amigos National Rehab Center	44,582
Internal Service Fund- Public Works	247,229

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

4. ELIMINATIONS

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

Fund Financial Statements

At June 30, 2013, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $142,870,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($142,870,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the Nonmajor Governmental Funds.

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($142,870,000) and investment income and interest expense ($7,925,000 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 $142,870,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned "Assessment Bonds."

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2013 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,830,914	$ 63,719	$	$	$ 4,894,633
Proprietary Funds	129,732		283,396	2,114	415,242
Fiduciary Funds (excluding Pension and OPEB)	16,808,414	124,806			16,933,220
Pension and OPEB Trust Funds	67,519	43,053,001			43,120,520
Discretely Presented Component Units	830,841	194,760			1,025,601
Total	$ 22,667,420	$ 43,436,286	$ 283,396	$ 2,114	$ 66,389,216

Deposits-Custodial Credit Risk

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

At June 30, 2013, the carrying amount of the County's deposits was $91,234,000 and the balance per various financial institutions was $89,453,000. 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, 2013, the carrying amount of Pension and OPEB Trust Funds' deposits was $181,509,000. Pension and OPEB Trust Funds' deposits are held in the custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's 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.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	$650 million*
Commercial Paper	270 days	40%	$1 billion*
Certificates of Deposit	3 years*	30%	$650 million*
Corporate Medium-Term Notes	3 years*	30%	$650 million*
Repurchase Agreements	30 days*	$1 billion*	$500 million*
Reverse Repurchase Agreements	92 days	$500 million*	$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	N/A	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	$50 million**	None
Asset-Backed Securities	5 years	20%	$650 million*

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

**The maximum percentage of portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates such as repurchase agreements, mortgage trust deeds, Los Angeles County securities and guaranteed investment contracts. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

At June 30, 2013, the County had open trade commitments with various brokers to purchase investments totaling $115,000,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments, Other Investments and the corresponding liabilities have been recorded as Other Payables.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2013.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-seven percent (87%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund. Certain Specific Purpose Investments (SPI) have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund in the amount of $55,795,000. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension and OPEB Trust Funds other investments) at June 30, 2013 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 12,034,298
U.S. Treasury securities	697,989
Negotiable certificates of deposit	3,959,649
Commercial paper	6,007,442
Corporate and deposit notes	366,256
Municipal bonds	78,716
Los Angeles County securities	32,000
Money market mutual funds	18,803
Local Agency Investment Fund	49,759
Mortgage trust deeds	69
Total	$ 23,244,981

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Pension and OPEB Trust Funds investments are reported in the basic financial statements at fair value at June 30, 2013 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 21,542,739
Fixed income	11,801,483
Real estate	4,108,198
Private equity	3,730,991
Commodities	1,194,331
Hedge Funds	493,750
Total	$ 42,871,492

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Treasury Pool at June 30, 2013 totaling $67,519,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2013 to support the value of shares in the Treasurer's investment pool.

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

A summary of deposits and investments held by the Treasury Pool at June 30, 2013 is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U.S. Agency securities	$ 11,906,159	$ 12,086,733	0.09% - 8.00%	08/01/13 - 07/17/19	3.03
U.S. Treasury bills	99,975	99,940	0.16%	11/14/13	0.38
U.S. Treasury notes	597,611	596,674	0.25% - 2.38%	10/31/13 - 05/31/18	2.47
Negotiable certificates of deposit	3,946,103	3,946,740	0.12% - 1.23%	07/01/13 - 06/25/15	0.25
Commercial paper	6,007,442	6,007,538	0.09% - 0.23%	07/01/13 - 09/19/13	0.05
Corporate and deposit notes	280,080	279,193	0.25% - 2.15%	09/16/13 - 09/28/15	1.27
Los Angeles County securities	32,000	32,000	0.57% - 0.61%	06/30/14 - 06/30/15	1.47
Deposits	81,446	81,446			
	$ 22,950,816	$ 23,130,264			

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of other (non-pooled) deposits and investments at June 30, 2013, excluding the Pension and OPEB Trust Funds, is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 49,759	$ 49,745	0.00% -12.50%	07/01/13 - 10/25/37	0.76
Corporate and deposit notes	86,176	86,153	3.75%	08/19/13 - 11/20/17	4.03
Mortgage trust deeds	69	69	5.50%	01/01/14 - 04/01/17	3.37
Municipal bonds	78,716	78,716	5.00%	08/01/13 - 09/02/21	9.73
U.S. Agency securities	128,139	130,245	0.00% - 3.24%	11/25/13 - 05/30/28	5.20
U.S. Treasury bonds	101	86	7.25%	05/15/16	2.88
U.S. Treasury bills	302	302	0.08%	12/05/13	0.43
Money market mutual funds	18,803	18,803	0.00% - 0.04%	07/01/13	0.00
Negotiable Certificates of Deposit	13,546	13,546		02/22/14 - 02/08/15	1.60
Deposits	9,788	9,788			
	$ 385,399	$ 387,453			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than three years, with the exception of commercial paper and bankers' acceptances, which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. The County Treasurer manages the Treasury Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2013, 57.17% have a maturity of six months or less, 7.35% have a maturity of between six and twelve months, and 35.48% have a maturity of more than one year.

As of June 30, 2013, variable-rate notes comprised 3.31% 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.

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds, which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2013, 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, 2013, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund, which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's NRSRO ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $650 million, approximately 2.84% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $1 billion, or 4.37% of the investment pool's daily investment balance.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The Treasury Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2013 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 1,945,648	$ 9,278
Federal Home Loan Bank	4,528,590	54,032
Federal Home Loan Mortgage Corp	2,513,571	2,080
Federal National Mortgage Association	2,918,363	8,081

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, 2013:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	26.27%
Corporate and deposit notes			
	AA-	Aa2	0.22%
	AA-	Aa3	0.33%
	AA+	A1	0.46%
	AA-	Not Rated	0.21%
Los Angeles County securities	Not Rated	Not Rated	0.14%
Negotiable certificates of deposit	AA-	Aa3	0.66%
	Not Rated	Aa2	0.75%
	Not Rated	P-1	0.44%
	Not Rated	Not Rated	15.41%
U.S. Agency securities	AA+	Aaa	48.93%
	AA+	Not Rated	3.13%
U.S. Treasury notes	Not Rated	Aaa	2.61%
U.S. Treasury bills	Not Rated	Not Rated	0.44%
			100.00%
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	13.25%
Corporate and deposit notes	AA+	A1	0.41%
	Not Rated	Not Rated	22.53%
Mortgage trust deeds	Not Rated	Not Rated	0.02%
Municipal bonds	Not Rated	Not Rated	20.96%
U.S. Agency securities	AA+	Aaa	27.06%
	Not Rated	Not Rated	7.05%
U.S. Treasury notes	Not Rated	Aaa	0.03%
U.S. Treasury bills	Not Rated	Not Rated	0.08%
Negotiable Certificates of Deposit	Not Rated	Not Rated	3.61%
Money market mutual funds	Not Rated	Not Rated	5.00%
			100.00%

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2013 relative to the County Treasury Pool balances. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year. The unrealized loss on investments held in the Treasury Pool was $179,448,000 as of June 30, 2013. A separate financial report is issued for the Treasury Pool as of June 30, 2013.

Reverse Repurchase Agreements

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

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

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2013, there were approximately $757,880,000 in floating rate notes.

5. CASH AND INVESTMENTS-Continued

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, 2013, forward currency contracts receivable and payable totaled $8,324,598,000 and $8,267,068,000, respectively. All investment derivative positions are included as part of investments at fair value on LACERA's statement of plan net position. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the statement of changes in plan net position.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2013.

Securities Lending Transactions

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

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

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

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2013, 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, 2013.

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

As of June 30, 2013, the fair value of securities on loan was $135.86 million. The value of the cash collateral received for those securities was $138.27 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $138.27 million are recorded in the Pension and OPEB Trust Funds. Pension and OPEB Trust Funds income, net of expenses, from securities lending was $4.69 million for the year ended June 30, 2013.

For the year ended June 30, 2013, 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, 2013 (in thousands):

	County	Pension and OPEB Trust Funds	Total
Deposits	$ 91,234	$ 181,509	$ 272,743
Investments	23,244,981	42,871,492	66,116,473
	$ 23,336,215	$ 43,053,001	$ 66,389,216

6. CAPITAL ASSETS

Capital assets activity as of July 1, 2012 include the following adjustments (in thousands) due to CDC becoming a discretely presented component unit rather than a blended component unit based on the implementation of GASB 61:

	CDC Adjustments
Governmental Activities	
Capital assets, not being depreciated-	
Land	$ 19,694
Capital assets, being depreciated:	
Buildings and improvements	21,652
Equipment	7,345
Subtotal	28,997
Less accumulated depreciation for:	
Buildings and improvements	(6,724)
Equipment	(6,345)
Subtotal	(13,069)
Total capital assets, being depreciated, net	15,928
Governmental activities capital assets, net adjustment	$ 35,622

6. CAPITAL ASSETS-Continued

	CDC Adjustments
Business-type Activities:	
Capital assets, not being depreciated:	
Land	$ 71,961
Construction in progress-buildings and improvements	35,690
Subtotal	107,651
Capital assets, being depreciated:	
Buildings and improvements	139,322
Equipment	1,705
Subtotal	141,027
Less accumulated depreciation for:	
Buildings and improvements	(126,966)
Equipment	(1,390)
Subtotal	(128,356)
Total capital assets, being depreciated, net	12,671
Business-type activities capital assets, net adjustment	$ 120,322
CDC total capital assets, net	$ 155,944

Capital assets activity for the year ended June 30, 2013 is as follows (in thousands):

	Balance July 1, 2012, as restated	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,387,388	1,329	(460)	$ 2,388,257
Easements	4,871,153	90,901	(300)	4,961,754
Software in progress	14,383	30,209	(1,469)	43,123
Construction in progress-buildings and improvements	314,635	227,594	(106,746)	435,483
Construction in progress-infrastructure	313,370	121,445	(163,066)	271,749
Subtotal	7,900,929	471,478	(272,041)	8,100,366
Capital assets, being depreciated:				
Buildings and improvements	4,155,123	103,226	(2,235)	4,256,114
Equipment	1,401,733	130,128	(45,341)	1,486,520
Software	496,724	. 32,294		529,018
Infrastructure	7,576,860	98,236.	(785)	7,674,311
Subtotal	13,630,440	363,884.	(48,361)	13,945,963

6. CAPITAL ASSETS-Continued

	Balance July 1, 2012, as restated	Additions	Deletions	Balance June 30, 2013
Governmental Activities-Continued				
Less accumulated depreciation for:				
Buildings and improvements	(1,481,475)	(70,673)	407	(1,551,741)
Equipment	(988,765)	(104,250)	43,615	(1,049,400)
Software	(199,930)	(49,694)		(249,624)
Infrastructure	(3,194,952)	(162,210)	143	(3,357,019)
Subtotal	(5,865,122)	(386,827)	44,165	(6,207,784)
Total capital assets, being depreciated, net	7,765,318	(22,943)	(4,196)	7,738,179
Governmental activities capital assets, net	$ 15,666,247	448,535	(276,237)	$ 15,838,545
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 152,432	146		$ 152,578
Easements	31,009	55		31,064
Software in progress	4,298	829	(3,660)	1,467
Construction in progress-buildings and improvements	390,939	218,559	(50,926)	558,572
Construction in progress-infrastructure	29,526	11,110	(18,728)	21,908
Subtotal	608,204	230,699	(73,314)	765,589
Capital assets, being depreciated:				
Buildings and improvements	1,845,007	51,884		1,896,891
Equipment	301,244	12,460	(57,605)	256,099
Software	53,695	3,660		57,355
Infrastructure	1,216,906	16,746		1,233,652
Subtotal	3,416,852	84,750	(57,605)	3,443,997
Less accumulated depreciation for:				
Buildings and improvements	(638,904)	(27,866)		(666,770)
Equipment	(213,640)	(18,490)	49,446	(182,684)
Software	(12,856)	(4,111)		(16,967)
Infrastructure	(492,012)	(21,437)		(513,449)
Subtotal	(1,357,412)	(71,904)	49,446	(1,379,870)
Total capital assets, being depreciated, net	2,059,440	12,846	(8,159)	2,064,127
Business-type activities capital assets, net	$ 2,667,644	243,545	(81,473)	$ 2,829,716
Total capital assets, net	$ 18,333,891	692,080	(357,710)	$ 18,668,261

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	$ 23,106
Public protection	160,514
Public ways and facilities	90,230
Health and sanitation	18,611
Public assistance	43,630
Education	2,994
Recreation and cultural services	18,620
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	29,122
Total depreciation expense, governmental activities	$ 386,827

Business-type activities:	
Hospitals	$ 43,603
Waterworks	21,928
Aviation	1,908
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	4,465
Total depreciation expense, business-type activities	$ 71,904

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 91,655	13,340	(11,755)	$ 93,240
Construction in progress-buildings and improvements	35,690	15,908	(43,450)	8,148
Subtotal	127,345	29,248	(55,205)	101,388
Capital assets, being depreciated:				
Buildings and improvements	160,974	47,525		208,499
Equipment	9,050	4,810	(4,251)	9,609
Subtotal	170,024	52,335	(4,251)	218,108

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units-Continued

CDC-Continued

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Less accumulated depreciation for:				
Buildings and improvements	(133,690)	(2,881)		(136,571)
Equipment	(7,735)	(1,059)	4,251	(4,543)
Subtotal	(141,425)	(3,940)	4,251	(141,114)
Total capital assets being depreciated, net	28,599	48,395		76,994
CDC capital assets, net	$ 155,944	77,643	(55,205)	$ 178,382

First 5

Capital assets activity for the First 5 component unit for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated- Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,479	30		2,509
Subtotal	14,555	30		14,585
Less accumulated depreciation for:				
Buildings and improvements	(1,707)	(243)		(1,950)
Equipment	(2,109)	(210)		(2,319)
Subtotal	(3,816)	(453)		(4,269)
Total capital assets being depreciated, net	10,739	(423)		10,316
First 5 capital assets, net	$ 12,778	(423)		$ 12,355

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60 "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that sixteen golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included theses SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2013, the present value of the installment payments under contract is estimated to be $102.89 million and reported as deferred inflows of resources in the statement of net position. There is no change to the beginning net position as a result of GASB 60 implementation. The present values of the installment payments were calculated using a discount rate of 5.12% for the term of the agreement for each SCA. The lease terms for the sixteen golf courses cover remaining periods ranging from four months to 23 years as of June 30, 2013. The FY 2012-2013 total monthly installment payments are approximately $868,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The carrying value of the golf courses, including buildings and land, is reported at $12.87 million as of June 30, 2013.

8. PENSION PLAN

Plan Description

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

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

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

8. PENSION PLAN-Continued

Plan Description-Continued

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

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

Funding Policy

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for FY 2012-2013:

July 1, 2012 - September 30, 2012	A	B	C	D	E
General Members	21.59%	15.00%	14.51%	14.80%	15.30%
Safety Members	30.38%	24.10%			

October 1, 2012 - Dec 31, 2012	A	B	C	D	E
General Members	22.65%	15.55%	15.35%	16.00%	16.77%
Safety Members	31.55%	25.37%			

January 1, 2013 - June 30, 2013	A	B	C	D	E	G
General Members	22.65%	15.55%	15.35%	16.00%	16.77%	15.61%
Safety Members	31.55%	25.37%	20.98%			

The rates were determined by the actuarial valuation performed as of June 30, 2010 and June 30, 2011, respectively. The rates for plan G and Safety plan C were based on a PEPRA study completed by the actuaries. The June 30, 2011 and June 30, 2012 actuarial valuations were used to calculate the annual required contribution (ARC).

8. PENSION PLAN-Continued

Funding Policy-Continued

Employee rates vary by option and employee entry age from 5% to 13% of their annual covered salary.

During FY 2012-2013, the County contributed the full amount of the ARC, in the form of cash payments in the amount of $723.09 million and a transfer from the County Contribution Credit Reserve (CCCR) in the amount of $448.82 million. The CCCR was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Seventy-five percent (75%) of excess earnings in FYs 1995-1999 were credited into the CCCR.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for FY 2012-2013, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 1,171,910
Non-County entities	104
Total ARC/Annual pension cost	1,172,014
Contributions made:	
County cash	723,091
Transfer from CCCR	448,819
Non-County entities	104
Total contributions	1,172,014
Change in net pension obligation (asset)	0
Net pension obligation (asset), July 1, 2012	0
Net pension obligation (asset), June 30, 2013	$ 0

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2011	$ 995,925	94.80%	0
June 30, 2012	1,078,929	100.00%	0
June 30, 2013	1,172,014	100.00%	0

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the funded ratio was determined to be 76.8%. The actuarial value of assets was $39.039 billion, and the actuarial accrued liability (AAL) was $50.809 billion, resulting in an unfunded AAL of $11.770 billion. The covered payroll was $6.620 billion and the ratio of the unfunded AAL to the covered payroll was 177.8%.

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

8. PENSION PLAN-Continued

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The June 30, 2012 actuarial valuation also assumed an annual investment rate of return of 7.60%, and projected salary increases ranging from 4.11% to 10.08 %, with both assumptions including a 3.35% 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 five-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date. The assumptions remained the same from the prior actuarial valuation completed as of June 20, 2011.

The County contribution rate to finance the unfunded AAL is 17.54% and 19.82% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2011 and 2012 actuarial valuations, respectively.

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

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer defined benefit Other Postemployment Benefit (OPEB) plan on behalf of the County. As indicated in Note 8-Pension Plan, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan.

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

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

Funding Policy

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

9. 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.

As discussed in Note 8, the County's pension contribution requirements for FY 2012-2013 were partially funded by LACERA Credit Reserves of $448.8 million, thereby reducing the County's cash contributions. The County utilized the $448.8 of pension contribution savings to prefund the liability for retiree healthcare benefits. In addition, the County fulfilled its "pay-as-you-go" contribution requirements of $441.1 million, thereby making total contributions of $889.9 for retiree health care. Included in this amount was $41.7 million for Medicare Part B reimbursements and $7.6 million in death benefits. Additionally, $40.4 million was paid by member participants. The County also made payments of $37.6 million for long-term disability benefits.

OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Postemployment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2012-2013, the County made contributions to prefund the growing liability for retiree healthcare benefits in the amount of $448.8 million.

The OPEB Trust does not modify the County' s benefit programs.

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2012, and the OPEB long-term disability actuarial valuation as of July 1, 2011. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	Retiree Health Care	LTD	Total
Annual OPEB required contribution (ARC)	$ 2,036,300	$ 70,509	$2,106,809
Interest on Net OPEB obligation	294,300	7,680	301,980
Adjustment to ARC	(241,575)	(5,120)	(246,695)
Annual OPEB cost (expense)	2,089,025	73,069	2,162,094
Less: Contributions made	889,871	37,598	927,469
Increase in Net OPEB obligation	1,199,154	35,471	1,234,625
Net OPEB obligation, July 1, 2012	6,765,519	153,601	6,919,120
Net OPEB obligation, June 30, 2013	$ 7,964,673	$ 189,072	$8,153,745

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Annual OPEB Cost and Net OPEB Obligation-Continued

Retiree Health Care Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 1,897,487	19.8%	$ 5,229,762
June 30, 2012	1,915,501	19.8%	6,765,519
June 30, 2013	2,089,025	42.6%	7,964,673

LTD Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 62,962	56.0%	$ 117,829
June 30, 2012	72,473	50.6%	153,601
June 30, 2013	73,069	51.5%	189,072

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 0%. The actuarial value of assets was zero. The actuarial accrued liability (AAL) was $25.733 billion, resulting in an unfunded AAL of $25.733 billion. The covered payroll was $6.620 billion and the ratio of the unfunded AAL to the covered payroll was 388.73%.

As of July 1, 2011, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The assumptions remained the same from the last actuarial valuation completed in 2009. The actuarial value of assets was zero. The AAL was $1.019 billion, resulting in an unfunded AAL of $1.019 billion. The covered payroll was $6.620 billion and the ratio of the unfunded AAL to the covered payroll was 15.39%.

The schedules of funding progress are presented as RSI following the notes to the financial statements. These RSI schedules present multi-year trend information.

Actuarial Methods and Assumptions

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

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

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

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions–Continued

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

The actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms, with some differences in the methods and assumptions used. In both valuations, the projected unit credit cost method was used. The valuation for OPEB health care assumed an annual investment rate of return of 4.35% and projected general wage increase of 3.85% per annum. The valuation for OPEB long-term disability benefits assumed an annual investment rate of return of 5% and projected general wage increase of 4% per annum. The valuations for OPEB health care and OPEB long-term disability benefits factored in annual inflation rates of 3.35% and 3.5%, respectively. 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 healthcare cost trend initial and ultimate rates, based on the July 1, 2012 actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	0.30%	5.10%
LACERA Medical Over 65	0.59%	5.10%
Firefighters Local 1014 (all)	7.00%	5.10%
Part B Premiums	5.90%	5.10%
Dental (all)	3.13%	3.40%

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013 (in thousands):

Year Ending June 30	Governmental Activities
2014	$ 84,810
2015	72,407
2016	44,649
2017	32,762
2018	20,925
2019-2023	53,307
2024-2028	40,335
2029-2033	30,723
Total	$ 379,918

Rent expenses related to operating leases were $95,978,000 for the year ended June 30, 2013.

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2013 (in thousands):

Year Ending June 30	Governmental Activities
2014	$ 25,787
2015	23,141
2016	22,463
2017	20,401
2018	19,790
2019-2023	103,119
2024-2028	76,689
2029-2033	63,052
2034-2038	35,822
Total	390,264
Less: Amount representing interest	207,208
Present value of future minimum lease payments	$ 183,056

The following is a schedule of property under capital leases by major classes at June 30, 2013 (in thousands):

	Governmental Activities
Land	$ 17,279
Buildings and improvements	153,513
Equipment	68,769
Accumulated depreciation	(44,117)
Total	$ 195,444

Future rent revenues to be received from noncancelable subleases are $1,114,000 as of June 30, 2013.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 84 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 22 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 55 years and are accounted for in the General Fund.

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $492,441,000. The carrying value of the capital assets associated with the regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2013 (in thousands):

Year Ending June 30	Governmental Activities
2014	$ 35,984
2015	36,010
2016	35,949
2017	35,799
2018	35,736
Thereafter	1,402,807
Total	$ 1,582,285

The total of $1,582,285 excludes amounts related to golf courses. The golf course management agreements, previously recorded as leases, are now being reported as SCAs under Note 7 due to the implementation of GASB 60. As a result, $149,108,000 in projected installment payments are being excluded from the future minimum rental receipts.

The following is a schedule of rental income for these operating leases for the year ended June 30, 2013 (in thousands):

	Governmental Activities
Minimum rentals	$ 34,410
Contingent rentals	15,090
Total	$ 49,500

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

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans, OPEB (see Note 9), capital lease obligations (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

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

	Original Par Amount of Debt	Balance June 30, 2013
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 5,745
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	14,025
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	153,047
NPC Bond Anticipation Notes, 0.536% to 0.632%	26,238	26,238
NPC Bonds 1.5% to 5.0%	48,818	28,213
Marina del Rey Loans, 4.5% to 4.7%	23,500	17,352
Public Buildings Bonds and Notes, 2.0% to 7.618%	1,152,658	830,218
Lease Revenue Obligation Notes, 0.08% to 0.18%	255,949	255,949
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	401,443
Total	$ 2,266,260	$ 1,732,230

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

	Original Par Amount of Debt	Balance June 30, 2013
NPC Bond Anticipation Notes, 0.536% to 0.632%	$ 5,762	$ 5,762
NPC Bonds, 1.5% to 5.0%	6,657	3,847
Public Buildings Bonds and Notes, 2.0% to 7.618%	914,292	851,554
Lease Revenue Obligation Notes, 0.08 % to 0.18 %	45,951	45,951
Waterworks District Loans, 2.28%	8,111	8,111
Total	$ 980,773	$ 915,225

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

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

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $163,183,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,780,000 and $80,380,000, respectively.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2014	$ 29,255	$ 6,497
2015	30,735	4,998
2016	32,270	3,422
2017	11,715	2,313
2018	12,320	1,692
2019-2023	26,575	1,391
Subtotal	142,870	$ 20,313
Add: Unamortized bond premiums	10,177	
Total assessment bonds	$ 153,047	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During FY 2012-2013, the County issued lease revenue bonds of $339,410,000 to finance $186,087,000 of various capital improvements, to redeem $133,465,000 of outstanding lease revenue obligation notes, and to fund debt service reserves of $19,858,000. The allocation of debt between Governmental Activities and Business-type Activities was $35,725,000 and $303,685,000, respectively.

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net available revenues are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid the entire current fiscal year debt payment of $3,286,000. Total principal and interest remaining on the bonds is $32,673,000.

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
2014	$ 61,622	$ 52,283	$ 14,618	$ 55,727
2015	64,689	49,599	22,743	50,965
2016	49,091	47,843	27,181	49,852
2017	34,389	47,819	19,801	47,781
2018	23,159	48,990	16,117	45,403
2019-2023	170,874	196,132	92,759	213,629
2024-2028	120,022	115,681	116,289	182,761
2029-2033	122,674	77,416	148,361	139,606
2034-2038	95,974	41,702	188,716	84,915
2039-2043	68,246	8,024	172,789	20,810
Subtotal	810,740	$ 685,489	819,374	$ 891,449
Add: Accretions	68,696			
Unamortized bond premiums	21,930		36,027	
Unamortized loss	(23,165)			
Total certificates of Participation and bonds	$ 878,201		$ 855,401	

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2013 were $131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending	Governmental Activities	
June 30	Principal	Interest
2014	$	$ 20,051
2015		20,051
2016		20,051
2017		20,051
2018		20,052
2019-2023	38,450	94,426
2024-2028	46,370	85,680
2029-2033		69,311
2034-2038	62,196	60,224
2039-2043	53,157	38,738
2044-2048	97,824	16,173
Subtotal	297,997	$ 464,808
Add: Accretions	103,446	
Total Tobacco Settlement Asset-Backed Bonds	$ 401,443	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Asset Leasing Corporation (LACCAL) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2012-2013, LACCAL issued additional BANS in the amount of $12,336,000, as reflected in Governmental Activities and $2,664,000 as reflected in Business-type Activities.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

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

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of $3,410,400 and $5,472,875 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual principal and interest payments of the loans are expected to require less than 47% of the annual surcharge revenues. During FY 2012-2013, the County obtained additional loans for $3,079,000 and as of June 30, 2013, total loans drawn are $2,838,000 on the Sepulveda Feeder Interconnection project and $5,273,000 on the Marina del Rey Waterline Replacement project.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by three irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON and a revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by twenty-four County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 18, 2016. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the three LOCs is $450,000,000, which consists of $150,000,000 of callable Series A (JP Morgan), $100,000,000 of Series B (U.S. Bank), $200,000,000 of Series C (Wells Fargo) and $150,000,000 direct placement revolving credit facility of Series D (Bank of America). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody’s, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.54% of the maximum, principal amount of the LOC. For Series B and C, the letter of credit fee is equal to 0.6% of the maximum principal amount of the LOC. The commitment fee is equal to 0.3% of the $150,000,000 maximum principal amount of the revolving credit facility for Series D (Bank of America). As of June 30, 2013, $301,900,000 of LRON issued under the program were outstanding, including $53,000,000 of Series A, $100,000,000 of Series B and $148,900,000 of Series C.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are re-issued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2012-2013, the County redeemed the total amount that was outstanding at the beginning of the year and reissued County LRON that, as of June 30, 2013, are reflected as notes payable in the amount of $255,949,000 for Governmental Activities and $45,951,000 for Business-type Activities. The average interest rate on LRON issued in FY 2012-2013 was 0.197%. The County did not issue any Series D notes in FY 2012-2013.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for Governmental Activities and NPC BANS, Waterworks District Loans and LRON for Business-type Activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2014	$ 270,616	$ 781	$ 49,048	$
2015	13,133	746	2,883	124
2016	834	711	329	179
2017	871	673	337	171
2018	911	634	345	163
2019-2023	5,207	2,516	1,844	693
2024-2028	6,489	1,234	2,066	471
2029-2033	1,478	67	2,314	223
2034-2038			658	14
Total	$ 299,539	$ 7,362	$ 59,824	$ 2,038

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Summary-All Future Principal, Interest and Accretions

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

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
Assessment bonds	$ 142,870	$ 20,313	$	$
Certificates of participation and bonds	810,740	685,489	819,374	891,449
Tobacco settlement asset-backed bonds	297,997	464,808		
Notes, loans, and LRON	299,539	7,362	59,824	2,038
Subtotal	1,551,146	$1,177,972	879,198	$ 893,487
Add: Accretions	172,142			
Unamortized bond premiums	32,107		36,027	
Less: Unamortized loss on advanced refunding of debt	(23,165)			
Total bonds and notes	$1,732,230		$ 915,225	

Long-term liabilities recorded in the Government-wide Statement of Net position include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refunding.

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, 2013, the amount of outstanding bonds and certificates of participation considered defeased was $9,510,000. All of this amount was related to governmental activities.

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

Long-term debt obligations as of July 1, 2012 include the following adjustments (in thousands) as a result of CDC becoming a discretely presented component unit rather than a blended component unit due to the implementation of GASB 61:

	Long-term Liabilities July 1, 2012, as previously reported	Effect of CDC	Long-term Liabilities July 1, 2012, as restated
Governmental activities:			
Bonds and notes payable	$ 1,597,317	(30,789)	$ 1,566,528
Unamortized bond premium	32,259		32,259
Unamortized refunding loss	(25,949)		(25,949)
Total bonds and notes payable	1,603,627	(30,789)	1,572,838
Interest accretion on bonds payable	172,662		172,662
Capital lease obligations	190,746	(133)	190,613
Accrued compensated absences	1,178,011	(802)	1,177,209
Workers' compensation	1,855,761	(2,950)	1,852,811
Litigation and self-insurance	158,152	(1,419)	156,733
Total governmental activities	$ 5,158,959	(36,093)	$ 5,122,866
Business-type activities:			
Bonds and notes payable	$ 766,418	(46,702)	$ 719,716
Unamortized bond premium	3,850		3,850
Total bonds and notes payable	770,268	(46,702)	723,566
Accrued compensated absences	177,226	(617)	176,609
Total business-type activities	$ 947,494	(47,319)	$ 900,175
Total effect of restatement for CDC	$ 6,106,453	(83,412)	$ 6,023,041

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2013 (in thousands):

	Balance July 1, 2012 as restated	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,566,528	304,010	319,392	$ 1,551,146	$ 361,493
Add: Unamortized premium on bonds payable	32,259	3,848	4,000	32,107	4,199
Less: Unamortized amount on refunding loss	(25,949)	2,784		(23,165)	(2,922)
Total bonds and notes payable	1,572,838	310,642	323,392	1,560,088	362,770
Interest accretion on capital appreciation bonds payable	172,662	2,471	2,991	172,142	9,746
Other long-term liabilities:					
Capital lease obligations (Note 10)	190,613	2,780	10,337	183,056	10,684
Accrued compensated absences	1,177,209	94,151	78,396	1,192,964	66,358
Workers' compensation (Note18)	1,852,811	307,425	323,595	1,836,641	323,444
Litigation and self-insurance (Note 18)	156,733	80,083	59,738	177,078	147,487
Pollution remediation obligation (Note 19)	25,294	4,796	14,204	15,886	1,794
OPEB obligation (Note 9)	5,776,974	1,035,328		6,812,302	
Third party payor (Note 14)	16,669	28,469	28,782	16,356	16,356
Total governmental activities	$ 10,941,803	1,866,145	841,435	$ 11,966,513	$ 938,639
Business-type activities:					
Bonds and notes payable	$ 719,716	355,379	195,897	$ 879,198	$ 63,666
Add: Unamortized premium on bonds payable	3,850	33,078	901	36,027	943
Total bonds and notes payable	723,566	388,457	196,798	915,225	64,609
Other long-term liabilities:					
Accrued compensated absences	176,609	9,602	11,830	174,381	11,507
Workers compensation (Note 18)	266,755	32,824	39,871	259,708	44,240
Litigation and self-insurance (Note 18)	104,785	13,177	13,020	104,942	26,965
OPEB obligation (Note 9)	1,142,146	199,297		1,341,443	
Third party payor (Note 14)	375,066	117,848	2,092	490,822	14,969
Total business-type activities	$ 2,788,927	761,205	263,611	$ 3,286,521	$ 162,290

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

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

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2012-2013, thereby increasing liabilities for Bonds and Notes by $520,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2013 was as follows (in thousands):

	July 1, 2012	Additions	Maturities	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 30,789		2,661	$ 28,128	$ 3,589
Compensated absences	802	786	877	711	640
Capital lease obligations	133	3,131	695	2,569	600
Claims payable	4,369	836	836	4,369	233
Total Governmental activities	$ 36,093	4,753	5,069	$ 35,777	$ 5,062
Business-type activities:					
Bonds and notes payable	$ 46,702	6	6,500	$ 40,208	$ 570
Compensated absences	617	577	723	471	424
Total Business-type activities	$ 47,319	583	7,223	$ 40,679	$ 994
Total long-term obligations	$ 83,412	5,336	12,292	$ 76,456	$ 6,056

12. SHORT-TERM DEBT

On July 2, 2012, the County issued $ 1,100,000,000 of short-term Tax and Revenue Anticipation Notes Series A, B and C at an effective interest rate of 0.18%, 0.19%, and 0.20%, respectively. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2012. The Series A notes, $300,000,000, matured and were redeemed on February 28, 2013, the Series B notes, $400,000,000, on March 29, 2013 and the Series C notes, $400,000,000, on June 28, 2013.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2013, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $54,314,000 and limited obligation improvement bonds totaling $7,466,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

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

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

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

As of June 30, 2013, the amount of industrial development and other conduit bonds outstanding was $24,255,000.

14. HOSPITAL AND OTHER PROGRAM REVENUES

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

Medi-Cal Demonstration Project

In November, 2010, the Centers for Medicare and Medicaid Services (CMS) approved, pursuant to Section 1115(a) of the Social Security Act, a Medi-Cal Demonstration Project, called the “California’s Bridge to Reform” (Bridge to Reform), which affects many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The Bridge to Reform covers the period November 1, 2010 to October 31, 2015.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Revenues for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) Medi-Cal DSH payments; and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which was capped Statewide at $386.00 million in FY 2012-13. The non-federal share of these payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE). For the inpatient hospital FFS cost-based payments, each hospital provides its own CPE. In addition to CPE, for DSH, Intergovernmental Transfers (IGTs) are also made whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

The federal medical assistance percentage (FMAP), which establishes the matching amount for the FFS cost-based reimbursement, was 50% for FY 2012-13. The FMAP for DSH remains at 50%.

For the DSH and SNCP distributions, the CPEs of all the public hospitals in the State are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The County also provides funding for the State's share of the DSH program by transferring funds to the State. These transferred funds, referred to as 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 Bridge to Reform restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Bridge to Reform by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net position. The IGT payments are reflected as nonoperating expenses by each hospital in the statement of revenues, expenses, and changes in fund net position.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

The IGTs paid during FY 2012-13 are payments for services provided in FY 2012-13. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2012-13 as adjusted for over/under-realization of revenues for FY 2005-06 through FY 2011-12. The amounts below are in thousands:

	Program Revenues			
	Medi-Cal FFS	DSH	SNCP	Intergovernmental Transfers Expense
Harbor-UCLA	$ 36,867	$ 141,502	$ 64,457	$ 43,738
Olive View-UCLA	41,858	64,976	29,684	29,531
LAC+USC	104,264	98,673	111,132	111,710
Rancho	21,669	32,303	19,085	12,513
Total	$ 204,658	$ 337,454	$ 224,358	$ 197,492

Besides these revenues, the Demonstration Project provides support for public hospital systems in the following areas:

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Demonstration Project, counties have the option to expand coverage by operating a Low Income Health Program (LIHP). 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 for a particular group of services, and receive federal matching funds for the amount they expend. If a county meets certain federal requirements and has the resources available to do so, it can also cover individuals between 133% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The LIHP will run through the end of 2013, at which time coverage under federal health care reform will take effect.

For the County, the LIHP program is called Healthy Way LA (HWLA) – Matched. Revenues for FY 2012-13 are estimated at $173.44 million for patient care services and $3.76 million for administrative services.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Delivery System Reform Incentive Pool

The Demonstration Project establishes the Delivery System Reform Incentive Pool (DSRIP) which ties federal funding to the achievement of milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems submitted a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that were approved by the State and CMS. The amounts below, in thousands, were recorded as "other operating revenues" in FY 2012-13:

	DSRIP Gross Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 162,877	$ 104,332
Olive View-UCLA	104,168	39,741
LAC+USC	181,372	109,195
Rancho	17,122	17,082
Total	$ 465,539	$ 270,350

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Demonstration Project, the State of California requires Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) to enroll in managed care plans, rather than using a fee for service system, in an effort to provide more coordinated care and contain costs. In FY 2012-13, an estimated $339.98 million of SPD gross revenues were recorded.

SPD also requires that the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for this population and expenses associated with such IGTs were $125,808,000 in FY 2012-13.

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 (as well as non-physician practitioner services) provided by the County were reimbursed as part of an all-inclusive fixed contract rate per-diem. Effective July 1, 2005, public hospitals were no longer paid a fixed rate but were reimbursed under a Demonstration Project. The Demonstration Project payment for inpatient and other facility services excluded professional services. California State Plan Amendment 05-23 allows professional services to be paid similarly to the inpatient hospital services under the Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Physician State Plan Amendment (Physician SPA)-Continued

Net revenues of $23.75 million were recognized during FY 2012-13 and included adjustments for the over/under-realization of revenues associated with FY 2005-06 through FY 2011-12.

Other Medi-Cal Programs

Cost Based Reimbursement Clinics (CBRC)

CBRC reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, Multi-Service Ambulatory Care Centers (MACC) and health centers (excluding clinics that provide predominately public health services). The CBRC revenues in FY 2012-13 were $148.64 million. As of June 30, 2013, the County estimated that approximately $204.62 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital.

Medi-Cal Cost Report Settlements

All of the FY 2008-09 CBRC audit reports were issued and total audit settlements of $73.27 million were paid to the County. The Department of Health Services (DHS) issued appeal letters to the State Office of Administrative Appeals regarding unresolved audit adjustment issues. The informal level appeal hearing between DHS and the Medi-Cal auditors to discuss disputed adjustments before the Administrative Hearing Officer was held during June 2013. The hearing results, Report of Findings, have been issued and will be further appealed. The revised settlements will be issued sometime next year.

The State auditors are in the process of finalizing the FY 2009-10 CBRC audit findings and the anticipated issuance of the audit reports is late December 2013.

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 Health Net for the period October 1, 2011 through September 30, 2012. The supplement is funded by an IGT made by the County. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payment, under the Welfare and Institutions Code Section 17301.4, the County is required to pay the State Department of Health Care Services a 20% administrative fee that is assessed on the full amount of the IGT. This amount is also recorded as part of IGT.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

For L.A. Care and Health Net, the total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2012-13, including prior year over/under realization, are as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
L.A. Care	$ 119,718	$ 69,958
Health Net	44,184	24,506
Totals	$ 163,902	$ 94,464

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, CBRC, AB 915, SB 1732, etc.) represent approximately 64% of the hospitals' patient care revenue for the year ended June 30, 2013.

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 ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which required a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process used to calculate the hospital's Medicare Supplemental Security Income (SSI) fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2006-07.

Medicare Program

For FY 2002-03 and FY 2003-04, the audits have been completed for all hospitals and NPRs have been issued for the former Martin Luther King Jr./Drew Medical Center (MLK/D MC), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) only. LAC+USC Medical Center (LAC+USC MC) has not received its NPR due to the Medicare SSI fraction issue.

For FY 2004-05, the audits have been completed and the NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-05 audits have been completed for LAC+USC MC, H-UCLA MC and RLANRC.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2005-06, the audits have been completed and NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-06 audits has been completed for LAC+USC MC, H-UCLA MC, and RLANRC.

For FY 2006-07, the audits for MLK/D MC, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. Except for the Medicare SSI fraction issue, the FY 2006-07 audits have been completed for H-UCLA MC and LAC+USC MC.

For FY 2007-08, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. The audits are in progress for LAC+USC MC and H-UCLA MC. Effective August 16, 2007, MLK/D MC ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-08 due to low Medicare utilization.

For FY 2008-09, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC are in progress.

For FY 2009-10, the audits have been completed for RLANRC and OV-UCLA MC. An NPR has been issued for RLANRC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2010-11, audits have not been scheduled for LAC+USC MC and H-UCLA MC. The audits are in progress for RLANRC and OV-UCLA MC.

For FY 2011-12, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 5% of patient care revenue for the year ended June 30, 2013.

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

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2013 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$2,098,317	$ 893,076	$ 2,446,418	$ 283,166	$5,720,977
Less: Allowance for uncollectible amounts	1,644,289	609,938	1,857,453	164,306	4,275,986
Accounts receivable - net	$ 454,028	$ 283,138	$ 588,965	$ 118,860	$1,444,991

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through the County's Ability-to-Pay program, through other collection efforts by the County, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

The total amount of such charity care provided by the hospitals for the year ended June 30, 2013 is as follows (in thousands):

Estimated cost of charity care	$1,349,865
Charity care at established rates	2,301,117
Charges forgone	1,897,776

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. – Los Angeles Healthcare Corporation, to operate a new the MLK Community Hospital at the MLK-MACC site. The new hospital would: 1) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and 2) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010, and is proceeding with efforts to open the new MLK Community Hospital. The new MLK Community Hospital facility is scheduled to open in FY 2014-15.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2013.

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2013 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 10,778
	Flood Control District	2,169
	Public Library	4,090
	Regional Park and Open Space District	2,538
	Nonmajor Governmental Funds	180,148
	Harbor-UCLA Medical Center	43,408
	Olive View-UCLA Medical Center	35,801
	LAC+USC Medical Center	74,870
	Rancho Los Amigos Nat'l Rehab Center	32,054
	Waterworks Enterprise Funds	1,081
	Nonmajor Aviation Funds	30
	Internal Service Funds	4,638
		391,605
Fire Protection District	General Fund	1,519
	Nonmajor Governmental Funds	525
	Harbor-UCLA Medical Center	1
	Internal Service Funds	1
		2,046
Flood Control District	General Fund	1,104
	Regional Park and Open Space District	500
	Nonmajor Governmental Funds	2,717
	Waterworks Enterprise Funds	250
	Nonmajor Aviation Funds	64
	Internal Service Funds	5,959
		10,594
Public Library	General Fund	1,955
Regional Park and Open Space District	Nonmajor Governmental Funds	806
Nonmajor Governmental Funds	General Fund	294,929
	Fire Protection District	16
	Flood Control District	190
	Public Library	15
	Regional Park and Open Space District	129
	Nonmajor Governmental Funds	13,686
	Internal Service Funds	12,147
		321,112

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Harbor-UCLA Medical Center	General Fund	$ 36,375
	Fire Protection District	39
	Nonmajor Governmental Funds	32,441
	Olive View-UCLA Medical Center	23
	LAC+USC Medical Center	1,118
	Rancho Los Amigos Nat'l Rehab Center	49
		70,045
Olive View-UCLA Medical Center	General Fund	23,350
	Fire Protection District	86
	Nonmajor Governmental Funds	15,836
	Harbor-UCLA Medical Center	1
	LAC+USC Medical Center	24
		39,297
LAC+USC Medical Center	General Fund	55,073
	Fire Protection District	5
	Nonmajor Governmental Funds	59,263
	Harbor-UCLA Medical Center	144
	Olive View-UCLA Medical Center	23
	Rancho Los Amigos Nat'l Rehab Center	313
		114,821
Rancho Los Amigos Nat'l Rehab Center	General Fund	29,441
	Fire Protection District	25
	Harbor-UCLA Medical Center	3
	LAC+USC Medical Center	1,326
		30,795
Waterworks Enterprise Funds	General Fund	129
	Internal Service Funds	979
		1,108
Nonmajor Aviation Funds	Internal Service Funds	7
Internal Service Funds	General Fund	17,605
	Fire Protection District	31
	Flood Control District	17,069
	Nonmajor Governmental Funds	34,642
	Harbor-UCLA Medical Center	11
	LAC+USC Medical Center	133
	Rancho Los Amigos Nat'l Rehab Center	806
	Waterworks Enterprise Funds	3,453
	Nonmajor Aviation Funds	117
		73,867
Total Interfund Receivables/Payables		$ 1,058,058

15. 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 four hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2013 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 32
	Public Library	42,103
	Nonmajor Governmental Funds	103,062
	Harbor-UCLA Medical Center	226,855
	Olive View-UCLA Medical Center	89,659
	LAC+USC Medical Center	330,930
	Rancho Los Amigos Nat'l Rehab Center	71,030
	Internal Service Funds	67
		863,738
Fire Protection District	Nonmajor Governmental Funds	6,421
Flood Control District	Nonmajor Governmental Funds	19,130
	Internal Service Funds	1,234
		20,364
Public Library	General Fund	1,578
	Nonmajor Governmental Funds	1,043
		2,621
Regional Park and Open Space District	Nonmajor Governmental Funds	35,488
Nonmajor Governmental Funds	General Fund	482,826
	Fire Protection District	355
	Nonmajor Governmental Funds	64,772
	Harbor-UCLA Medical Center	60,513
	Olive View-UCLA Medical Center	38,061
	LAC+USC Medical Center	116,402
	Rancho Los Amigos Nat'l Rehab Center	1
	Internal Service Funds	4,706
		767,636

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	$ 3,822
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	1,074
LAC+USC Medical Center	General Fund	16,506
Waterworks Enterprise Funds	Internal Service Funds	113
Internal Service Funds	General Fund	3,657
	Flood Control District	171
	Nonmajor Governmental Funds	424
	Waterworks Enterprise Funds	154
		4,406
Total Interfund Transfers		$1,722,189

Interfund Transactions

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $184.14 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2013 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 242,816	$ 38,726	$ 281,542
	Olive View-UCLA Medical Center	160,663	34,123	194,786
	LAC+USC Medical Center	157,764	70,420	228,184
	Rancho Los Amigos Nat'l Rehab Center	6,909	40,867	47,776
	Internal Service Funds	2,088		2,088
		570,240	184,136	754,376

15. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
Flood Control District	Internal Service Funds	$ 6,473		$ 6,473
Nonmajor Governmental Funds	Internal Service Funds	12,088		12,088
Waterworks Enterprise Funds	Internal Service Funds	1,351		1,351
Total Interfund Advances		$ 590,152	$ 184,136	$ 774,288

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP. In FY 2012-2013 the Budget adopted by the County uses GASB 54 fund balance terminology.

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

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

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

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

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB 48. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2013.

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	$ 1,497,581	$ 104,376	$ 76,574	$ 37,288	$ 192,857
Budgetary fund balances	1,415,680	144,425	169,726	22,188	140,327
Subtotal	2,913,261	248,801	246,300	59,476	333,184
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	148,100	(752)	3,533	1,269	
Accrual of compensated absences	58,636				
Deferral of sale of tobacco settlement revenue	(245,987)				
Change in revenue accruals	(121,720)	(18,841)	(6,852)	(2,971)	(3,344)
Change in OPEB	127,360	7,539		1,222	
Subtotal	(33,611)	(12,054)	(3,319)	(480)	(3,344)
Fund balance - GAAP basis	$ 2,879,650	$ 236,747	$ 242,981	$ 58,996	$ 329,840

17. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2013, there were contractual commitments of approximately $593.89 million for various general government construction projects and approximately $63.45 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2013, LACERA had outstanding capital commitments to various investment managers, approximating $3,020,000,000. Subsequent to June 30, 2013, LACERA funded $160,000,000 of these capital commitments.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2013, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 366,474	$ 366,474
Fire Protection District	24,470			24,470
Flood Control District	44,289			44,289
Public Library			11,415	11,415
Regional Park and Open Space District	68,008			68,008
Nonmajor Governmental Funds	109,255	9,216	6,026	124,497
Total Encumbrances	$ 246,022	$ 9,216	$ 383,915	$ 639,153

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in FY 2010-2011, FY 2011-2012 or FY 2012-2013.

18. RISK MANAGEMENT-Continued

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

As indicated in the following table, the County's workers' compensation balance as of June 30, 2013 was approximately $2.096 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2013. Approximately $83,550,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2013, the County's best estimate of these liabilities is $2.378 billion. The FY 2012-2013 beginning balances for workers' compensation and other liabilities decreased by $2,950,000 and $1,419,000, respectively, due to CDC becoming a discretely presented component unit rather than a blended component unit based on the implementation of GASB Statement No. 61. Changes in the reported liability since July 1, 2011 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
2011-2012				
Workers' Compensation	$ 2,070,598	$ 407,207	$(355,289)	$ 2,122,516
Other	212,250	115,340	(64,653)	262,937
Total 2011-2012	$ 2,282,848	$ 522,547	$(419,942)	$ 2,385,453
2012-2013				
Workers' Compensation	$ 2,119,566	$ 340,249	$(363,466)	$ 2,096,349
Other	261,518	93,260	(72,758)	282,020
Total 2012-2013	$ 2,381,084	$ 433,509	$(436,224)	$ 2,378,369

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $153.89 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

19. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligation (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or clean up activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water clean up, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2013, the County's estimated pollution remediation obligation totaled $15,886,000. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

20. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2013 (in thousands) are as follows:

		General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Fund Balances:							
Nonspendable:							
Inventories	$	47,375	8,045		916		
Long-term receivables		206,461					
Permanent fund principal							2,230
Total Nonspendable		253,836	8,045		916		2,230

20. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Restricted for:						
Purpose of fund		228,702	242,882	9,841	329,840	1,396,852
Purpose of utility user tax	36,529					
Housing authority program	13,451					
Grand Avenue project	4,600					
Sheriff Pitchess landfill	3,206					
La Alameda project	2,000					
Capital projects						276,398
Debt service						578,314
Endowments and annuities						290
Total Restricted	59,786	228,702	242,882	9,841	329,840	2,251,854
Committed to:						
Purpose of fund						48,315
Capital projects and extraordinary maintenance	148,831					75,641
Health services-tobacco settlement	92,656					
Budget uncertainties	86,698					
Low to moderate income housing	63,797					
Sheriff budget restoration	31,174					
Assessor tax system	24,836					
Interoperable and countywide communication	15,082					
Services to unincorporated areas	14,044					
Financial system	12,765					
Reopening jail beds	12,147					
Department of children and family services	8,840					
Health services future financial requirements	7,013					
Public works-permit tracking system	5,855					
Information technology enhancements	2,574					
Live scan	2,000					
TTC unsecured property tax system	463					
Sheriff unincorporated patrol	90					
Total Committed	528,865					123,956

20. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Assigned to:						
Purpose of fund			99	48,239		112,549
Future purchases	374,156					
Capital projects						11,105
Imprest cash	2,025					
Total Assigned	376,181		99	48,239		123,654
Unassigned	1,660,982					
Total Fund Balances	$ 2,879,650	236,747	242,981	58,996	329,840	2,501,694

Reserve for "Rainy Day" Fund

On June 22, 2009, the Board established a Reserve for "Rainy Day" fund. The Reserve for "Rainy Day" fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10% of on-going locally generated revenue. Transfers of three percent (3%) should be made into the Reserve each year, if feasible, until the 10% cap is met.

When the Reserve cap of 10% is exceeded, the excess may be available for specified one-time purposes such as capital projects, unfunded retiree health obligations, efficiency measures and information technology initiatives. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County's "Rainy-Day" fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for "Rainy Day" funds in the amount of $197,012,000 is reported as unassigned fund balance in the General Fund.

21. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2013, the County issued $300,000,000 and $700,000,000 in 2013-2014 TRANS Series A and B, respectively, which will mature on February 28, 2014, and June 30, 2014, respectively. The TRANS are collateralized by taxes and other revenues attributable to the 2013-2014 fiscal year and were issued in the form of Fixed Rate Notes at effective interest rates of 0.16% and 0.18%, respectively.

21. SUBSEQUENT EVENTS-Continued

Lease Revenue Obligation Notes

On August 29, 2013, the Los Angeles County Capital Asset Leasing Corporation issued an additional $56,100,000 in lease revenue obligation notes with an initial average rate of 0.114%. The proceeds are being used to fund capital requirements of various capital projects. The lease revenue obligation notes are secured by a long-term lease of County real estate, three letters of credit and a revolving credit facility.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On October 4, 2013, the Corporation issued a $7,000,000 Bond Anticipation Note with an initial interest rate of 0.535%. 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, 2016. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

Health Realignment

As a result of the implementation of the Affordable Care Act, the State of California (State) assumes that the counties' costs associated with providing health care to indigent population will decrease. Accordingly, Assembly Bill 85 lays out the process by which a portion of the 1991 County Health Realignment Funds will be redirected to support Social Services programs based on these savings. These savings will be shared between the counties' health departments and the State. Estimates of the amount of Realignment funds that will be re-directed are not available at this time.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2010	$ 38,839,392	$ 46,646,838	$ 7,807,446	83.3%	$ 6,695,439	116.6%
June 30, 2011	39,193,627	48,598,166	9,404,539	80.6%	6,650,674	141.4%
June 30, 2012	39,039,364	50,809,425	11,770,061	76.8%	6,619,816	177.8%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	$ 0	$ 20,901,600	$ 20,901,600	0%	$ 6,123,888	341.31%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%
July 1, 2012	0	25,733,300	25,733,300	0%	6,619,816	388.73%

Long-Term Disability

July 1, 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%
July 1, 2011	0	1,018,898	1,018,898	0%	6,619,816	15.39%

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 on December 1, 2014, 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.

"Principal Payment Date" means June 1 and December 1 in each year, commencing on December 1, 2014, 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.

“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 that is either (i) restricted to investing in securities described in clause (a) above or (ii) 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 one of the two highest long-term rating categories 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 a certified public accountant, 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) $1,000,000 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 U.S. Bank National Association, 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

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 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 transferred to the Base Rental Account. 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; (c) Principal Account; and (d) Redemption Account.

<u>Base Rental Account</u>. 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 Principal Payment 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 Principal Payment Date, transfer money from the Base Rental Account and deposit in the Interest Account and the Principal Account, respectively, an amount which, together with money then on deposit in the Interest Account and available to pay interest due on such date and the Principal Account and available to pay principal due on such date, respectively, equals the interest then due on the Bonds on the Interest Payment Date and the principal due on the Principal Payment Date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds and amounts in the Principal Account shall be used to pay principal on 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 fund 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, at the direction of the Lessee, transferred to the Lessee if and to the extent that the Base Rental due under the Lease does not exceed the fair rental value of the remaining Equipment or deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in the Indenture.

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 will 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, a bank, 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 association 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 association 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, at the expense of the Lessor, 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. The Lessor shall at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Lessor agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. 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.

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

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 or before 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 provided in the Lease, 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 and the Base Rental due hereunder shall exceed the fair rental value of the Equipment. 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.

Application of Insurance Proceeds

If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment exceeds the Base Rental due hereunder, such insurance proceeds may be retained by the Lessee without any obligation to repair or replace the condemned, stolen, damaged or destroyed Equipment Component. If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment is less than the Base Rental due hereunder, the Lessee shall either promptly repair or replace the condemned, stolen, damaged or destroyed Equipment Component so long as such repair or replacement can be completed within the period during which rental interruption insurance proceeds will be available if Base Rental is to be abated as a result of any such condemnation, theft, damage or destruction, or apply any insurance proceeds received as a result of such condemnation, theft, damage or destruction to the extraordinary redemption of the Bonds as provided in the Indenture so that the remaining Base Rental due hereunder shall be at least equal to the fair rental value of the remaining Equipment.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component as set forth in the preceding paragraph, the Lessee shall deposit with the Trustee the amount of any insurance deductible with respect to such affected Equipment Component and such amount together with any insurance proceeds received as a result of such condemnation, theft, damage or destruction shall be applied to the repair or replacement of the affected Equipment Component in accordance with the Lease and the Indenture.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component, the Lessee agrees to diligently and expeditiously pursue the repair or replacement of such condemned, stolen, damaged or destroyed Equipment Component. In connection with the repair or replacement of the affected Equipment Component, insurance proceeds (together with any insurance deductible required to be deposited with the Trustee) shall be made available to the Lessee from time to time upon receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made pursuant to such requisition (a) the requisition number, (b) the name and address of the person, firm or corporation to whom payment is due, (c) the amount to be paid, (d) that each obligation mentioned in the requisition has been properly incurred, is a proper charge against the Insurance Proceeds Fund, and (e) that such payment has not been the basis of any previous withdrawal. Each such requisition shall specify in reasonable detail the nature of the obligation and shall be accompanied by a bill or a statement of account for such obligation. Upon completion of such repair or replacement as evidenced by a certificate of a Lessee Representative delivered to the Trustee any remaining moneys in the Insurance Proceeds Fund shall be applied to the extraordinary redemption as provided in the Indenture.

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.

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, proposes to issue its approving opinion in substantially the following form:

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

County of Los Angeles
Los Angeles, California

We have examined a record of proceedings relating to the issuance of $29,800,000 Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2014 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as Trustee (the "Trustee"). The Bonds are payable from and secured by payments of Base Rental, as such term is defined in the Lease Agreement, dated as of June 1, 2014 (the "Lease Agreement"), by and between the Corporation, as lessor, and the County of Los Angeles, California, a political subdivision of the State of California, as lessee (the "County"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture and the Lease Agreement.

We are of the opinion that:

1. The Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.

2. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.

3. The obligation of the County to make Base Rental payments during the term of the Lease Agreement 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 of California 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 of California is obligated to levy or pledge any form of taxation or for which the County or State of California has levied or pledged any form of taxation.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of issuance of the Bonds, the County and the Corporation will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the County and the Corporation covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest on the Bonds will, for federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. In rendering the opinion in this paragraph (4), we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the County and the Corporation, and (ii) compliance by the County and the Corporation with procedures and representations set forth in the Tax Certificate as to such matters.

5. Under existing statutes, interest on the Bonds is exempt from State of California personal income tax.

We have examined an executed Bond and in our opinion, the form of said Bond and its execution are regular and proper.

Except as stated in paragraphs (4) and (5) above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

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 June 1, 2014 in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2014 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 June 1, 2014 (the "Indenture"), by and between the County and U.S. Bank National Association, as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County 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, 2014, 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, <u>if material</u>, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds, <u>if material</u>;

(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, <u>if material</u>; 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. <u>Termination of Reporting Obligation</u>. 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. <u>Dissemination Agent</u>. 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. <u>Amendment; Waiver</u>. 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 in 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]

COUNTY OF LOS ANGELES

CALIFORNIA

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 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

CALIFORNIA

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