NEW ISSUE – BOOK-ENTRY ONLY

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

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

$1,000,000,000
COUNTY OF LOS ANGELES
2013-14 Tax and Revenue Anticipation Notes

MATURITY SCHEDULE

Series	Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP[†] Number
Series A	February 28, 2014	$300,000,000	2.00%	0.16%	544657HP7
Series B	June 30, 2014	$700,000,000	2.00%	0.18%	544657HQ5

Dated: July 1, 2013 **Due: As set forth above**

The County of Los Angeles 2013-14 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes") and 2013-14 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes" and, together with the Series A Notes, the "Notes") will be issued in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest from their dated date at the respective fixed rates per annum specified above and will be priced as set forth above. Principal of and interest on each series of the Notes are payable on the respective maturity dates thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Notes are being issued to provide moneys to help meet Fiscal Year 2013-14 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 14, 2013 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2013-14 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2013-14 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" and "- Parity Obligations" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters (herein defined), subject to the approval of legality by Squire Sanders (US) LLP, Los Angeles, California, Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the County by County Counsel. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 1, 2013.

Goldman, Sachs & Co. **BofA Merrill Lynch**
Cabrera Capital Markets, LLC **KeyBanc Capital Markets Inc.**
M.R. Beal & Company **Ramirez & Co., Inc.**

Dated: June 4, 2013.

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COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES

2013-14 TAX AND REVENUE ANTICIPATION NOTES

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First District

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Chief Executive Officer

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Treasurer and Tax Collector

Wendy L. Watanabe
Auditor-Controller

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

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

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

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

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

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OFFICIAL STATEMENT

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INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery by the County of Los Angeles, California (the "County") of $300,000,000 in aggregate principal amount of 2013-14 Tax and Revenue Anticipation Notes, Series A (the "Series A Notes") and $700,000,000 in aggregate principal amount of 2013-14 Tax and Revenue Anticipation Notes, Series B (the "Series B Notes" and, together with the Series A Notes, the "Notes") of the County. The Notes will be issued as fixed rate notes bearing interest at the respective rates and maturing on the respective dates set forth on the cover page of this Official Statement. Issuance of the Notes will provide moneys to help meet Fiscal Year 2013-14 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May 14, 2013 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2013-14 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $1,000,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2013-14 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from the unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to the Fiscal Year 2013-14 and lawfully available therefor as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The Series A Notes and the Series B Notes are parity obligations payable from Pledged Moneys (herein defined), as described herein. See "THE NOTES – Parity Obligations" 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 certain financial, economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS."

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $1,000,000,000 aggregate principal amount of its 2013-14 Tax and Revenue Anticipation Notes.

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

THE NOTES

General

The Notes will be issued in the aggregate principal amount of $1,000,000,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 1, 2013, and will mature on the respective dates set forth on the cover page of this Official Statement. The Notes are not subject to redemption prior to their respective maturities.

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

Authority for Issuance

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

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2013-14 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The proceeds of the Notes may be invested in Permitted Investments, as set forth under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE - Permitted Investments." The County expects to invest proceeds of the

Notes in the Pooled Surplus Investments Fund of the County Treasury Pool (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *County Pooled Surplus Investments*."

Security for the Notes

The Series A Notes and the Series B Notes will be issued under and pursuant to the Resolution and the Financing Certificate and will be ratably secured by a pledge of "Pledged Moneys" as follows:

(a) the first $350,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2013-14 to be received by the County on and after December 20, 2013 plus (2) an amount equal to the interest that will accrue on the Notes of any series;

(b) the first $300,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2013-14 to be received by the County on and after January 1, 2014;

(c) the first $100,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2013-14 to be received by the County on and after February 1, 2014;

(d) the first $50,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2013-14 to be received by the County on and after March 1, 2014; and

(e) the first $200,000,000 of unrestricted taxes, income, revenue, cash receipts and other moneys attributable to the County's Fiscal Year 2013-14 to be received by the County on and after April 20, 2014.

Pursuant to Section 53856 of the Act, the Notes and the interest thereon will be a lien and charge against and will be payable from such Pledged Moneys. In addition to Pledged Moneys, pursuant to Section 53857 of the Act, the Notes will be general obligations of the County, and to the extent not payable from Pledged Moneys, shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. See "THE NOTES – Available Sources of Payment." The County is not authorized to levy or collect any tax for the repayment of the Notes.

In accordance with the terms of the Resolution and the Financing Certificate, the County Auditor-Controller (the "Auditor-Controller") will deposit the Pledged Moneys with the Treasurer in the 2013-14 TRANs Repayment Fund (the "Repayment Fund"), which fund will be segregated from all other funds and accounts held by the Treasurer. Pledged Moneys for the payment of the Notes will be deposited into the Repayment Fund in the amounts and at the times described above. The Treasurer will hold such Pledged Moneys in trust for the benefit of Holders until the Notes are paid. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments (herein defined). Interest on amounts in the Repayment Fund will be credited to the General Fund. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

As more particularly described under the heading "THE NOTES - Interfund Borrowing, Intrafund Borrowing and Cash Flow," the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to undertake any such interfund borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Available Sources of Payment for the Notes

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

The County estimates that the total unrestricted taxes, income, revenue, cash receipts and other moneys to be received by the County during Fiscal Year 2013-14 (the “Unrestricted Revenues”) to be available for payment of the principal of and interest on the Notes, including the Pledged Moneys, will be in excess of $7.1 billion, as indicated in the table below. Except for Pledged Moneys, the Unrestricted Revenues will be expended during the course of Fiscal Year 2013-14, and no assurance can be given that any moneys, other than the Pledged Moneys, will be available to pay the Notes and the interest thereon.

To the extent that the Unrestricted Revenues are insufficient to pay the Notes, the County may access certain borrowable resources in order to satisfy its payment obligations. See the table entitled “County of Los Angeles Projected Borrowable Resources – Fiscal Year 2013-14” on pages 12-13 for a detailed summary of the borrowable resources which the County currently projects to be available for Fiscal Year 2013-14. Such amounts are not pledged for payment of the Notes and the interest thereon. The amount of borrowable resources actually available will depend on a variety of factors, including the final form of the County’s 2013-14 Budget, when adopted, the County’s actual revenues and expenditures, and actions by the State of California which could materially impact the County’s expenses and revenues.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2013-14 (1)
(In Thousands)

SOURCES:	AMOUNT
Property Taxes	$4,202,700
Other Taxes	174,090
Homeowner's Exemptions	20,949
Motor Vehicle (VLF) Realignment	336,360
Fines, Forfeitures and Penalties	225,034
Licenses, Permits and Franchises	51,950
Charges for Services	1,506,204
Investment and Rental Income	104,422
Other Revenue and Tobacco Settlement	503,174
Total:	$7,124,883
Less amount pledged for payment of the Notes:(2)	1,017,911
Net total in excess of Pledged Moneys:	$6,106,972

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2013-14. Information subject to change to reflect the impact of any revisions to the 2013-14 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $1,000,000,000 aggregate principal amount of Notes, plus an amount equal to the interest thereon.

State of California Finances

General. The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2013-14 State Budget (the "2013-14 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2013-14 State Budget on the County's financial outlook. In the event the 2013-14 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Governor's Proposed 2013-14 State Budget. On January 10, 2013, Governor Edmund G. Brown released his 2013-14 Proposed Budget (the "Fiscal Year 2013-14 Proposed State Budget"), which projects Fiscal Year 2013-14 revenues and transfers of $98.50 billion, total expenditures of $97.65 billion and a year-end surplus of $1.64 billion. The Fiscal Year 2013-14 Proposed State Budget states that the State's budget remains balanced by a small margin and cautions that such balance may be affected by various factors, including among other things, shifts of costs to the State from the federal government, the uncertainty of the economic recovery in the State and the country, actions taken by the federal government and the judicial system and rising health care costs.

May Revision to the 2013-14 Proposed State Budget. On May 14, 2013, the Governor released his May Revision to the 2013-14 Proposed State Budget (the "May Revision"), which projects Fiscal Year 2013-14 revenues and transfers of $97.24 billion, total expenditures of $96.35 billion and a year-end surplus of $1.73 billion (inclusive of a projected $850 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which $618 million would be reserved for the liquidation of encumbrances and $1.11 billion would be deposited in a reserve for economic uncertainties. The May Revision states that the State's budget is projected to remained balanced and cautions that various uncertainties, including the pace of the economic recovery in the State and the country, the outcome of pending litigation, rising health care costs, shifts of costs to the State from the federal government and other actions taken by the federal government, pose significant risks to the State's budget projections. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT - 2013-14 Proposed State Budget" for additional information on the Proposed 2013-14 State Budget and the May Revision.

LAO Overview of the May Revision. On May 17, 2013, the LAO released an analysis of the May Revision entitled "The 2013-14 Budget: Overview of the May Revision" (the "LAO May Revision Overview"). The LAO May Revision Overview states that the LAO does not agree with the administration's view that there has been a significant dimming of the State's near-term economic prospects. However, in light of the relatively little benefit to be realized by the State's General Fund even if higher revenue calculations were adopted, the LAO May Revision Overview states that there remain good reasons for the Legislature to adopt a cautious budget posture. The LAO May Revision Overview further states that this is an ideal time for the Legislature to begin addressing the budgetary and retirement liabilities and, given the presence of various risks to the economic outlook and the State's budgetary volatility, building larger State budget reserves in the coming years.

Impact of Fiscal Year 2013-14 State Budget on the County. The impact to the County of the State budget proposals identified in the Governor's Proposed 2013-14 Budget and the May Revision in Fiscal Year 2013-14 is currently estimated at approximately $46.4 million, primarily attributable to the potential loss or redirection of certain realignment funds in connection with health care reform implementation, which would be partially offset by additional funding for other County programs. Given the County's policy to not backfill cuts to State programs, the estimated funding reductions may be passed through to local constituents. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – 2013-14 Proposed Budget."

Additional Information. The Governor may release additional details of the proposals or updates to the Governor's Proposed 2013-14 State Budget and May Revision. Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2013-14 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. However, revenues are received during the fiscal year by the County in uneven amounts, primarily as a result of the receipt of secured property tax installment payments in December and April and delays in payments from other governmental agencies, the two largest sources of County revenues. Prior to 1977, the County managed its General Fund cash flow deficits by (i) borrowing from specific funds of other governmental entities whose funds are held in the County Treasury (so called "interfund borrowing") pursuant to Section 6 of Article XVI of the California Constitution and (ii) borrowing from funds held in trust by the County (so-called "intrafund borrowing"). Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, since 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. Except for tax and revenue anticipation notes that have not yet matured (being the $400,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2012-13 and due June 28, 2013), all notes issued in connection with the County's cash management program have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund held by the trustee therefor, separate from the General Fund, to repay the outstanding 2012-13 tax and revenue anticipation notes due on June 28, 2013. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

The use of intrafund borrowing to cover negative balances in the General Fund is a regular practice. The legality of this practice was decided and affirmed in May 1999 by the California Court of Appeals in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County et al.* The funds available as borrowable resources and reviewed by the court in 1999 consist primarily of property tax collections and monies in transit. Such funds are held in trust by the County prior to being distributed to the various taxing agencies and governmental units within the County. The General Fund itself is a major recipient of these "monies in transit" and ultimately receives more than 30% of all borrowable resources. The County has chosen not to classify such amounts as General Fund receipts until they are actually moved from trust and into the General Fund. If such monies were classified as General Fund deposits when first received by the County, the cash balance in the General Fund would be materially greater throughout the fiscal year. See the tables entitled Borrowable Resources Average Daily Balances - Fiscal Years 2008-09 through 2012-13" and "County of Los Angeles Borrowable Resources – Fiscal Year 2013-14" for the County's historical and projected borrowable resources for purposes of Intrafund Borrowing.

The following tables set forth for fiscal years 2008-09 through 2012-13 the month-end cash balances in the General Fund and the average daily balances in the various funds that account for the County's borrowable resources.

GENERAL FUND
MONTH-END CASH BALANCES
FISCAL YEARS 2008-09 THROUGH 2012-13
(In Thousands)[1]

	2008-09[2]	2009-10	2010-11	2011-12	2012-13
July	$ 993,620	$ 1,594,708	$ 1,438,648	$ 1,522,684	$ 1,346,913
August	499,949	1,086,472	1,097,190	1,319,842	830,197
September	378,335	841,446	529,972	909,737	332,888
October	(128,888)	674,134	64,668	419,044	39,289
November	(372,232)	274,995	(90,485)	229,984	(267,888)
December	29,299	531,471	321,576	440,436	378,664
January	557,595	594,512	484,230	511,073	291,248
February	374,935	214,654	150,599	182,090	270,061
March	177,162	(169,894)	(228,785)	(272,434)	(302,319)
April	663,772	(90,175)	(128,164)	297,983	208,117
May	1,243,173	427,453	628,637	564,069	639,467[3]
June	1,101,527	727,013	568,002	821,252	659,342[3]

(1) Month-end balances include the effects of short-term note issuance net of deposits to the repayment funds relating to the short-term notes. Certain monthly periods reflect negative cash balances, which are covered by borrowable resources available to the County. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."
(2) Reflects $400 million prepayment of pension benefits from the County General Fund to the Los Angeles County Employees Retirement Association in July 2008.
(3) Estimated.

BORROWABLE RESOURCES
AVERAGE DAILY BALANCES
FISCAL YEARS 2008-09 THROUGH 2012-13
(In Thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13
July	$1,449,867	$1,420,434	$1,283,246	$ 1,321,951	$ 1,525,334
August	1,307,316	1,284,825	1,120,676	1,069,843	1,123,337
September	1,387,006	1,380,364	1,181,379	1,142,594	1,186,943
October	1,789,166	1,593,076	1,518,338	1,449,921	1,635,585
November	2,828,342	2,666,134	2,708,336	2,695,445	2,933,305
December	4,103,779	4,208,793	4,786,688	4,953,904	5,174,854
January	2,920,061	3,034,051	3,075,273	3,109,882	3,150,261
February	1,883,994	1,950,985	1,814,620	1,854,014	1,997,817
March	1,907,666	1,978,821	1,942,634	2,084,584	2,090,997
April	3,764,005	4,138,361	4,225,923	4,438,428	4,504,208
May	2,493,518	2,517,362	2,599,025	2,715,846	2,862,667[1]
June	1,436,908	1,333,070	1,318,666	1,740,788	1,434,019[1]

(1) Estimated.

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

In connection with the issuance of the Notes, the County has prepared the following detailed cash flow projection for Fiscal Year 2013-14 based on the 2013-14 Recommended Budget adopted by the Board of Supervisors on April 16, 2013 (the "2013-14 Recommended Budget"), and a detailed projection of average daily balances for Fiscal Year 2013-14 for all funds expected to be available as borrowable resources. The projected information relating to cash flow and borrowable resources has been prepared by the County based on historical information, as well as the County's analysis of expected revenues and expenses for Fiscal Year 2013-14. Although the County believes its Fiscal Year 2013-14 projections are reasonable, the cash flow and borrowable resources will depend on a variety of factors, including the final County Budget, actual revenues and expenses, the impact on the County of State budgetary actions, and other factors, and such projections should not be construed as statements of fact. In preparing cash flow forecasts for prior issuances of tax and revenue anticipation notes, the County has historically been conservative in its projections. Since Fiscal Year 1990-91, the County has exceeded its year-end cash projections in 22 of 23 years, and has done so by an average of more than $500 million. For June 30, 2013, the County projects that its cash balance will be $611.5 million greater than the original May 2012 forecast of $47.8 million, ending the current fiscal year at a positive $659.3 million. There can be no assurances that actual results for Fiscal Year 2013-14 will not materially differ from the projections.

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

	July 2013	August 2013	September 2013	October 2013	November 2013
BEGINNING BALANCE	$659,343	$1,251,899	$937,084	$432,214	$13,679
RECEIPTS					
Property Taxes*	$141,422	$97,289	$12	$0	$42,362
Other Taxes	8,502	15,910	9,585	5,604	19,527
Licenses, Permits & Franchises	1,447	6,838	2,270	3,353	2,265
Fines, Forfeitures & Penalties	33,107	23,045	11,583	12,622	18,662
Investment and Rental Income	7,833	8,991	7,671	7,994	10,197
Motor Vehicle (VLF) Realignment	19,025	31,760	38,218	27,008	27,103
Sales Taxes - Proposition 172	63,240	53,589	50,498	51,702	62,504
Sales Taxes - 1991 Program Realignment	62,001	66,705	51,377	52,985	60,268
Other Intergovernmental Revenue	172,823	205,603	108,342	104,783	173,596
Charges for Current Services	122,396	199,016	67,114	89,067	98,087
Other Revenue & Tobacco Settlement	126,055	64,789	12,472	15,815	12,084
Transfers & Reimbursements	8,309	68	64	26,593	11,830
Hospital Loan Repayment**	0	139,349	26,503	343,924	0
Welfare Advances	231,445	253,799	336,565	363,190	372,599
Other Financing Sources/MHSA	88,619	22,192	22,208	26,184	23,232
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	1,000,000	0	0	0	0
Total Receipts	$2,086,224	$1,188,942	$744,482	$1,130,823	$934,315
DISBURSEMENTS					
Welfare Warrants	$182,233	$207,897	$229,904	$240,090	$222,861
Salaries	401,323	397,511	391,689	390,350	394,988
Employee Benefits	241,136	246,473	211,422	212,527	246,527
Vendor Payments	474,926	429,931	300,612	385,857	294,008
Loans to Hospitals**	0	0	0	125,642	148,618
Hospital Subsidy Payments	171,688	204,599	111,911	115,395	0
Transfer Payments	22,362	17,346	3,815	79,496	34,262
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$1,493,668	$1,503,757	$1,249,352	$1,549,357	$1,341,264
ENDING BALANCE	**$1,251,899**	**$937,084**	**$432,214**	**$13,679**	**($393,270)**
Borrowable Resources (Avg. Balance)	$1,567,186	$1,144,643	$1,186,946	$1,655,855	$2,981,981
Total Cash Available	$2,819,085	$2,081,727	$1,619,160	$1,669,534	$2,588,712

** Property Tax receipts include an estimated $60 million of residual payments from ABx1 26 redevelopment dissolution.*

*** The net change in the outstanding Hospital Loan Balance is an estimated decrease of $103.5 million that can be calculated by subtracting the Hospital Loan Repayment receipt from the Loans to Hospitals disbursement shown above.*

December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014	2013-14
($393,270)	($227)	$23,317	($53,011)	($572,176)	($284,643)	$100,156	
$1,023,356	$1,016,641	$215,148	$8,251	$708,696	$876,444	$73,078	$4,202,700
12,220	32,481	8,620	11,317	23,272	8,380	18,672	174,090
1,857	2,833	8,149	9,656	8,255	2,871	2,156	51,950
11,376	11,700	25,211	13,183	17,433	32,918	14,193	225,034
9,798	10,018	8,260	8,366	8,496	8,671	8,127	104,422
27,069	24,562	32,608	26,311	31,519	24,875	26,302	336,360
50,550	49,314	76,730	45,761	47,293	55,039	46,678	652,898
53,673	51,627	81,010	50,716	52,494	64,816	56,548	704,219
231,089	207,159	196,689	180,328	140,183	216,218	200,879	2,137,690
132,755	142,597	91,426	108,062	210,336	107,491	137,855	1,506,204
24,777	26,510	32,332	37,724	102,567	26,298	21,753	503,174
32,973	5,598	9,309	19,247	9,905	11,456	21,463	156,815
196,704	34,870	194,827	68,000	478,887	0	434,460	1,917,524
283,848	312,884	305,084	288,490	345,329	363,479	407,296	3,864,008
40,549	44,582	22,719	22,226	22,289	22,081	24,890	381,769
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,000,000
$2,132,593	$1,973,375	$1,308,123	$897,638	$2,206,955	$1,821,038	$1,494,351	$17,918,859
$216,256	$188,848	$184,745	$241,850	$211,861	$225,668	$215,605	$2,567,819
403,819	408,496	399,567	383,616	394,729	396,494	397,855	4,760,436
257,527	259,761	255,677	255,873	251,039	240,174	225,224	2,903,359
334,209	394,456	307,390	321,941	340,682	315,636	307,828	4,207,476
155,661	308,374	131,050	151,729	427,560	186,396	178,961	1,813,992
0	0	0	0	0	0	0	603,594
4,167	89,896	6,022	11,794	93,550	71,871	7,762	442,343
367,911	300,000	100,000	50,000	200,000	0	0	1,017,911
0	0	0	0	0	0	0	0
$1,739,551	$1,949,831	$1,384,451	$1,416,803	$1,919,421	$1,436,239	$1,333,236	$18,316,930
($227)	**$23,317**	**($53,011)**	**($572,176)**	**($284,643)**	**$100,156**	**$261,272**	**$261,272**
$5,299,919	$3,219,008	$2,037,953	$2,130,851	$4,613,778	$2,921,464	$1,455,025	
$5,299,692	$3,242,325	$1,984,941	$1,558,674	$4,329,135	$3,021,620	$1,716,296	

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

	July 2013	August 2013	September 2013	October 2013	November 2013
PROPERTY TAX GROUP					
Tax Collector Trust Fund	77,945	39,834	39,592	364,521	1,110,469
Auditor Unapportioned Property Tax	644,232	178,579	83,648	138,270	826,653
Unsecured Property Tax	134,579	47,432	130,094	155,442	113,881
Miscellaneous Fees & Taxes	8,213	19,785	32,294	16,413	10,350
State Redemption Fund	27,819	57,470	63,680	60,239	45,099
Education Revenue Augmentation	16,766	9,346	0	0	5,048
State Reimbursement Fund	0	0	0	0	476
Sales Tax Replacement Fund	4,747	21,974	30,725	30,725	30,799
Vehicle License Fee Replacement Fund	29,733	137,638	192,453	192,453	192,917
Property Tax Rebate Fund	1,970	468	4,569	4,507	4,655
Utility User Tax Trust Fund	1,041	1,294	4,457	9,662	13,036
Subtotal	$ 947,045	$ 513,819	$ 581,512	$ 972,232	$ 2,353,383
VARIOUS TRUST GROUP					
Departmental Trust Fund	443,818	468,722	437,481	519,801	468,715
Payroll Revolving Fund	55,883	42,265	47,952	44,045	39,858
Asset Development Fund	41,429	41,437	41,448	41,460	41,475
Productivity Investment Fund	5,346	5,287	4,125	3,371	3,384
Motor Vehicle Capital Outlays	991	991	991	1,004	1,116
Civic Center Parking	142	68	96	233	277
Reporters Salary Fund	401	86	335	441	266
Cable TV Franchise Fund	11,203	10,818	11,385	11,463	11,388
Megaflex Long-Term Disability	18,465	18,346	18,312	18,170	18,114
Megaflex Long-Term Disability & Health	6,818	6,882	6,967	7,040	7,128
Megaflex Short-Term Disability	30,645	30,922	31,342	31,595	31,877
Subtotal	$ 615,141	$ 625,824	$ 600,434	$ 678,623	$ 623,598
HOSPITAL GROUP					
Harbor-UCLA Medical Center	1,000	1,000	1,000	1,000	1,000
Olive View-UCLA Medical Center	1,000	1,000	1,000	1,000	1,000
LAC+USC Medical Center	1,000	1,000	1,000	1,000	1,000
MLK Ambulatory Care Center	1,000	1,000	1,000	1,000	1,000
Rancho Los Amigos Rehab Center	1,000	1,000	1,000	1,000	1,000
LAC+USC Medical Center Equipment	0	0	0	0	0
Subtotal	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
GRAND TOTAL	**$ 1,567,186**	**$ 1,144,643**	**$ 1,186,946**	**$ 1,655,855**	**$ 2,981,981**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014
	2,256,325	818,058	457,192	647,426	2,341,975	897,292	164,829
	1,687,978	898,710	565,000	357,994	882,184	631,667	551,053
	69,629	55,760	55,250	51,687	41,022	86,649	117,399
	10,368	9,001	8,991	8,652	8,743	8,844	8,527
	36,089	31,896	31,524	22,985	25,827	31,728	23,139
	111,700	62,789	33,152	3,249	240,129	0	1,497
	9,976	19,035	1,214	1,214	2,326	26,803	10,312
	64,470	88,981	21,185	38,506	42,991	115,000	0
	403,824	613,880	257,865	366,359	394,451	526,021	3,444
	3,814	1,751	663	1,393	2,685	(33,593)	(18,123)
	15,277	10,630	4,929	9,766	3,045	36,148	10,964
	$ 4,669,450	$ 2,610,491	$ 1,436,965	$ 1,509,231	$ 3,985,378	$ 2,326,558	$ 873,041
	455,094	440,580	433,269	446,496	451,573	423,642	419,434
	54,413	45,058	45,011	51,772	53,031	59,703	49,577
	41,482	41,491	41,497	41,511	41,609	39,257	39,331
	3,372	4,724	4,792	4,688	4,414	7,447	7,116
	1,116	1,116	1,095	1,032	1,000	2,349	2,350
	191	216	210	63	302	46	391
	527	584	449	555	644	487	1,009
	11,862	12,051	11,765	12,315	12,330	8,895	9,287
	18,003	17,949	17,900	17,782	17,696	19,674	19,597
	7,201	7,280	7,333	7,419	7,480	4,852	4,933
	32,208	32,468	32,666	32,986	33,321	23,553	23,959
	$ 625,469	$ 603,517	$ 595,987	$ 616,619	$ 623,400	$ 589,906	$ 576,984
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	0	0	0	0	0	0	0
	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
	$ 5,299,919	**$ 3,219,008**	**$ 2,037,953**	**$ 2,130,851**	**$ 4,613,778**	**$ 2,921,464**	**$ 1,455,025**

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

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

Resolution to Constitute Contract

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

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2013-14 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

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

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

Negotiability, Transfer and Exchange of the Notes

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

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

Permitted Investments

Moneys on deposit in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purpose, although they may be invested in Permitted Investments, as defined in the Financing Certificate ("Permitted Investments"), as more fully described below:

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

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

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

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

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

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq.*) and whose fund has

received the highest possible rating from S&P and at least one other nationally recognized securities rating agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(7) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with the Financing Certificate.

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

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

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

Repayment Fund Held by the Treasurer

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

Supplemental Financing Certificate and Supplemental Resolution

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

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

Events of Default

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

(1) the County fails to make any payment of the principal of or interest on any Notes when and as the same become due and payable;

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

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

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

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes that remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

ENFORCEABILITY OF REMEDIES

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

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

TAX MATTERS

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law: (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Notes is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Notes.

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

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

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

Under the Code and Regulations, if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2013-14. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2013-14, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2013-14 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes. Bond Counsel has assumed that the representations and covenants of the County in the Resolution and in the County's Tax Compliance Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon, to the extent required, from legally available moneys, are true and correct and that the County will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made).

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

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

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

Prospective purchasers of the Notes upon their original issuance at prices other than the respective prices indicated on the cover of this Official Statement, and prospective purchasers of the Notes at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Note Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

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

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government Notes, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Notes should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Notes may be adversely affected and the ability of holders to sell their Notes in the secondary market may be reduced. The Notes are not subject to special mandatory redemption, and the interest rates on the Notes are not subject to adjustment in the event of any such change.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Premium

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

RATINGS

Moody's, S&P and Fitch have given the Notes the ratings of "MIG 1," "SP-1+" and "F1+" respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

FINANCIAL ADVISOR

Public Resources Advisory Group, has served as Financial Advisor to the County in connection with the issuance of the Notes. The Financial Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

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

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. The aggregate amount of the uninsured liabilities of the County which may result from all suits and claims will not, in the opinion of the County Counsel, materially impair the County's ability to repay the Notes. Note 17 of "Notes to the Basic Financial Statements" included in APPENDIX B sets forth this liability as of June 30, 2011. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

UNDERWRITING

The Notes are being purchased for reoffering by Goldman, Sachs & Co., as representative of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Cabrera Capital Markets, LLC, KeyBanc Capital Markets Inc., M.R. Beal & Company and Samuel A. Ramirez & Company, Inc. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $1,015,890,496.57 (representing the principal amount of the Notes of $1,000,000,000.00, plus original issue premium of $16,307,000.00, less Underwriters' discount of $416,503.43). The Contract of

Purchase (the “Contract of Purchase”) provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

The following two sentences have been provided by M.R. Beal & Company, one of the Underwriters of the Notes: M.R. Beal & Company, an underwriter of the Notes, has entered into an agreement (the “Distribution Agreement”) with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (as applicable for the Notes), M.R. Beal & Company may share a portion of its underlying compensation with respect to the Notes with TD Ameritrade, Inc.

The following two paragraphs have been provided by the Underwriters:

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and trading activities may involve securities and instruments of entities that receive investment banking services from the Underwriters and their respective affiliates.

ADDITIONAL INFORMATION

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

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

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, no later than ten business days after their occurrence, notice of the occurrence of the events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. Certain of the events set forth under Rule 15c2-12 do not apply to the Notes. The notice events applicable to the Notes include: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (4) modifications to rights of Noteholders, if material; (5) rating changes; and (6) appointment of a successor or additional trustee or the change of name of the trustee, if material. 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.

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

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

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

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

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily 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, provide 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, 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 March 20, 2012, the Board of Supervisors approved new amendments to the eight (8) Memoranda of Understanding ("MOUs") covering wages, salaries and special pay practices for the Independent Unions representing fire fighters, peace officers, supervisory peace officers, public defender investigators, beach lifeguards and deputy probation officers (the "Public Safety Unions"). The amendments extended the terms and conditions of the original MOUs negotiated in 2009 for an additional one-year period through December 31, 2012 or January 31, 2013, depending on the specific bargaining unit, and provided for the continuation of existing salaries with no cost-of-living adjustments.

On July 17, 2012, the Board of Supervisors approved amendments to seventeen (17) MOUs covering wages, salaries and special pay practices with collective bargaining units represented by SEIU Local 721 and the CCU representing non-safety personnel. The amendments extended the terms and conditions of the existing MOUs for an additional one-year period through September 30, 2013, and provided for the continuation of existing salaries with no cost-of-living adjustments. Similar agreements with an additional twenty-eight (28) bargaining units were approved by the Board of Supervisors on September 4, 2012. The County expects to achieve the same result with the MOUs covering the seven (7) remaining collective bargaining units.

On September 4, 2012, the Board of Supervisors also approved a new fringe benefit agreement for the collective bargaining units represented by SEIU Local 721, and amendments to the fringe benefit agreement covering the collective bargaining units represented by the CCU and the Public Safety Unions. The fringe benefit agreements, which will expire on September 30, 2013, include a 7.2 percent increase in the County's contribution toward employee cafeteria-style benefit plans in 2013 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.

Negotiations with the Public Safety Unions for the MOUs that expired in December 2012 and January 2013 began in early 2013. As of May 15, 2013, new MOUs have been ratified by the fire fighters and beach lifeguards that result in a combined 6.0% wage increase for each of these independent unions. Specifically, the fire fighters and beach lifeguards have agreed to a 2.0% cost of living adjustment (COLA) effective July 1, 2013, an additional 2.0% COLA effective July 1, 2014, and a final 2.0% COLA effective January 1, 2015. Identical 6.0% wage increases have been agreed upon in principle by the deputy probation officers and supervising peace officers, but no MOUs have yet been executed by these bargaining units. Negotiations with the peace officers and public defender investigators remain ongoing.

The negotiations with SEIU 721 and CCU for the MOUs set to expire on October 1, 2013 will commence in June 2013, as will negotiations with all of the collective bargaining units for the fringe benefit agreements also expiring on October 1, 2013.

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, 2012 was 160,811, consisting of 72,076 active vested members, 19,876 non-vested active members, 56,770 retired members and 12,089 terminated vested (deferred) members. Of the 91,952 active members (vested and non-vested), 79,467 are general members in General Plans A through E, and 12,485 are safety members in Safety Plans A or B. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of the Plan A benefits. The Plan A retirement benefits are considerably more generous than other plan options currently available to County employees.

As of June 30, 2012, approximately 65% of general members were enrolled in General Plan D, and 99% of all safety members were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, 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. As a result, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary. A Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

In an internal survey completed by the CEO in Fiscal Year 2010-11, it was determined that the benefit structures of other public retirement plans in California differ considerably from the County's two primary contribution-based plans (General Plan D and Safety Plan B). For example, the CEO found that six of the ten largest counties in the State, and nine of the ten largest cities in the State, provide their general employees with at least 2.0% annual increases, and no reduction in benefits for those employees who retire at age 55 or younger. 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 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. Based on a review of AB 340, the County and LACERA have concluded that PEPRA is not expected to result in an increase in the County's future General Fund contributions to LACERA.

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

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

UAAL and Deferred Investment Returns

For the June 30, 2011 Actuarial Valuation (the "2011 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 20.4%, which corresponds to a $6.018 billion or 18.0% increase in the market value of assets from June 30, 2010. The market rate of return compared favorably to the 7.70% assumed rate of return, but was more than offset by the large deferred asset losses from Fiscal Year 2008-09 that were partially recognized in the 2011 Actuarial Valuation. The actuarial value of Retirement Fund assets increased by $355 million to $39.194 billion, and the Funded Ratio decreased from 83.3% to 80.6% as of June 30, 2011. The 2011 Actuarial Valuation reported that the AAL increased by $1.953 billion to $48.599 billion, and the UAAL increased by $1.598 billion to $9.405 billion from June 30, 2010 to June 30, 2011.

The 2011 Actuarial Valuation did not include $606.8 million of net deferred investment losses that will be recognized in future years. The net deferred loss is primarily due to the fact that the 5-year asset smoothing method recognized only three-fifths of the substantial investment losses that occurred in Fiscal Year 2008-09, which were largely offset by strong investment performance during Fiscal Years 2009-10 and 2010-11. 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 79.4% as of June 30, 2011, and the required County contribution rate would be 18.05% for Fiscal Year 2012-13.

The 2011 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2012. The County's required contribution rate increased from 16.31% to 17.54% of covered payroll in Fiscal Year 2012-13. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 6.47% to 7.89%, and a decrease in the normal cost contribution rate from 9.84% to 9.65%. The increase in the contribution rate to fund the

UAAL was primarily driven by the recognition of the significant actuarial investment losses from prior years, but was partially offset by strong investment returns in Fiscal Years 2009-10 and 2010-11, and other positive variances from the economic and demographic assumptions.

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 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 does 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.

In Fiscal Year 2012-13, LACERA is reporting a 14.2% return on Retirement Fund assets for the ten-month period ended April 30, 2013, which compares favorably to the actuarial assumed investment rate of return of 7.5%. The asset allocation percentages for the Retirement Fund as of April 30, 2013 were 24.8% domestic equity, 27.3% international equity, 24.0% fixed income, 9.2% real estate, 8.6% private equity, 2.7% commodities, 1.1% hedge funds and 2.3% 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-10.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% or more of its annual required contribution to LACERA. In Fiscal Years 2010-11 and 2011-12, the County's total contributions to the Retirement Fund were $898.8 million and $1.027 billion respectively. In Fiscal Year 2012-13, the County's required contribution payments are estimated to increase by $92.0 million to $1.119 billion. Fiscal Year 2013-14 County retirement contributions are projected to be $1.251 billion. A summary of employer contributions for the seven years ended June 30, 2012 is presented in Table 3 ("County Pension Related Payments") on page A-10.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, however, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") that can be used by the County to fund retirement program costs 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.

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, 2012, $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 2012 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 19.82% to 20.35%, and the Funded Ratio would decrease from 76.8% to 75.6% in Fiscal Year 2013-14. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $31 million in Fiscal Year 2013-14.

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 providing 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 Assets (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 is a substantive and material change to the existing standards, which only require disclosure of such amounts in the notes to the financial statements. There are also new 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 2010-11 and 2011-12, total payments from the County to LACERA for postemployment health care benefits were $406.9 million and $424.0 million, respectively. In Fiscal Year 2012-13, the County is estimating $440.6 million in payments to LACERA for retiree health care. Fiscal Year 2013-14 retiree health care payments are projected to be $449.3 million.

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 its third OPEB actuarial valuation 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.

The next OPEB actuarial valuation report ("the 2012 OPEB Valuation") as of July 1, 2012 is expected to be released in May 2013. Based on a preliminary review of the draft report for the 2012 OPEB Valuation, Milliman is reporting 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 approximately $25.73 billion, which represents an 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, 2012, the County reported an OPEB ARC of $1.988 billion and a net increase in the OPEB liability of $1.572 billion. The $416 million "pay-as-you-go" contribution is 21% of the County's OPEB ARC, which is consistent with the funding level in Fiscal Year 2010-11. As of June 30, 2012, the County reported an unfunded Net OPEB obligation of $6.919 billion.

Funding for Other Postemployment Benefits

The County is considering several funding options to reduce its OPEB AAL, including the establishment of a tax-exempt trust to pre-fund the County's OPEB liability. On May 15, 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") to be entered into between LACERA and the County. 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. The County has secured the required approval of its collective bargaining units for the creation of 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. The County may consider applying general fund revenues to supplement deposits to the OPEB Trust in the future.

The County is also evaluating various cost-reduction options in relation to its retiree health benefits. For new hires to the County, certain potential changes include the following: 1) changing the benchmark health insurance; 2) requiring new retirees to enroll in Medicare at age 65; 3) reducing dependent coverage; and 4) reducing the annual County contribution. Furthermore, the County is also considering a requirement that all active employees and new hires enroll in Medicare at age 65. If these cost containment measures were to be implemented by the County, it is estimated that the OPEB liability would be reduced by more than 20% over the next thirty years.

Long-Term Disability Benefits

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

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 2010-11 and 2011-12, the County made total DBP payments of $35.3 million and $36.7 million, respectively. In Fiscal Year 2012-13, the County is estimating total DBP payments of $40.3 million. Fiscal Year 2013-14 DBP payments are projected to be $42.0 million. 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, 2012 net OPEB obligation of $6.919 billion includes $153.6 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 Counsel v. County of Los Angeles, et al.*, was filed against the County and the Los Angeles County Flood Control District (the "Flood Control District") under the citizen suit provision of the Federal Clean Water Act. The case was bifurcated to first determine liability, and if liability was found, then to determine the penalties and remedies. The trial judge issued rulings on cross-motions for summary judgment that disposed of most of the liability issues. The County and the Flood Control District were found to have violated water quality standards at one location in Malibu. Part of the summary judgment granted to the County and Flood Control District was appealed to the Ninth Circuit, which upheld the trial court's ruling with the exception of deciding that the Flood Control District was liable for violations in two watersheds. After the Ninth Circuit denied the Flood Control District's motion for reconsideration, the Flood Control District filed a petition for writ of certiorari with the U.S. Supreme Court. The Supreme Court granted the petition, and issued its opinion on January 8, 2013, reversing the Ninth Circuit ruling. The plaintiffs have filed a motion requesting the Ninth Circuit to reverse an earlier ruling and again find the Flood Control District liable for violations in the two watersheds. The case is still pending. The cost of the injunctive relief sought has yet to be determined, in the event that such relief is ordered. In March 2009, the County and Flood Control District filed administrative claims under the Government Tort Claims Act against 58 cities and other public entities for equitable indemnity and contribution. In March 2010, the County and the Flood Control District filed a complaint in state court for equitable indemnity, contribution, and nuisance against two cities. The complaint was dismissed in November 2011, and an appeal of the dismissal is pending. If the only liability found is for the Malibu site, this appeal will be dismissed. Any potential liabilities of the County or the Flood Control District are not expected to have a significant and material impact to the County budget.

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et. al.*, the school district alleged that the Auditor-Controller improperly calculated statutory payments due to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's Petition for Review was denied by the California Supreme Court. 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 and filed its opening brief on January 10, 2013. The County filed its respondent's brief on February 18, 2013, and LAUSD filed its reply brief on March 21, 2013. Oral arguments are set for June 13, 2013. The County has reserved $31.5 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 Mandate* against the County alleging that the County and its Auditor-Controller deducted excessive administrative fees from the property tax allocations of the 88 incorporated cities within Los Angeles County. In June 2009, a judgment denying the writ was entered in favor of the County. The plaintiffs filed a notice of appeal in August 2009, and in July 2010, the Court of Appeal reversed the trial court ruling. In October 2010, the County's Petition for Review with the California Supreme Court was granted. 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 is approximately $40 million, of which $32.2 million has already been paid to the plaintiffs. As a result of the Alhambra Supreme Court decision, nine cities filed a new lawsuit (Agoura Hills v. COLA). In addition, twenty-six cities filed claims for damages seeking return of the excessive administrative fees charged. Six other cities have not filed claims, but could be entitled to refunds, depending on the resolution of outstanding issues regarding the statute of limitations. The lawsuit, claims, and unasserted potential claims combine for a liability of between $10.4 million and $33.2 million. The County has not reserved for this potential liability to the General Fund.

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

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

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 has 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 to Medi-Cal managed care patients assigned to the various managed care health plans was 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 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, with respondent briefs due October 22, 2012. 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 Fund. 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 as are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt service obligations .

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

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2007	$40,908,106	$37,041,832	$39,502,456	$2,460,624	93.77%
06/30/2008	38,724,671	39,662,361	41,975,631	2,313,270	94.49%
06/30/2009	30,498,981	39,541,865	44,468,636	4,926,771	88.92%
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%
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	50,809,425	11,770,061	76.83%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2012.

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
2006-07	$40,908,106	19.1%	101.4%
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%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2012.

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	0.0%
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	1,118,409	*	440,569	*	-	1,558,978	7.4%
2013-14	1,250,875	*	449,300	*	-	1,700,175	9.1%

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

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

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

Throughout the 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 77.7% of the 2013-14 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 10.0% of the 2013-14 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 1.1% of the 2013-14 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 account for approximately 8.4% of the 2013-14 Recommended Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.8% of the 2013-14 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 of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for Fiscal Year 2012-13 is $17,435,995,436. The 2012-13 Final Adopted Budget included proceeds from taxes of $6,510,540,000, which is well 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 it was followed in May 2005 by a lawsuit entitled *Oronoz v. County of Los Angeles* that contends the County's Utility User Tax ("UUT") did not meet the requirements of Proposition 62 and is therefore invalid. In November 2006, the trial court certified the case as a class action. In July 2008, the parties agreed to a tentative settlement of the case, which was finally approved by the court in March 2009. The settlement, which is currently in the process of being implemented, calls for a total expenditure by the County of $75 million to be used for tax refunds to class members and enhanced services within the areas of the County from which the tax was collected. 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 and all refunds have been issued. In November 2008, the County's utility user tax was approved by the voters in conformity with Proposition 62. The plaintiffs filed a motion alleging that the 2008 election was improperly conducted, which was denied on April 26, 2012. The plaintiffs have filed an appeal, which is currently pending and not anticipated to be resolved until late 2013.

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. Plaintiffs have filed an appeal, which is currently pending and not anticipated to be resolved until late 2013. In the event of a successful appeal, the County may be required to resolve issues regarding a potential class certification. Since the November 4, 2008 election, the County estimates that approximately $250.7 million in UUT revenue has been collected and continues to be collected at an average rate of $4.8 million per month.

On March 4, 2011, a new lawsuit filed as a class action alleges that the County's 2% increase to the Transient Occupancy Tax ("TOT") violated Proposition 62 by not receiving voter approval. The County demurred to the complaint on all theories on October 12, 2011. The court sustained the County's demurrer as to all theories except for one. The Court ruled that the alleged Proposition 62 violation survived demurrer and could proceed on a class basis. The County placed the TOT on the June 2012 ballot for ratification, and it was approved by the electorate. 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, and the County has cross-appealed on the Proposition 62 issue.

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 was also approved by 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 that was misleading to voters. The County filed a demurrer to strike plaintiff's complaint on November 5, 2012. Following 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 has until mid-May 2013 to appeal the decision.

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, however, 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 has been on hold pending the outcome of the *Oronoz* litigation, and it is expected that the settlement in *Oronoz* will have addressed much of the potential exposure to the County in the *Granados* case. 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 Funding Requirements and Revenue Sources" on page A-xx of this Appendix A, $5.125 billion of the $19.217 billion 2013-14 Recommended General County Budget is received from the Federal government and $5.260 billion is funded by the State. The remaining $8.832 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 54% of General County funding is provided by the State and Federal governments underscores the County's significant reliance on outside funding sources.

Federal Budget Update

The Federal Fiscal Year (FFY) 2013 Continuing Resolution (CR) which finalized FFY 2013 appropriations, was enacted on March 26, 2013, nearly six months after FFY 2013 began on October 1, 2012. The President released his proposed $3.77 trillion FFY 2013 budget on April 10, 2013, which is nine weeks after the date (February 4, 2013) required by law.

Neither the FFY 2013 CR and sequestration spending cuts nor the President's Proposed FFY 2014 Budget, if enacted, would significantly affect the County's overall Federal revenue. The vast majority of programs through which the County receives Federal funding will be funded at the same levels in FFY 2013 as in FFY 2012. These programs would also be funded at or near the same levels in FFY 2014 under the President's Proposed Budget. Since the County receives most of its Federal revenue through mandatory programs for low-income residents, 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, which are exempt from sequestration cuts, the FFY 2013 sequestration spending cuts are expected to reduce the County's overall Federal revenue by less than one percent. Unless Congress enacts legislation to change the mandatory funding requirements for Federal entitlement programs, the County will continue to automatically receive revenue to fund these programs, as provided under current law.

STATE BUDGET PROCESS

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. Over the past twenty years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in that decade, the 2001 recession and recovery, and the recent most economic downturn starting 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 in the administration of such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

Property Tax Shift

In response to the 1993-94 recession, the State shifted \$2.1 billion in property taxes from counties and \$500 million from cities, special districts and redevelopment agencies to school and community college districts. This action reduced the County's primary source of discretionary revenue. The reduction in State funding has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax. The Proposition 172 public safety sales tax, which was approved in 1993, was the State's response to help lessen the impact of the shift in property tax revenue to education, and has no expiration date.

Public Safety Realignment

As a significant component of the 2011-12 State budget process, the Governor and the State Legislature approved Assembly Bills 109 and 117 related to the Public Safety Realignment Plan ("Public Safety Realignment"), which transferred responsibility for supervising specific low-level inmates and parolees, from the California Department of Corrections and Rehabilitation (CDCR) to counties. The 2011-12 State Budget Act provided \$5.5 billion to fund Public Safety Realignment and was financed by redirecting 1.0625% of the existing State sales tax (\$5.1 billion) and a portion of VLF revenues (\$453.0 million) from the State to counties. The Public Safety Realignment legislation provided \$500.0 million of funding for local public safety programs previously funded by the additional 0.15% increase to the VLF that expired on June 30, 2011. The Governor also proposed a November 2012 ballot initiative to seek voter approval to increase taxes, which includes a provision for a constitutional amendment to provide permanent funding protection for Public Safety Realignment.

In response to Public Safety Realignment, the County adopted the Los Angeles County Public Safety Realignment Implementation Plan on August 30, 2011. Until constitutional funding protection was established by the State for Public Safety Realignment, the County decided to develop and approve the Public Safety Realignment budget on a quarterly basis to better implement and manage this transfer of responsibilities from the State within current funding allocations.

Redevelopment Agencies

The 2011-12 State Budget Act also included two measures intended to stabilize school funding by reducing or eliminating the diversion of property taxes from school districts to the State's community redevelopment agencies. ABX1 26 (the "Redevelopment Dissolution Act") prohibited redevelopment agencies from engaging in new business and provided for their wind down and dissolution. ABX1 27 (the "Alternative Redevelopment Program") would have allowed redevelopment agencies to continue if the cities and counties that created them agree to make payments into funds benefiting the state's schools and special districts.

The California Redevelopment Association and other entities challenged both measures as unconstitutional and sought relief from the State Supreme Court. The California Supreme Court ruled in *California Redevelopment Association v. Matosantos* that the Redevelopment Dissolution Act was constitutional, while declaring the Alternative Redevelopment Program as unconstitutional. As a result of the State Supreme Court's bifurcated decision, redevelopment agencies dissolved under the Redevelopment Dissolution Act on February 1, 2012 will not have an opportunity to continue their existence under the Alternative Redevelopment Program.

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 and not incur 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 government agencies.

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 government agencies, including the County. Oversight Boards have been established for each of the 70 successor agencies and one designated local authority (the City of Los Angeles) within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The Auditor-Controller is also responsible for conducting an initial audit and disbursing future tax increments in accordance with provisions of ABX1 26 and applicable amendments. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453.0 million in Fiscal Year 2009-10.

On June 1, 2012, the Auditor-Controller distributed property tax revenues in accordance with ABX1 26. The County's General Fund received $37.5 million of residual property tax revenue. On June 27, 2012, AB 1484 was enacted as part of a trailer bill package in conjunction with the 2012-13 State Budget. Provisions of AB 1484 required the Auditor-Controller to identify the 2011-12 property tax revenues that were distributed to each agency prior to the February 1, 2012 dissolution date. This amount was to be compared with approved enforceable obligations for the period from January 1, 2012 to June 30, 2012. If revenues exceeded the obligations, the Auditor-Controller was required by AB 1484 to issue a demand letter to each successor agency, seeking the return of such excess revenues.

On July 9, 2012, the Auditor-Controller issued demand notices to 42 successor agencies, requesting the return of $121.4 million of excess revenues. Successor agencies were required to make payment no later than July 12, 2012. On July 16, 2012, the Auditor-Controller distributed $111.4 million of excess revenues recovered as a result of the demand notices, including the County General Fund's share of $50.7 million, which was accrued as revenue attributable to Fiscal Year 2011-12.

Despite the receipt of residual property tax revenue 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 remains 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. AB 1484 contains provisions intended to identify excess assets held by successor agencies and to cause the return of any assets which were improperly transferred from the redevelopment agencies or their successor agencies. Any excess assets, if identified and recovered, would be distributed by the Auditor-Controller as residual tax revenue to local agencies. The estimated amounts of such assets and the timing of their distribution cannot be determined at this time.

In Fiscal Year 2012-13, the County received the following revenue distributions in accordance with the provisions of ABX1 26 and AB 1484 through April 30, 2013.

- Prior Period Residual Adjustments - $19.2 million
- January 2013 Residual - $41.0 million
- Low-to-Moderate Income Housing Funds - $78.1 million
- Non-Housing Unencumbered Funds - $29.3 million

In addition, the County and all of the taxing entities are expected to receive a residual payment and other revenue disbursements in June 2013, which may include additional 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.

2012-13 STATE BUDGET

On June 27, 2012, the Governor signed the Fiscal Year 2012-13 State Budget Act (the "2012-13 State Budget Act"), which included approximately $8.0 billion of expenditure reductions, $6.0 billion of revenue solutions and $2.5 billion of other solutions to close a projected deficit of $15.7 billion through June 30, 2013. The 2012-13 State Budget Act projected a beginning fund balance deficit of $2.882 billion, Fiscal Year 2012-13, revenues and transfers of $95.887 billion, total expenditures of $91.338 billion and a year-end surplus of $1.667, of which $719 million will be allocated to the Reserve for Liquidation of Encumbrances and $948 million deposited to the Special Fund for Economic Uncertainties.

The 2012-13 State Budget Act relied significantly on the 2012 Tax Initiative, which was approved by voters in November 2012. The 2012 Tax Initiative is projected to generate $8.5 billion in revenue, including $2.9 billion for schools and community college district, and $5.6 billion of additional revenue to the State General Fund. The 2012 Tax Initiative includes a temporary increase in the maximum marginal personal income tax rates above 9.3 percent for tax years 2012 through 2018 by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent, and authorized a temporary increase to the State's sales and use tax rate by 0.25 percent for tax years 2013 through 2016. The 2012 Tax Initiative also established constitutional funding protection for counties in regard to Public Safety Realignment. The LAO projects that the increased personal income tax rates in the 2012 Tax Initiative would affect approximately one percent of personal income tax filers in the State due to the high income threshold, and would generate less revenue than estimated by the Governor.

Given the County's general policy to not backfill State funding reductions with locally generated revenues, the 2012-13 State Budget Act did not have a material impact to the financial condition of the County.

2013-14 STATE BUDGET

On January 10, 2013, the Governor released his Fiscal Year 2013-14 Proposed State Budget (the "Proposed State Budget"), The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2012-13 of $785 million, total revenues and transfers of $98.501 billion, and total expenditures of $97.65 billion. Of the 1.636 billion projected year-end surplus for Fiscal Year 2013-14, $618 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.018 billion deposited to the Special Fund for Economic Uncertainties.

While the Proposed State Budget would not result in any significant reductions to County-administered programs, it included proposals related to the implementation of Federal health care reform, which could have a significant impact to the financial condition of the County. Although Federal health care reform is a critical priority for the County, the Governor's plan included proposals to re-allocate 1991-92 Realignment Program revenue from the counties to the State to fund the expansion of Medi-Cal to cover previously uninsured residents. The County's estimated share of 1991-92 Realignment Program revenue ($395.0 million) is currently used to fund other critical health and public services.

On May 14, 2013, the Governor released the Fiscal Year 2013-14 May Budget Revision (the "May Budget Revision"), The May Budget Revision projects a beginning fund balance surplus from Fiscal Year 2012-13 of $850 million, total revenues and transfers of $97.235 billion, and total expenditures of $96.353 billion. Of the 1.732 billion projected year-end surplus for Fiscal Year 2013-14, $618 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.114 billion deposited to the Special Fund for Economic Uncertainties.

The May Budget Revision proposes a State-based approach to Medi-Cal expansion for providing insurance benefits to newly eligible residents under Federal health care reform. Under the current health care system in California, counties are responsible for providing health care to indigent residents as the provider of last resort. The State currently provides approximately $1.5 billion to assist counties in meeting this obligation. Under Federal health care reform, the State will assume the financial cost and risk of extending coverage to currently uninsured residents through the expansion of Medi-Cal, thus resulting in a decrease in the cost to counties of providing indigent care.

Given the various uncertainties surrounding the implementation of Federal health care reform in California, the State is proposing to re-allocate 1991-92 Realignment Program revenue based on the actual cost experience of counties in providing health care to a larger population of insured patients under Medi-Cal and a smaller population of uninsured indigent residents. The cost savings to counties will be determined by measuring the actual cost of providing health care to Medi-Cal and uninsured patients and the revenues received for such services. The cost savings to individual counties from the implementation of Federal health care reform will be re-directed to counties to fund local social services programs. The May Budget Revision estimates that $300 million in FY 2013-14, $900 million in FY 2014-15 and $1.3 billion in FY 2015-16 of 1991-92 Realignment Program revenue will be available to re-allocate from county health care programs to social services programs.

The County is currently in the process of evaluating the fiscal impact of the State proposals for Medi-Cal expansion under Federal health care reform and is negotiating with the State over the magnitude of the pending re-allocation of 1991-92 Realignment Program revenue. Based on the current share of 1991-92 Realignment Program revenue, the County may experience a re-allocation or potential funding loss of $88.6 million in Fiscal Year 2013-14, $265.9 million in Fiscal Year 2014-15 and $384.0 million in Fiscal Year 2015-16. However, the net funding loss to the County in Fiscal Year 2013-14 from the May Budget Revision is estimated to be $46.4 million, as the loss of 1991-92 Realignment Program revenue is partially offset by $20.6 million of additional State funding for social services programs and $21.6 million in cost savings related to the implementation of Federal health care reform.

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

RECENT COUNTY BUDGETS

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 from a State reallocation of property tax revenues during times of State fiscal crisis. Proposition 1A 2004 provides the County with a more reliable funding source by replacing VLF revenue with property taxes, which have historically been one of the least volatile sources of revenue.

The reliability of property tax revenues is due in large part to Proposition 13, which helps to insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that has not been reflected on the property tax rolls and has helped to offset a significant decrease in property values during the 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 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 Year 2011-12 and Fiscal Year 2012-13 with increases of 1.4% and 2.2%, respectively. The Fiscal Year 2012-13 tax roll, the County Assessor estimates that approximately 13.6% of all single-family residential parcels, 14.0% of all residential income parcels and 16.8% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

The growth in assessed valuation has continued In Fiscal Year 2012-13, as the Assessor reported an increase in the Net Local Roll of 2.20% or $23.192 billion from Fiscal Year 2011-12. At $1.08 trillion, the 2012-13 Net Local Roll represents the largest revenue-producing valuation in the history of the County, surpassing the previous record valuation in Fiscal Year 2008-09. The largest factors contributing to the projected increase in assessed valuation in Fiscal Year 2012-13 are transfers in ownership ($12.808 billion), new construction ($4.953 billion) and an increase in the consumer price index ($15.105 billion). These increases are partially offset by the reassessment of properties under Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a decline in value. Decline in value adjustments will contribute $10.460 billion in reductions to the Net Local Roll in Fiscal Year 2012-13.

Starting in Fiscal Year 2008-09, the County Assessor initiated Proposition 8 reviews of all homes sold between July 2003 and June 2009 and subsequent reviews in the first quarter of 2012.

Since the Assessor initiated the Proposition 8 review process in 2008, the forecasted Net Local Roll for Fiscal Year 2012-13 reflects the cumulative impact of $95.4 billion of decline in value adjustments. With the Assessor's proactive approach to Proposition 8 reviews, the assessed value of properties sold during the height of the real estate market were adjusted downward to reflect current market values, which would help insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values.

The growth in assessed valuation is expected to continue in Fiscal Year 2013-14, as the Assessor's final forecast in May 2013 is projecting a 4.23% increase in the Net Local Roll to a new record valuation. The Assessor's 2013 Annual Report is expected to be released in July 2013.

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 has 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. The County has implemented structural changes to the budget through departmental curtailments of approximately $360.5 million over the last four years along with the elimination of over 2,000 budgeted positions.

To control costs, the County has aggressively pursued savings through its efficiency initiative program and implemented a hard-hiring freeze and a freeze on non-essential services, supplies and equipment. Throughout this period, employee labor groups have agreed to zero cost-of-living adjustments (COLAs) and no salary increases, and step increases for County managers have been suspended. 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 a balanced budget and maintain critical core services.

2011-12 FINAL ADOPTED COUNTY BUDGET

The 2011-12 Final Adopted Budget was affected by the economic downturn and its negative impact on the financial condition of the County. However, as an indication of the improving economic trends, the County projected a significantly smaller NCC budget gap compared to Fiscal Years 2009-10 and 2010-11. The primary factors contributing to the projected $185.2 million budget gap are described in the following table.

Fiscal Year 2011-12 NCC Budget Gap

2010-11 One-Time Budget Solutions	$ 262,009,000
Expiration of Federal Stimulus Funding	63,870,000
Unavoidable Cost Increaes	
Pension Costs	47,318,000
Health Insurance Subsidy	28,667,000
Net Program Changes	45,086,000
Assistance Caseload Changes	
General Relief	49,934,000
In-Home Support Services	(17,215,000)
Revenue Increases	
Property Tax	(74,585,000)
Public Safety Sales Tax	(27,724,000)
Realignment Sales Tax	(24,037,000)
Various Revenue Changes	(34,938,000)
Retirement of Pension Obligation Bonds	(106,556,000)
Labor-Management Savings	(42,090,000)
State Budget Changes	(8,377,000)
Various One-Time Programs/Projects	23,883,000
Total Projected Budget Gap	**$ 185,245,000**

The County utilized the following combination of ongoing structural solutions and one-time solutions to close the projected budget gap in Fiscal Year 2011-12.

Fiscal Year 2011-12 NCC Budget Gap Solutions

Ongoing Curtailments/Consolidations	$ 35,670,000
Restored Public Safety Curtailments	(45,509,000)
Capital Program Designations	116,681,000
Retiree Health Insurance Premium Refund	36,100,000
Other One-Time Solutions	42,303,000
Total Budget Gap Solutions	**$ 185,245,000**

2012-13 FINAL ADOPTED COUNTY BUDGET

The 2012-13 Final Adopted Budget, which was approved by the Board of Supervisors on October 2, 2012, appropriates $25.378 billion, representing a 4.2% increase from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2012-13 Final Adopted Budget appropriates $19.343 billion, which represents a 4.6% increase from the 2011-12 Final Adopted Budget. The 2012-13 Final Adopted Budget reflects a net increase of 1,640 budgeted positions from the Final Adopted Budget in Fiscal Year 2011-12. The projected NCC budget gap of $103.639 million is the smallest in four years and is comprised of the following factors outlined below.

Expiration of Prior Year One-Time Budget Solutions

The County has utilized one-time funding solutions to help balance the budget during the economic crisis. The impact on the 2012-13 Final Adopted Budget from the expiration of the one-time funding solutions utilized in Fiscal Year 2011-12 is projected to be a negative $185.245 million.

Unavoidable Cost Increase
The primary components of the unavoidable cost increases are higher expenditures related to pension funding requirements and employee health insurance. The County's required retirement contributions will increase by five percent (5%) in Fiscal Year 2012-13, primarily due to the losses sustained by LACERA in Fiscal Year 2008-09 as a result of the global financial crisis. In addition, increases in health insurance premiums for County employees and the restoration of the deferred compensation match are contributing factors to the unavoidable cost increases.

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

Fiscal Year	Average Caseload
2006-07	58,599
2007-08	62,897
2008-09	74,763
2009-10	91,499
2010-11	106,348
2011-12	107,877
2012-13	101,500 (Projected)

The 2011-12 Final Adopted Budget assumed that the GR caseload would peak in December 2011 and gradually decline, ending 2011-12 with an average caseload of 112,487. With the drop in the unemployment rate and the implementation of the County's GR restructuring efforts, the average GR caseload for Fiscal Year 2011-12 was 107,877. The projected decrease in the average GR caseload resulted in a $33.1 million expenditure reduction in the 2012-13 Final Adopted Budget.

Revenue Increases
As the local economy stabilizes and starts to improve, the County is forecasting increases in a variety of locally generated revenues along with an increase in statewide sales tax revenue. Based on current trends and a survey of local economic forecasts, the County has assumed a 3.5% growth rate for all sales tax projections in the 2012-13 Final Adopted Budget. The growth in sales tax revenue is expected to generate $158.2 million of additional revenue to help close the NCC Budget Gap in Fiscal Year 2012-13

For the second year in a row, the Assessor reported an increase in assessed valuation. On September 1, 2012, the Assessor released the 2012 Annual Report, which reported a 2.20% increase in the value of the Net Local Roll. The increase in the value of revenue-producing properties is expected to generate $64.2 million of additional revenue in the 2012-13 Final Adopted Budget.

Fiscal Year 2012-13 NCC Budget Gap

2011-12 One-Time Budget Solutions	$185,245,000
Unavoidable Cost Increases	
Pension Costs	24,604,000
Health Insurance Subsidy	34,814,000
Restore Deferred Comp Match	42,090,000
Various	2,200,000
Program Changes	43,321,000
Increase Reserves	42,468,000
Revenue Increases	
Property Tax	(64,160,000)
Realignment Sales Tax	(113,951,000)
Public Safety Sales Tax	(44,204,000)
Various	8,216,000
Assistance Caseload Changes	(33,121,000)
Ongoing Funding Used from One-Time Needs in 2011-12	(23,883,000)
Total Projected Budget Gap	**103,639,000**

The County intends to utilize the following one-time solutions to close the projected NCC budget gap in Fiscal Year 2012-13.

Fiscal Year 2012-13 NCC Budget Gap Solutions

County Designation	$18,191,000
2011-12 Projected Excess Fund Balance	85,448,000
Total Budget Gap Solutions	**$103,639,000**

One-Time Bridge Funding
In light of the improving economic conditions, the County intends to utilize various one-time funding solutions to help close the Fiscal Year 2012-13 budget gap, including $85.4 million of projected excess Fund Balance from Fiscal Year 2011-12. Over the past decade, the County has been able to set aside funds for capital projects and for a "rainy day" reserve fund. The two primary long-term reserves for the County, the Reserve for Rainy Day Fund ($103.3 million) and the Provisional Financing Uses-Economic Reserve ($94.0 million), were increased by $10.0 million each and were not used to close the Fiscal Year 2012-13 NCC budget gap. These reserves remain intact and available to address future budgetary challenges and uncertainties. In accordance with budget policy, the County intends to increase these reserve funds as the economy returns to historical levels of growth and the budget situation continues to improve.

2013-14 RECOMMENDED BUDGET

The 2013-14 Recommended Budget, which was approved by the Board of Supervisors on April 16, 2013, appropriates $24.7 billion, representing a 2.7% decrease from the prior fiscal year. For General County purposes (General Fund and Hospital Enterprise Fund), the 2013-14 Recommended Budget appropriates $19.2 billion, which represents a 0.7% decrease from the 2012-13 Final Adopted Budget. The 2013-14 Recommended Budget reflects a net increase of 94 budgeted positions from 2012-13 Final Adopted Budget bringing the total number of budgeted positions to 103,148.

For the first time in four (4) years, the net County cost (NCC) portion of the County's budget is financed entirely with ongoing revenue sources, with no budget gap. The 2013-14 Recommended Budget does not rely on reserves or other one-time funding solutions to balance the budget. The primary changes to the NCC portion of the 2013-14 Recommended Budget are outlined below.

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	62,367,000
Various	(2,172,000)
Net Program Changes	56,515,000
Revenue Changes	
Property Taxes	(113,045,000)
Property Taxes - CRA Dissolution Residual	(40,000,000)
Realignment Sales Tax	(37,073,000)
Public Safety Sales Tax	(46,415,000)
Property Tax Admin Fee	15,852,000
Interest Earnings	11,100,000
Various Revenue Changes	(8,554,000)
Ongoing Funding Used for One-Time Needs in 2012-13	(34,375,000)
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 $103.6 million.

Unavoidable Cost Increases

The primary components of the unavoidable cost increases are higher expenditures related to pension funding requirements and increases in the cost of employee health insurance. The County's retirement contribution rates will increase primarily due to the net actuarial losses sustained by LACERA since Fiscal Year 2008-09 and the reduction in the assumed investment rate of return, which are 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 year in a row, the Assessor is forecasting an increase in assessed valuation, which is projected to generate $113 million of additional revenue in the 2013-14 Recommended Budget In addition, the County is including $40.0 million (ongoing) and $20.0 million (one-time) increase in property tax revenue residual from the dissolution of redevelopment agencies.

The County continues to see year-over-year growth in both Proposition 172 Sales Tax and Realignment Sales Tax, which is projected to add $83.5 million of additional revenue in the 2013-14 Recommended Budget. Based on this positive trend and a survey of local economic forecasts, the County has assumed a 4.0 percent growth factor in our overall sales tax projection in the 2013-14 Recommended Budget. The increase in property tax and sales tax revenues are partially offset by decreases in various other revenue sources.

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 1,500 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. The 2012-13 Final Adopted Budget included $160.0 million in budgetary savings related to the cost cutting and revenue generating initiatives implemented through the Financial Stabilization Plan.

DHS currently projects a budgetary surplus of $21.5 million for Fiscal Year 2012-13, which is primarily comprised of unspent funds related to projects that were not completed due to implementation changes or delays. The unspent funds will be carried over to Fiscal Year 2013-14 to provide continued funding for these projects.

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 permits the Federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive federal matching funds for Medicaid services that would otherwise not be eligible for federal funding. 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 expanded coverage provisions are expected to reduce DHS' structural deficit by providing coverage for many of its previously uninsured indigent patients who are now able to qualify under the Waiver's early expansion program, thus providing a source of additional revenue.

The new Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizen or legal resident uninsured adults, ages 19-64 years, with incomes at or below 133% of the federal poverty level. The MCE program, known as Healthy Way LA ("HWLA") in Los Angeles County, provides the opportunity for early enrollment into Medi-Cal coverage for many uninsured DHS patients, which improves the DHS payer mix. DHS has enrolled approximately 257,000 patients in HWLA as of May 1, 2013. The Waiver also provides continued funding to partially finance uncompensated care and 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 is 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. DHS is also allocating significant resources toward a restructuring of its ambulatory care systems in order to maximize service capacity, increase the quality of care, and ensure the best possible outcomes for patients.

In Fiscal Year 2012-13, DHS expects to recognize $476.5 million in DSRIP revenue with a related intergovernmental transfer of $238.3. A mandated semi-annual report was submitted to the State in March 2013, which indicated that the required performance goals were achieved. DHS received the first DSRIP payment in April 2013. DHS anticipates that the next semi-annual report will be due to the State in September 2013. DHS expects to achieve all of the required performance goals and receive the remainder of the DSRIP revenue in late 2013.

A significant factor driving many of the recent structural and operational reforms enacted at DHS is the expected implementation of Federal health care reform in 2014. The primary objectives of the Waiver for DHS align with the goals of health care reform, including becoming more efficient, providing the highest quality of care in a more cost-effective manner, and restructuring operations to focus on ambulatory rather than inpatient care. The State has implemented managed care in most Medi-Cal programs, which has required DHS to restructure its operations to successfully operate in a managed care environment under Federal health care reform in 2014.

As a component of the May Budget Revision related to the implementation of Federal health care reform, the State is proposing to restructure the relationship between the State and the counties in regard to the funding of health care and human services programs that has been in place since the 1991-92 Realignment Program. The State has indicated that the implementation of Federal health care reform in California may have to be postponed beyond January 2014 if negotiations with counties over the funding arrangements from the 1991-92 Realignment Program are not successfully resolved. DHS currently relies on funding from the 1991-92 Realignment Program as a critical source of revenue to finance its operations and support the delivery of health services to the large population of patients at DHS facilities. Negotiations over the 1991-92 Realignment Program funding are currently underway and expected to be completed in June 2013.

The 2013-14 Recommended Budget includes a balanced budget for DHS at this time, and does not reflect any potential reductions in State funding from the 1991-92 Realignment Program.

General Fund Contributions and Advances

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County. These funds are commonly referred to as the Hospital Funds (the "Hospital Funds"). The County's General Fund provides financial contributions and cash advances to each of the Hospital Funds. The contributions are direct cash support and are not subject to repayment. The General Fund makes cash advances to the Hospital Funds to provide for the net cash flow requirements of the hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in a manner designed to provide the Hospital Funds with a minimal daily cash position of approximately $10.0 million.

The Federal and State governments are the primary sources of revenues for the Hospital Funds. The County Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of June 30, 2012, the balance of General Fund cash advances to the Hospital Funds was approximately $690.2 million, which represents a significant improvement from the $1.016 billion balance as of June 30, 2011. As of February 28, 2013, the balance of General Fund cash advances to the Hospital Funds was approximately $775.7 million.

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 2007-08. The State has also increased the CBRC interim reimbursement rate and 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, 2012, 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 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 is expected to be substantially completed by August 2013. The new hospital is expected to open in late 2014.

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 April 2013, the County received $64.6 million in TSRs from the participating manufacturers, and an additional $32.8 million from the escrow account created to hold disputed payments related to Non Participating Manufacturer (NPM) adjustments under the MSA. 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. Both payments 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.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County’s settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County’s General Fund and reserved in a designation for health services. As of June 30, 2012, the County has received approximately $1.373 billion in TSRs and accrued interest, with approximately $1.272 billion of the collected proceeds disbursed, and $101.2 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help to improve the operational efficiency of the health system

BUDGET TABLES

The 2013-14 Recommended Budget is supported by $3.984 billion in property taxes, $5.125 billion in federal funding, $5.260 billion in State funding, $0.052 billion in cancelled obligated fund balance, $1.180 billion in fund balance and $3.616 billion in other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2013-14 Recommended Budget with the 2012-13 Final Adopted Budget.

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

Fund	Final 2009-10	Final 2010-11	Final 2011-12	Final 2012-13	Recommended 2013-14
General Fund	$ 16,368,794	$ 16,380,905	$ 16,229,826	$ 16,750,817	$ 16,658,374
Hospital Enterprise Fund	2,121,468	2,127,184	2,268,712	2,592,117	2,558,461
Total General County Budget	$ 18,490,262	$ 18,508,089	$ 18,498,538	$ 19,342,934	$ 19,216,835

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

	Final 2009-10	Final 2010-11	Final 2011-12	Final 2012-13	Recommended 2013-14
Requirements					
Social Services	$ 5,503,085	$ 5,707,144	$ 5,539,798	$ 5,572,820	$ 5,677,013
Health	5,338,390	5,424,321	5,600,822	5,952,459	6,056,372
Justice	4,693,943	4,745,700	4,697,762	4,985,441	4,995,423
Other	2,954,844	2,630,924	2,660,156	2,832,214	2,488,027
Total	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 19,216,835**
Revenue Sources					
Property Taxes	$ 3,789,308	$ 3,676,161	$ 3,750,746	$ 3,814,906	$ 3,984,383
State Assistance	4,554,097	4,528,710	4,670,351	5,168,427	5,259,987
Federal Assistance	4,730,605	4,868,199	4,712,400	5,008,928	5,125,054
Other	5,416,252	5,435,019	5,365,041	5,350,673	4,847,411
Total	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 19,216,835**

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

	Final 2009-10	Final 2010-11	Final 2011-12	Final 2012-13	Recommended 2013-14
Financing Requirements					
Salaries & Employee Benefits	$ 8,974,526	$ 9,004,826	$ 8,895,017	$ 9,322,969	$ 9,545,184
Services & Supplies	6,350,306	6,530,982	6,706,121	6,869,576	6,771,623
Other Charges	3,350,510	3,503,195	3,621,050	3,734,605	3,776,348
Capital Assets	1,257,509	1,077,873	890,217	1,025,119	869,939
Other Financing Uses	726,958	704,520	640,310	615,357	651,117
Residual Equity Transfers Out	295	-	-	-	-
Interbudget Transfers'	(1,325,677)	(1,452,816)	(1,419,532)	(1,476,794)	(1,449,439)
Gross Appropriation	$ 19,334,427	$ 19,368,580	$ 19,333,183	$ 20,090,832	$ 20,164,772
Less: Intrafund Transfers	915,868	946,497	975,236	942,276	947,937
Net Appropriation	$ 18,418,559	$ 18,422,083	$ 18,357,947	$ 19,148,556	$ 19,216,835
Provision for Obligated Fund Balance					
General Reserve	$ 3,000	$ -	$ -	$ -	$ -
Assigned for Rainy Day Funds	-	-	-	10,000	-
Committed Fund Balance	68,703	86,006	140,591	184,378	-
Total Financing Requirements	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 19,216,835**
Available Financing					
Fund Balance	$ 1,713,428	$ 1,628,644	$ 1,601,571	$ 1,565,502	$ 1,180,310
Cancel Provision for Obligated Fund Balance	437,653	409,097	271,027	208,484	51,998
Property Taxes: Regular Roll	3,732,264	3,654,517	3,709,801	3,778,085	3,946,501
Supplemental Roll	57,044	21,644	40,945	36,821	37,882
Revenue	12,549,873	12,794,187	12,875,194	13,754,042	14,000,144
Total Available Financing	**$ 18,490,262**	**$ 18,508,089**	**$ 18,498,538**	**$ 19,342,934**	**$ 19,216,835**

[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 $1.5 billion in 2013-14, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $20.7 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2012-13 TO RECOMMENDED BUDGET 2013-14
Net Appropriation: By Function
(In thousands)

Function	2012-13 Final Budget (1)	2013-14 Recommended Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 886,696.0	$ 862,618.0	$ (24,078.0)	-2.72%
General Services	620,328.0	608,523.0	(11,805.0)	-1.90%
Public Buildings	897,285.0	803,407.0	(93,878.0)	-10.46%
Total General	$ 2,404,309.0	$ 2,274,548.0	$ (129,761.0)	-5.40%
Public Protection				
Justice	$ 4,687,737.0	$ 4,695,517.0	$ 7,780.0	0.17%
Other Public Protection	217,349.0	203,047.0	(14,302.0)	-6.58%
Total Public Protection	$ 4,905,086.0	$ 4,898,564.0	$ (6,522.0)	-0.13%
Health and Sanitation	5,946,319.0	6,022,232.0	75,913.0	1.28%
Public Assistance	5,539,804.0	5,675,440.0	135,636.0	2.45%
Recreation and Cultural Services	285,344.0	278,357.0	(6,987.0)	-2.45%
Insurance and Loss Reserve	67,694.0	67,694.0	-	0.00%
Provision for Obligated Fund Balance	194,378.0	-	(194,378.0)	-100.00%
Total Requirements	**$ 19,342,934.0**	**$ 19,216,835.0**	**$ (126,099.0)**	**-0.65%**
AVAILABLE FUNDS				
Property Taxes	$ 3,814,906.0	$ 3,984,383.0	$ 169,477.0	4.44%
Fund Balance	1,565,502.0	1,180,310.0	(385,192.0)	-24.61%
Cancelled Prior-Year Reserves	208,484.0	51,998.0	(156,486.0)	-75.06%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 307,812.0	$ 332,475.0	$ 24,663.0	8.01%
Homeowners' Exemption	20,500.0	20,500.0	-	0.00%
Public Assistance Subventions	1,139,101.0	724,619.0	(414,482.0)	-36.39%
Other Public Assistance	1,116,309.0	1,566,711.0	450,402.0	40.35%
Public Protection	1,083,227.0	1,124,196.0	40,969.0	3.78%
Health and Mental Health	1,011,659.0	1,033,974.0	22,315.0	2.21%
Capital Projects	140,488.0	132,239.0	(8,249.0)	-5.87%
Other State Revenues	47,809.0	22,892.0	(24,917.0)	-52.12%
Total State Revenues	$ 4,866,905.0	$ 4,957,606.0	$ 90,701.0	1.86%
Federal Revenues				
Public Assistance Subventions	$ 2,309,509.0	$ 2,444,691.0	$ 135,182.0	5.85%
Other Public Assistance	233,943.0	234,762.0	819.0	0.35%
Public Protection	221,821.0	208,374.0	(13,447.0)	-6.06%
Health and Mental Health	1,346,416.0	1,351,118.0	4,702.0	0.35%
Capital Projects	12,341.0	7,658.0	(4,683.0)	-37.95%
Other Federal Revenues	53,520.0	45,913.0	(7,607.0)	-14.21%
Total Federal Revenues	$ 4,177,550.0	$ 4,292,516.0	$ 114,966.0	2.75%
Other Governmental Agencies	171,870.0	159,535.0	(12,335.0)	-7.18%
Total Intergovenmental Revenues	$ 9,216,325.0	$ 9,409,657.0	$ 193,332.0	
Fines, Forfeitures and Penalties	217,294.0	217,747.0	453.0	0.21%
Licenses, Permits and Franchises	49,893.0	43,730.0	(6,163.0)	-12.35%
Charges for Services	3,029,944.0	2,993,262.0	(36,682.0)	-1.21%
Other Taxes	171,211.0	189,941.0	18,730.0	10.94%
Use of Money and Property	132,488.0	126,242.0	(6,246.0)	-4.71%
Miscellaneous Revenues	421,141.0	415,971.0	(5,170.0)	-1.23%
Operating Contribution from General Fund	515,746.0	603,594.0	87,848.0	17.03%
Total Available Funds	**$ 19,342,934.0**	**$ 19,216,835.0**	**$ (126,099.0)**	**-0.65%**

(1) Reflects the 2012-13 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2012
(2) Reflects the 2013-14 Recommended General County Budget approved by the Board of Supervisors on April 16, 2013

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2012-13 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	$ 886,696.0	$ -	$ 886,696.0
General Services	620,328.0	-	620,328.0
Public Buildings	897,285.0	-	897,285.0
Total General	$ 2,404,309.0	$ -	$ 2,404,309.0
Public Protection			
Justice	$ 4,687,737.0	$ -	$ 4,687,737.0
Other Public Protection	217,349.0	-	217,349.0
Total Public Protection	$ 4,905,086.0	$ -	$ 4,905,086.0
Health and Sanitation	$ 3,354,202.0	$ 2,592,117.0	$ 5,946,319.0
Public Assistance	5,539,804.0	-	5,539,804.0
Recreation and Cultural Services	285,344.0	-	285,344.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Provision for Obligated Fund Balance	194,378.0	-	194,378.0
Total Requirements	**$ 16,750,817.0**	**$ 2,592,117.0**	**$ 19,342,934.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,814,906.0	$ -	$ 3,814,906.0
Fund Balance	1,565,502.0	-	1,565,502.0
Cancel Provision for Obligated Fund Balance	180,930.0	27,554.0	208,484.0
	-		
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 307,812.0	$ -	$ 307,812.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	1,139,101.0	-	1,139,101.0
Other Public Assistance	1,116,309.0	-	1,116,309.0
Public Protection	1,083,227.0	-	1,083,227.0
Health and Mental Health	968,042.0	43,617.0	1,011,659.0
Capital Projects	140,488.0	-	140,488.0
Other State Revenues	47,809.0	-	47,809.0
Total State Revenues	4,823,288.0	43,617.0	4,866,905.0
Federal Revenues			
Public Assistance Subventions	$ 2,309,509.0	$ -	$ 2,309,509.0
Other Public Assistance	233,943.0	-	233,943.0
Public Protection	221,821.0	-	221,821.0
Health and Mental Health	867,160.0	479,256.0	1,346,416.0
Capital Projects	12,341.0	-	12,341.0
Other Federal Revenues	53,520.0	-	53,520.0
Total Federal Revenues	$ 3,698,294.0	$ 479,256.0	$ 4,177,550.0
Other Governmental Agencies	171,870.0	-	171,870.0
Total Intergovenmental Revenues	$ 8,693,452.0	$ 522,873.0	$ 9,216,325.0
Fines, Forfeitures and Penalties	216,892.0	402.0	217,294.0
Licenses, Permits and Franchises	49,767.0	126.0	49,893.0
Charges for Services	1,766,191.0	1,263,753.0	3,029,944.0
Other Taxes	171,211.0	-	171,211.0
Use of Money and Property	132,315.0	173.0	132,488.0
Miscellaneous Revenues	159,651.0	261,490.0	421,141.0
Operating Contribution from General Fund	-	515,746.0	515,746.0
Total Available Funds	**$ 16,750,817.0**	**$ 2,592,117.0**	**$ 19,342,934.0**

(1) Reflects the 2012-13 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2012

COUNTY OF LOS ANGELES
RECOMMENDED 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	$ 862,618.0	$ -	$ 862,618.0
General Services	608,523.0	-	608,523.0
Public Buildings	803,407.0	-	803,407.0
Total General	$ 2,274,548.0	$ -	$ 2,274,548.0
Public Protection			
Justice	$ 4,695,517.0	$ -	$ 4,695,517.0
Other Public Protection	203,047.0	-	203,047.0
Total Public Protection	$ 4,898,564.0	$ -	$ 4,898,564.0
Health and Sanitation	$ 3,463,771.0	$ 2,558,461.0	$ 6,022,232.0
Public Assistance	5,675,440.0	-	5,675,440.0
Recreation and Cultural Services	278,357.0	-	278,357.0
Insurance and Loss Reserve	67,694.0	-	67,694.0
Provision for Obligated Fund Balance	-	-	-
Total Requirements	**$ 16,658,374.0**	**$ 2,558,461.0**	**$ 19,216,835.0**
AVAILABLE FUNDS			
Property Taxes	$ 3,984,383.0	$ -	$ 3,984,383.0
Fund Balance	1,180,310.0	-	1,180,310.0
Cancel Provision for Obligated Fund Balance	51,998.0	-	51,998.0
	-		
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 332,475.0	$ -	$ 332,475.0
Homeowners' Exemption	20,500.0	-	20,500.0
Public Assistance Subventions	724,619.0	-	724,619.0
Other Public Assistance	1,566,711.0	-	1,566,711.0
Public Protection	1,124,196.0	-	1,124,196.0
Health and Mental Health	990,321.0	43,653.0	1,033,974.0
Capital Projects	132,239.0	-	132,239.0
Other State Revenues	22,892.0	-	22,892.0
Total State Revenues	4,913,953.0	43,653.0	4,957,606.0
Federal Revenues			
Public Assistance Subventions	$ 2,444,691.0	$ -	$ 2,444,691.0
Other Public Assistance	234,762.0	-	234,762.0
Public Protection	208,374.0	-	208,374.0
Health and Mental Health	876,041.0	475,077.0	1,351,118.0
Capital Projects	7,658.0	-	7,658.0
Other Federal Revenues	45,913.0	-	45,913.0
Total Federal Revenues	$ 3,817,439.0	$ 475,077.0	$ 4,292,516.0
Other Governmental Agencies	159,535.0	-	159,535.0
Total Intergovenmental Revenues	$ 8,890,927.0	$ 518,730.0	$ 9,409,657.0
Fines, Forfeitures and Penalties	217,743.0	4.0	217,747.0
Licenses, Permits and Franchises	43,604.0	126.0	43,730.0
Charges for Services	1,789,233.0	1,204,029.0	2,993,262.0
Other Taxes	189,941.0	-	189,941.0
Use of Money and Property	126,069.0	173.0	126,242.0
Miscellaneous Revenues	184,166.0	231,805.0	415,971.0
Operating Contribution from General Fund	-	603,594.0	603,594.0
Total Available Funds	**$ 16,658,374.0**	**$ 2,558,461.0**	**$ 19,216,835.0**

(1) Reflects the 2013-14 Recommended General County Budget approved by the Board of Supervisors on April 16, 2013

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County, as shown on the Fiscal Year 2012-13 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $34,584,156,742 which constitutes only 3.33% of the total full cash value for the entire County.

Taxpayer	**Total Tax Levy 2012-13**
Southern California Edison Co.	$65,942,108
Douglas Emmett Residential	39,798,132
BP West CoBP West Coast/ARCO/ Shell Oil Co.	28,469,101
Tishman Speyer/Archstone Smith/ASN	25,295,844
Chevron USA Inc./Texaco	23,439,664
MCI Worldcom	20,181,366
AT&T/Pacific Bell/SBC	19,991,492
Southern California Gas Company	19,491,117
Exxon/Mobil Corporation	19,079,164
Maguire Properties	18,784,302
Prologis/AMB/Catellus	18,194,793
Universal Studios LLC	17,516,158
Long Beach Unit	17,281,359
EQR/ERQ Limited	16,184,874
Conocophillips Co	16,156,964
Macerich Westside Pavilion	12,679,819
Essex Mirabella Marina	12,630,257
Plains Exporation and Production Co.	11,898,948
Anheuser Busch Inc	11,218,617
Valero Refining Company	11,000,171
	$425,234,251

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 2008-09 through 2012-13.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2008-09 THROUGH 2012-13

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 %
2008-09	$1,020,346,376,948	$2,503,699,652	$2,388,838,218	95.41%
2009-10	1,013,549,301,342	2,449,393,435	2,370,955,825	96.80%
2010-11	997,502,481,662	2,423,866,268	2,369,935,057	97.77%
2011-12	1,013,260,968,402	2,471,700,694	2,426,125,703	98.03%
2012-13	1,035,518,346,306	2,535,952,920	2,485,994,647 (3)	98.03%

(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 2011-12 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 general fund. 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 the Fiscal Years 2007-08 through 2012-13.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2007-08 THROUGH 2012-13

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2007-08	$127,113,321,984	$1,167,170,104
2008-09	142,705,432,962	1,279,129,462
2009-10	140,955,357,917	1,266,067,367
2010-11	136,964,953,487	1,208,208,191
2011-12	137,243,985,288	1,187,749,842
2012-13	141,074,221,344	924,432,351 (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 through April 2013.

CASH MANAGEMENT PROGRAM

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

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

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

2012-13 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 15, 2012, the County issued the 2012-13 TRANs with an aggregate principal amount of $1.1 billion in three separate series: $300.0 million due February 28, 2013; $400.0 million due March 29, 2013; and $400.0 million due June 28, 2013. The 2012-13 TRANs are general obligations of the County attributable to the 2012-13 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, the County has pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2012-13 for the purpose of repaying the 2012-13 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
2012-13 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2012	$402,778,000
January, 2013	330,000,000
February, 2013	110,000,000
March, 2013	55,000,000
April, 2013	220,000,000
Total	$1,117,778,000

* Includes $1.1 billion of 2012-13 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 2007-08.

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

	2008-09	2009-10	2010-11	2011-12	Estimated 2012-13
Property Taxes	$3,867,816	$3,768,220	$3,733,822	$3,725,324	$3,963,665
Other Taxes	144,945	154,228	137,907	172,703	301,011
Licenses, Permits and Franchises	52,957	46,825	56,799	58,642	57,950
Fines, Forfeitures and Penalties	261,477	254,428	242,904	218,380	225,034
Investment and Rental Income	204,889	133,640	123,582	111,506	104,565
State In-Lieu Taxes	422,053	424,760	401,679	366,352	336,360
State Homeowner Exemptions	21,827	21,966	21,616	21,505	20,949
Charges for Current Services	1,671,756	1,673,098	1,574,709	1,678,238	1,492,963
Other Revenue*	262,766	192,973	465,163	370,018	819,484
TOTAL UNRESTRICTED RECEIPTS	$6,910,486	$6,670,138	$6,758,181	$6,722,668	$7,321,981

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. Should the County find it necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each year and must be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

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

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

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

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

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate 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 Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2011-12 and Fiscal Year 2012-13.

General Fund Cash Flow Statements

The Fiscal Year 2011-12 and Fiscal Year 2012-13 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2011-12, the County had an ending General Fund cash balance of $817 million. In Fiscal Year 2012-13, the County is estimating an ending cash balance in the General Fund of $659 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has the delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of April 30, 2013, 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	$10.048
Schools and Community Colleges	12.188
Independent Public Agencies	3.194
Total	$25.430

Of these entities, the discretionary participants accounted for 8.81% 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 May 31, 2013, the book value of the Treasury Pool as of April 30, 2013 was approximately $25.430 billion and the corresponding market value was approximately $25.472 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 on a daily basis. 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 April 30, 2013:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	51.53
Certificates of Deposit	20.12
Commercial Paper	26.81
Bankers Acceptances	0.00
Municipal Obligations	0.11
Corporate Notes & Deposit Notes	1.43
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of April 30, 2013, approximately 49.19% of the investments mature within 60 days, with an average of 564 days to maturity for the entire portfolio.

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

FINANCIAL STATEMENTS-GAAP BASIS

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

The basic financial statements for the Fiscal Year ended June 30, 2012, and the unqualified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2011-12 Final Adopted Budget included an available (unreserved and undesignated) General Fund balance of $1,601,571,000 as of June 30, 2011.

The 2011-12 Final Adopted Budget uses the fund balance language of the County Budget Act, which has not yet been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54. As such, the County has not presented the Statement of Revenue, Expenditures, and Changes in Fund Balancewith the GASB Statement No. 54 terminology for changes in reserves and designations.

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, reserves and designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as a use of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriations are recorded as 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 vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within 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 10 to the 2011-12 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, the 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, 2012 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheets for the General Fund since 2007-08 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, 2012 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$1,565,502
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	121,297
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	114,605
Accrual of liabilities for accrued vacation and sick leave not required by GAAP	53,701
Change in revenue accruals related to encumbrances	(29,646)
Deferral of property tax receivables	(78,682)
Deferral of sale of tobacco settlement revenue	(252,815)
Change in fair value of Investments	2,466
Reserve for "Rainy Day" Fund	93,271
Unassigned Fund Balance - GAAP Basis	$1,589,699

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2008, 2009, 2010, 2011 and 2012.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011*	June 30, 2012*
ASSETS					
Pooled Cash and Investments	$2,343,525	$1,841,579	$1,689,490	$2,151,267	$2,010,858
Other Investments	6,236	6,099	5,839	16,589	11,109
Taxes Receivable	320,281	301,269	246,288	210,914	186,830
Other Receivables	1,825,468	1,907,656	1,808,478	1,763,649	1,586,097
Due from Other Funds	357,416	326,379	436,441	356,860	407,604
Advances to Other Funds	571,872	825,017	1,018,161	1,063,061	703,512
Inventories	43,906	46,486	44,279	54,145	51,616
Total Assets	$5,468,704	$5,254,485	$5,248,976	$5,616,485	$4,957,626
LIABILITIES					
Accounts Payable	$252,794	$247,337	$266,916	$286,597	$354,119
Accrued Payroll	472,007	504,374	286,407	289,546	303,615
Other Payables	151,700	121,665	454,244	1,039,126	525,438
Due to Other Funds	561,540	495,105	501,705	464,170	390,153
Deferred Revenue	380,322	343,386	346,829	382,897	346,488
Advances Payable	263,500	361,964	382,476	411,508	379,847
Third-Party Payor Liability	12,401	13,836	14,588	20,198	16,015
Total Liabilities	$2,094,264	$2,087,667	$2,253,165	$2,894,042	$2,315,675
EQUITY					
Fund Balance (Deficit)					
Reserved	$597,466	$539,851	$784,428		
Unreserved					
Designated	1,152,639	971,579	618,899		
Undesignated	1,624,335	1,655,388	1,592,484		
Total Unreserved	2,776,974	2,626,967	2,211,383		-
Nonspendable				259,127	$259,597
Restricted				35,377	55,115
Committed					332,255
Assigned				763,038	405,285
Unassigned				1,664,901	1,589,699
Total Equity	3,374,440	3,166,818	2,995,811	2,722,443	2,641,951
Total Liabilities and Equity	$5,468,704	$5,254,485	$5,248,976	$5,616,485	$4,957,626

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2008, 2009, 2010, 2011 and 2012.
*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 2007-08 THROUGH 2011-12 (in thousands of $)

	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUES:					
Taxes	$3,796,296	$3,970,566	$3,864,654	$3,843,366	$3,980,409
Licenses, Permits & Franchises	58,799	54,877	49,079	56,656	57,144
Fines, Forfeitures and Penalties	251,933	264,375	258,842	244,787	217,972
Use of Money and Property	280,803	183,772	124,049	130,140	103,029
Aid from Other Government	7,261,668	7,211,150	7,337,716	7,506,492	7,632,814
Charges for Services	1,695,004	1,654,173	1,659,224	1,641,399	1,700,540
Miscellaneous Revenues	282,818	198,837	191,878	145,414	134,071
TOTAL	$13,627,321	$13,537,750	$13,485,442	$13,568,254	$13,825,979
EXPENDITURES					
General	$919,534	$946,008	$859,319	$883,854	$983,077
Public Protection	4,222,644	4,420,786	4,412,935	4,401,985	4,538,075
Health and Sanitation	2,345,484	2,480,693	2,421,615	2,476,524	2,689,192
Public Assistance	4,619,225	4,796,019	5,025,312	5,217,560	5,108,516
Recreation and Cultural Services	231,584	242,999	247,094	263,046	255,818
Debt Service	308,207	247,248	271,378	278,477	24,602
Capital Outlay	97,270	772	2,115	32,598	20,106
Total	$12,743,948	$13,134,525	$13,239,768	$13,554,044	$13,619,386
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$883,373	$403,225	$245,674	$14,210	$206,593
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($780,902)	($612,505)	($419,756)	($340,128)	($306,002)
Sales of Capital Assets	1,036	886	960	9,027	3,789
Capital Leases	97,270	772	2,115	43,523	15,128
OTHER FINANCING SOURCES (USES)-Net	($682,596)	($610,847)	($416,681)	($287,578)	($287,085)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	$200,777	($207,622)	($171,007)	($273,368)	($80,492)
Beginning Fund Balance	3,173,663	3,374,440	3,166,818	2,995,811	2,722,443
Residual Equity Transfers from (to) Other Funds-Net	0	0	0	0	0
Ending Fund Balance	$3,374,440	$3,166,818	$2,995,811	$2,722,443	$2,641,951

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2008, 2009, 2010, 2011 and 2012.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2011-12: 12 MONTHS ACTUAL
2012-13: 10 MONTHS ACTUAL

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

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
PROPERTY TAX GROUP						
Tax Collector Trust Fund	63,119	37,569	34,476	313,703	985,919	1,105,096
Auditor Unapportioned Property Tax	424,944	176,780	155,871	205,077	824,123	2,308,144
Unsecured Property Tax	134,975	67,818	133,422	152,165	115,517	82,721
Miscellaneous Fees & Taxes	7,682	7,849	11,662	25,884	19,638	11,159
State Redemption Fund	40,926	71,880	68,451	52,786	29,755	30,925
Education Revenue Augmentation	16,296	15,001	0	0	0	54,496
State Reimbursement Fund	0	0	0	0	481	11,174
Sales Tax Replacement Fund	0	0	0	0	717	40,121
Vehicle License Fee Replacement Fund	11,695	94,496	157,705	157,705	162,067	401,786
Property Tax Rebate Fund	(11,223)	(25,990)	(36,756)	(57,662)	(54,096)	(28,969)
Utility User Tax Trust Fund	7,812	903	6,612	9,063	5,832	11,137
Subtotal	$ 696,226	$ 446,306	$ 531,443	$ 858,721	$ 2,089,953	$ 4,027,790
VARIOUS TRUST GROUP						
Departmental Trust Fund	445,183	444,842	448,248	419,295	436,779	452,918
Payroll Revolving Fund	46,662	45,767	42,822	54,396	43,733	45,290
Asset Development Fund	39,846	39,896	39,911	39,975	40,163	40,176
Productivity Investment Fund	5,173	5,102	5,126	5,129	5,131	5,069
Motor Vehicle Capital Outlays	2,122	2,122	2,122	2,122	2,122	2,122
Civic Center Parking	59	24	169	103	62	202
Reporters Salary Fund	671	977	628	761	1,138	1,036
Cable TV Franchise Fund	9,983	9,719	10,276	10,435	10,454	11,089
Megaflex Long-Term Disability	19,215	19,166	19,078	19,063	18,940	18,834
Megaflex Long-Term Disability & Health	5,882	5,964	6,061	6,136	6,227	6,298
Megaflex Short-Term Disability	26,423	26,802	27,145	27,512	27,919	28,278
Subtotal	$ 601,219	$ 600,381	$ 601,586	$ 584,927	$ 592,668	$ 611,312
HOSPITAL GROUP						
Harbor-UCLA Medical Center	7,992	4,627	3,088	1,069	4,564	194
Olive View-UCLA Medical Center	2,817	2,342	1,248	(4)	2,379	2,634
LAC+USC Medical Center	12,097	13,039	(789)	(85)	1,810	3,254
MLK Ambulatory Care Center	(2,087)	2,258	5,592	4,686	3,846	3,773
Rancho Los Amigos Rehab Center	3,687	890	426	607	225	532
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 24,506	$ 23,156	$ 9,565	$ 6,273	$ 12,824	$ 10,387
GRAND TOTAL	**$ 1,321,951**	**$ 1,069,843**	**$ 1,142,594**	**$ 1,449,921**	**$ 2,695,445**	**$ 4,649,489**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	
						PROPERTY TAX GROUP
763,642	321,402	523,561	1,426,860	210,398	119,600	**Tax Collector Trust Fund**
857,864	582,212	530,333	1,693,093	1,256,420	863,104	**Auditor Unapportioned Property Tax**
72,880	69,983	59,785	52,930	64,689	89,290	**Unsecured Property Tax**
10,472	9,365	8,990	8,640	8,985	8,466	**Miscellaneous Fees & Taxes**
26,752	22,428	21,072	19,799	24,858	24,296	**State Redemption Fund**
28,191	13,511	1,560	85,424	0	558	**Education Revenue Augmentation**
21,403	1,336	1,336	2,459	19,357	8,941	**State Reimbursement Fund**
70,339	3,607	11,820	33,837	56,575	0	**Sales Tax Replacement Fund**
583,435	169,993	219,965	353,938	425,436	0	**Vehicle License Fee Replacement Fund**
(21,139)	(23,796)	(22,635)	(22,393)	(20,911)	(7,043)	**Property Tax Rebate Fund**
3,228	4,217	9,790	3,427	6,273	9,700	**Utility User Tax Trust Fund**
$ 2,417,067	$ 1,174,258	$ 1,365,577	$ 3,658,014	$ 2,052,080	$ 1,116,912	**Subtotal**
						VARIOUS TRUST GROUP
510,226	523,602	561,065	607,768	505,368	458,821	**Departmental Trust Fund**
63,993	39,604	41,073	51,215	42,856	43,712	**Payroll Revolving Fund**
40,197	40,219	40,236	40,336	41,118	41,421	**Asset Development Fund**
4,965	4,947	5,560	5,547	5,545	5,407	**Productivity Investment Fund**
2,122	2,122	2,062	2,018	1,294	991	**Motor Vehicle Capital Outlays**
139	206	153	58	215	118	**Civic Center Parking**
994	400	788	932	804	773	**Reporters Salary Fund**
11,082	10,847	11,071	11,045	10,909	11,442	**Cable TV Franchise Fund**
18,811	18,726	18,653	18,666	18,556	18,517	**Megaflex Long-Term Disability**
6,383	6,429	6,517	6,610	6,683	6,732	**Megaflex Long-Term Disability & Health**
28,535	28,727	29,016	29,458	30,318	30,222	**Megaflex Short-Term Disability**
$ 687,447	$ 675,829	$ 716,194	$ 773,653	$ 663,666	$ 618,156	**Subtotal**
						HOSPITAL GROUP
873	75	(2,562)	1,244	(4,695)	3,097	**Harbor-UCLA Medical Center**
391	(120)	(3,676)	1,630	971	(196)	**Olive View-UCLA Medical Center**
396	1,787	5,955	81	2,126	(490)	**LAC + USC Medical Center**
3,671	3,666	3,454	2,994	2,991	2,834	**MLK Ambulatory Care Center**
37	(1,481)	(358)	812	(1,293)	475	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 5,368	$ 3,927	$ 2,813	$ 6,761	$ 100	$ 5,720	**Subtotal**
$ 3,109,882	**$ 1,854,014**	**$ 2,084,584**	**$ 4,438,428**	**$ 2,715,846**	**$ 1,740,788**	**GRAND TOTAL**

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	Estimated May 2013	Estimated June 2013	
						PROPERTY TAX GROUP
795,003	444,307	629,180	2,275,972	872,004	160,183	**Tax Collector Trust Fund**
873,382	549,077	347,905	857,322	613,865	535,523	**Auditor Unapportioned Property Tax**
55,760	55,250	51,687	41,022	86,649	117,399	**Unsecured Property Tax**
9,001	8,991	8,652	8,743	8,844	8,527	**Miscellaneous Fees & Taxes**
31,896	31,524	22,985	25,827	31,728	23,139	**State Redemption Fund**
62,789	33,152	3,249	240,129	0	1,497	**Education Revenue Augmentation**
19,035	1,214	1,214	2,326	26,803	10,312	**State Reimbursement Fund**
88,981	21,185	38,506	42,991	115,000	0	**Sales Tax Replacement Fund**
596,579	250,598	356,034	383,334	511,196	3,347	**Vehicle License Fee Replacement Fund**
1,751	663	1,393	2,685	(33,593)	(18,123)	**Property Tax Rebate Fund**
10,630	4,929	9,766	3,045	36,148	10,964	**Utility User Tax Trust Fund**
$ 2,544,807	$ 1,400,890	$ 1,470,571	$ 3,883,396	$ 2,268,644	$ 852,768	**Subtotal**
						VARIOUS TRUST GROUP
440,580	433,269	446,496	451,573	423,642	419,434	**Departmental Trust Fund**
44,392	44,346	51,007	52,247	58,821	48,844	**Payroll Revolving Fund**
41,491	41,497	41,511	41,609	39,257	39,331	**Asset Development Fund**
4,724	4,792	4,688	4,414	7,447	7,116	**Productivity Investment Fund**
1,116	1,095	1,032	1,000	2,349	2,350	**Motor Vehicle Capital Outlays**
216	210	63	302	46	391	**Civic Center Parking**
584	449	555	644	487	1,009	**Reporters Salary Fund**
12,051	11,765	12,315	12,330	8,895	9,287	**Cable TV Franchise Fund**
17,949	17,900	17,782	17,696	19,674	19,597	**Megaflex Long-Term Disability**
7,280	7,333	7,419	7,480	4,852	4,933	**Megaflex Long-Term Disability & Health**
32,468	32,666	32,986	33,321	23,553	23,959	**Megaflex Short-Term Disability**
$ 602,851	$ 595,322	$ 615,854	$ 622,616	$ 589,023	$ 576,251	**Subtotal**
						HOSPITAL GROUP
929	(413)	193	(990)	1,000	1,000	**Harbor-UCLA Medical Center**
669	74	(1,190)	(1,622)	1,000	1,000	**Olive View-UCLA Medical Center**
(401)	1,338	3,660	(158)	1,000	1,000	**LAC + USC Medical Center**
483	456	456	460	1,000	1,000	**MLK Ambulatory Care Center**
923	150	1,453	506	1,000	1,000	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 2,603	$ 1,605	$ 4,572	$ (1,804)	$ 5,000	$ 5,000	**Subtotal**
$ 3,150,261	**$ 1,997,817**	**$ 2,090,997**	**$ 4,504,208**	**$ 2,862,667**	**$ 1,434,019**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2011-12: 12 MONTHS ACTUAL
2012-13: 10 MONTHS ACTUAL

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

	July 2011	August 2011	September 2011	October 2011	November 2011
BEGINNING BALANCE	$ 568,002	$ 1,522,684	$ 1,319,842	$ 909,737	$ 419,044
RECEIPTS					
Property Taxes*	$ 88,164	$ 94,297	$ 739	$ 20	$ 42,191
Other Taxes	27,857	9,037	8,945	16,728	7,342
Licenses, Permits & Franchises	1,516	5,301	4,126	3,416	2,909
Fines, Forfeitures & Penalties	32,221	25,197	11,476	13,038	20,961
Investment and Rental Income	19,885	8,568	6,419	7,635	10,022
Motor Vehicle (VLF) Realignment	36,843	49,423	38,885	25,190	24,310
Sales Taxes - Proposition 172	53,248	46,097	45,271	45,561	55,719
Sales Taxes - 1991 Program Realignment	67,972	21,680	112,651	45,254	50,896
Other Intergovernmental Revenue	173,658	236,590	108,855	154,080	160,764
Charges for Current Services	210,319	97,334	93,124	113,107	98,205
Other Revenue & Tobacco Settlement	73,412	34,089	9,414	11,242	37,521
Transfers & Reimbursements	9,116	3,121	121	12,874	6,917
Hospital Loan Repayment**	75,849	295,436	73,226	8,188	279,011
Welfare Advances	151,882	300,945	266,236	532,541	321,699
Other Financing Sources/MHSA	108,308	0	0	132	29,477
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	1,300,000	0	0	0	0
Total Receipts	$ 2,430,250	$ 1,227,115	$ 779,488	$ 989,006	$ 1,147,944
DISBURSEMENTS					
Welfare Warrants	$ 191,872	$ 210,504	$ 234,244	$ 234,444	$ 227,186
Salaries	387,496	384,254	377,532	377,340	377,731
Employee Benefits	201,511	208,320	160,560	192,698	200,573
Vendor Payments	461,093	378,887	228,851	435,688	298,798
Loans to Hospitals**	20,987	33,112	29,972	124,591	169,996
Hospital Subsidy Payments	194,998	194,873	154,665	31,828	32,168
Transfer Payments	17,611	20,007	3,769	83,110	30,552
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,475,568	$ 1,429,957	$ 1,189,593	$ 1,479,699	$ 1,337,004
ENDING BALANCE	**$ 1,522,684**	**$ 1,319,842**	**$ 909,737**	**$ 419,044**	**$ 229,984**
Borrowable Resources (Avg. Balance)	$ 1,321,951	$ 1,069,843	$ 1,142,594	$ 1,449,921	$ 2,695,445
Total Cash Available	$ 2,844,635	$ 2,389,685	$ 2,052,331	$ 1,868,965	$ 2,925,429

* Property tax receipts include $37.5 million of residual payments from ABx1 26 redevelopment dissolution.

** The net change in the outstanding Hospital Loan Balance is a decrease of $326 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	Total 2011-12
$ 229,984	$ 440,436	$ 511,073	$ 182,090	$ (272,434)	$ 297,983	$ 550,740	
$ 983,893	$ 820,119	$ 151,453	$ 10,508	$ 718,956	$ 758,325	$ 56,659	$ 3,725,324
8,641	23,131	7,707	7,418	18,734	13,757	23,406	172,703
3,926	122	10,319	4,310	12,667	5,434	4,596	58,642
11,115	12,087	22,076	18,514	14,103	25,826	11,766	218,380
8,752	9,605	9,258	7,159	6,668	8,941	8,594	111,506
25,762	26,824	27,470	27,263	27,233	27,802	29,347	366,352
51,421	39,337	63,675	43,167	44,823	58,875	47,302	594,496
51,609	39,484	66,728	43,563	45,245	59,591	47,877	652,551
164,050	137,261	182,692	199,703	153,828	143,930	297,939	2,113,349
195,245	168,355	79,693	113,041	167,671	162,096	180,048	1,678,238
20,257	16,903	21,174	16,971	90,220	21,499	39,435	392,137
25,721	24,267	27,269	10,041	14,531	10,368	18,694	163,040
47,351	209,756	60,265	91,646	597,361	86,918	253,038	2,078,045
271,246	351,803	306,114	289,527	328,986	351,612	380,346	3,852,937
76,750	29,482	10,552	26,937	31,892	36,994	17,635	368,159
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,300,000
$ 1,945,739	$ 1,908,536	$ 1,046,445	$ 909,768	$ 2,272,918	$ 1,771,968	$ 1,416,682	$ 17,845,859
$ 213,576	$ 206,330	$ 215,056	$ 226,194	$ 202,262	$ 228,970	$ 215,314	$ 2,605,952
390,475	393,825	391,685	381,128	390,614	380,994	386,355	4,619,429
201,840	226,798	223,254	187,984	219,911	218,227	181,902	2,423,578
263,622	304,997	261,361	263,030	288,618	372,531	260,391	3,817,867
160,570	237,049	147,592	231,283	245,700	253,069	98,121	1,752,042
3,175	0	0	4,167	0	0	0	615,874
20,300	78,900	6,480	5,506	95,396	65,420	7,977	435,028
481,729	390,000	130,000	65,000	260,000	0	0	1,326,729
0	0	0	0	0	0	0	0
$ 1,735,287	$ 1,837,899	$ 1,375,428	$ 1,364,292	$ 1,702,501	$ 1,519,211	$ 1,150,060	$ 17,596,499
$ 440,436	**$ 511,073**	**$ 182,090**	**$ (272,434)**	**$ 297,983**	**$ 550,740**	**$ 817,362**	
4,649,489	$ 3,109,882	$ 1,854,014	$ 2,084,584	$ 4,438,428	$ 2,715,846	$ 1,740,788	
$ 5,089,925	$ 3,620,955	$ 2,036,104	$ 1,812,150	$ 4,736,411	$ 3,266,586	$ 2,558,150	

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

* Property tax receipts include $145.3 million of residual payments from ABx1 26 redevelopment dissolution.

** The net change in the outstanding Hospital Loan Balance is an estimated increase of $80.3 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	Estimated May 2013	Estimated June 2013	Total 2012-13
$ (267,888)	$ 378,664	$ 291,248	$ 270,061	$ (302,319)	$ 208,117	$ 639,467	
$ 1,021,812	$ 985,321	$ 210,944	$ 8,169	$ 695,798	$ 860,428	$ 98,750	$ 4,209,813
11,815	31,508	8,334	10,925	22,569	8,104	18,101	168,591
2,071	3,160	9,090	10,771	9,208	3,203	2,405	57,950
11,376	11,700	25,211	13,183	17,433	32,918	14,193	225,034
9,938	9,963	8,260	8,366	8,589	8,601	7,742	104,565
27,069	24,562	32,608	26,311	31,519	24,875	26,302	336,360
48,606	47,417	73,779	44,001	45,474	52,922	44,883	627,787
50,876	49,641	77,894	48,765	48,017	57,413	53,249	677,134
353,801	295,257	156,658	166,388	366,733	151,990	187,597	2,183,334
139,002	169,561	88,974	106,040	187,630	83,966	125,593	1,492,966
21,384	48,772	27,905	32,558	129,874	22,697	44,666	491,228
42,973	5,598	9,309	19,247	(95)	11,456	21,463	156,815
225,272	63,655	307,754	0	490,875	156,720	320,550	1,952,920
295,155	324,654	314,398	297,939	300,683	321,016	362,398	3,833,380
48,382	44,582	32,719	25,226	35,591	20,825	20,378	363,858
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	$ 1,817,134	$ 1,348,272	$ 17,981,736
$ 216,000	$ 188,607	$ 184,623	$ 241,571	$ 211,739	$ 225,257	$ 215,390	$ 2,565,057
397,851	402,459	393,662	377,947	388,896	390,634	391,976	4,690,085
138,792	491,450	246,070	205,339	237,308	236,522	204,749	2,688,296
324,475	382,967	288,728	312,564	330,759	306,443	269,736	4,084,928
177,089	317,388	178,919	154,054	406,340	159,911	242,575	2,033,179
1,828	0	0	0	8,224	0	0	518,089
4,167	89,896	3,022	43,794	76,196	67,017	3,970	442,343
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	$ 1,385,784	$ 1,328,396	$ 18,139,755
$ 378,664	**$ 291,248**	**$ 270,061**	**$ (302,319)**	**$ 208,117**	**$ 639,467**	**$ 659,342**	
5,174,854	$ 3,150,261	$ 1,997,817	$ 2,090,997	$ 4,504,208	$ 2,862,667	$ 1,434,019	
$ 5,553,518	$ 3,441,509	$ 2,267,878	$ 1,788,678	$ 4,712,325	$ 3,502,134	$ 2,093,361	

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, 2012, approximately $1.371 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $534.8 million of the outstanding debt. Revenues from special districts, special funds and Hospital Enterprise Funds will secure the remaining $835.8 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2012-13.

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

2012-13 Payments

Funding Source	2012-13 Payment
Total 2012-13 Payment Obligations	$158,054,319
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	47,285,396
Courthouse Construction Funds	25,709,969
Special Districts/Special Funds	3,285,646
Net 2012-13 General Fund Obligations	$81,773,308

Source: Los Angeles County Auditor-Controller

The principal amount of the County's outstanding intermediate and long-term debt obligations increased to $1.633 billion as of May 1, 2013, which includes debt issuance and repayment activity in Fiscal Year 2012-13. An additional $400 million in TRANs, $27.0 million in Bond Anticipation Notes, and $353.0 million in tax-exempt commercial paper notes were also outstanding as of May 1, 2013. The following table summarizes the outstanding General County debt and note obligations.

SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2013 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$ 400,000.0
Bond Anticipation Notes	27,000.0
Tax-Exempt Commercial Paper	353,000.0
Intermediate & Long-Term Obligations	1,632,977.0
Total Outstanding Principal	$ 2,412,977.0

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 15, 2012, the County issued $1.1 billion of 2012-13 TRANs on July 2, 2012, with three tranches: $300.0 million due February 28, 2013, $400.0 million due March 29, 2013 and $400.0 million due June 28, 2013. The 2012-13 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2012-13, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2012-13 Tax and Revenue Anticipation Notes" of this Appendix A. Deposit obligations to the Repayment Fund for the 2012-13 TRANs has 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, 2013, $27.0 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 June 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 short-term revolving notes. As of May October 1, 2013, $353 million of tax-exempt commercial paper 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, 2012, approximately $1.4 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The 2012-13 Adopted Budget contains sufficient appropriations to fund the County's payment obligations in Fiscal Year 2012-13. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Property Tax Roll") decreased from 0.132% in Fiscal Year 2011-12 to 0.127% in Fiscal Year 2012-13. 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
2003-04	$3,093,060,550	$695,785,675,323	0.445%
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%

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 $267.0 million as of May 1, 2013 due to repayment activity in Fiscal Year 2012-13.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2012

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, 2013

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, 2012

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2012-13	$ 81,773,308	$ 47,285,396	$ 25,709,969	$ 3,285,646	$ 158,054,319
2013-14	68,090,998	44,036,553	27,324,194	3,347,721	142,799,467
2014-15	70,021,480	50,719,325	26,513,038	3,415,709	150,669,552
2015-16	53,942,057	48,399,607	25,635,249	3,486,084	131,462,996
2016-17	43,951,208	37,421,774	21,865,780	3,554,834	106,793,595
2017-18	40,644,871	30,514,399	16,975,475	3,625,159	91,759,904
2018-19	41,455,314	30,515,050	16,976,475	3,696,640	92,643,479
2019-20	42,286,836	30,517,285	16,965,725	3,773,750	93,543,595
2020-21	42,225,703	30,479,268	16,957,350	3,846,250	93,508,571
2021-22	43,128,172	30,476,286	16,954,300	3,927,000	94,485,758
2022-23	44,068,146	30,471,106	16,951,625	-	91,490,877
2023-24	21,336,851	30,464,064	16,943,875	-	68,744,790
2024-25	21,329,246	30,452,893	16,933,500	-	68,715,639
2025-26	21,324,622	30,446,102	16,929,000	-	68,699,724
2026-27	21,319,857	30,439,103	16,918,875	-	68,677,835
2027-28	21,231,392	30,431,675	16,906,750	-	68,569,817
2028-29	20,926,862	30,422,010	16,905,750	-	68,254,622
2029-30	20,706,986	30,414,175	16,893,613	-	68,014,774
2030-31	20,699,541	30,403,241	9,432,600	-	60,535,382
2031-32	20,692,657	30,393,130	9,431,488	-	60,517,275
2032-33	20,686,831	30,384,573	6,918,000	-	57,989,404
2033-34	20,678,510	30,372,350	6,918,750	-	57,969,610
2034-35	20,671,547	30,362,124	-	-	51,033,671
2035-36	20,663,546	30,350,372	-	-	51,013,918
2036-37	20,654,663	30,337,325	-	-	50,991,988
2037-38	20,647,344	30,326,574	-	-	50,973,919
2038-39	20,637,744	30,312,475	-	-	50,950,219
2039-40	20,630,169	30,301,348	-	-	50,931,518
2040-41	20,621,310	30,288,336	-	-	50,909,647
2041-42	-	-	-	-	-
Total	$ 947,047,771	$ 957,737,920	$ 379,961,382	$ 35,958,793	$ 2,320,705,864

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2012

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2012-13	$ 534,827,923	$ 554,930,547	$ 252,834,288	$ 28,050,000	$ 1,370,642,758
2013-14	484,873,320	532,744,907	239,074,099	26,040,000	1,282,732,327
2014-15	447,567,848	512,922,824	223,014,357	23,875,000	1,207,380,029
2015-16	407,533,243	485,326,257	207,011,017	21,550,000	1,121,420,517
2016-17	383,051,657	458,763,096	191,140,940	19,050,000	1,052,005,693
2017-18	368,611,095	442,119,969	178,385,000	16,375,000	1,005,491,064
2018-19	357,889,063	431,723,340	170,020,000	13,520,000	973,152,404
2019-20	346,866,443	420,800,187	161,225,000	10,475,000	939,366,630
2020-21	335,526,942	409,323,738	151,990,000	7,225,000	904,065,679
2021-22	316,534,023	397,383,232	142,290,000	3,740,000	859,947,255
2022-23	287,603,559	384,993,545	132,110,000	-	804,707,104
2023-24	256,372,302	372,118,979	121,425,000	-	749,916,281
2024-25	246,679,815	358,714,914	110,200,000	-	715,594,729
2025-26	236,566,357	344,701,032	98,410,000	-	679,677,389
2026-27	225,981,235	330,002,966	86,020,000	-	642,004,202
2027-28	214,900,089	314,585,019	73,005,000	-	602,490,108
2028-29	203,377,909	298,405,545	59,335,000	-	561,118,455
2029-30	191,606,152	281,428,848	44,965,000	-	518,000,000
2030-31	179,476,720	263,613,280	29,895,000	-	472,985,000
2031-32	166,749,828	244,920,172	21,735,000	-	433,405,000
2032-33	153,395,098	225,304,902	13,170,000	-	391,870,000
2033-34	139,380,124	204,719,876	6,750,000	-	350,850,000
2034-35	124,674,529	183,120,471	-	-	307,795,000
2035-36	109,235,780	160,444,220	-	-	269,680,000
2036-37	93,021,347	136,628,653	-	-	229,650,000
2037-38	75,992,750	111,617,250	-	-	187,610,000
2038-39	58,166,190	85,433,810	-	-	143,600,000
2039-40	39,576,097	58,128,903	-	-	97,705,000
2040-41	20,198,169	29,666,831	-	-	49,865,000
2041-42	-	-	-	-	-

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2012

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	$ 13,170,000	$ 13,170,000			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	1,061,976			$ 1,061,976	
Sheriffs Training Academy	876,686	876,686			
San Fernando Court	1,468,388			1,468,388	
Total 2002 Lease Rev Bonds Ser B	$ 3,407,050	$ 876,686	$ 0	$ 2,530,364	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 769,021	$ 769,021			
Alhambra Courthouse	584,001			$ 584,001	
Burbank Courthouse	757,784			757,784	
Ameron Building (Sheriff Headquarters)	2,498,738	2,498,738			
Biscailuz Center	221,082	221,082			
Emergency Operations Center	1,960,526	1,960,526			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,484,754		$ 1,484,754		
Martin Luther King Medical Center - Trauma Center	6,211,313		6,211,313		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	103,085		103,085		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,384,216		4,384,216		
Rancho Los Amigos Medical Center - Parking Structure	1,636,035		1,636,035		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	687,303		687,303		
San Fernando Valley Juvenile Hall	973,956	973,956			
LAC/USC Medical Center Marengo Street Parking Garage	2,591,340		2,591,340		
LAX Area Courthouse	6,922,405			6,922,405	
San Fernando Valley Courthouse (Chatsworth)	5,482,222			5,482,222	
Harbor Med Center E.P.S.	0		-		
Total 2005 Lease Rev Refg Bonds Ser A	$ 37,267,779	$ 6,423,323	$ 17,098,045	$ 13,746,411	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,285,646				$ 3,285,646
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,194,938			$ 1,194,938	
Lynwood Regional Justice Center	10,390,675	$ 10,390,675			
Men's Central Jail - Twin Towers	9,807,225	9,807,225			
Hutton Building - Registrar / Recorder Headquarters	864,475	864,475			
Pomona Municipal Courthouse	133,000			133,000	
Pitchess Honor Rancho Laundry Expansion	66,500	66,500			
Pitchess Honor Rancho Visitors Center	168,800	168,800			
Mira Loma Men's Medium Security Facility	117,650	117,650			
Temple City Sheriff Station	286,450	286,450			
Van Nuys Courthouse	1,185,450			1,185,450	
Total 2006 Lease Rev Refg Bonds Ser A	$ 24,215,163	$ 21,701,775	$ 0	$ 2,513,388	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 6,919,806			$ 6,919,806	
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)	$ 2,406,721	2,406,721			
2012 Refg COPs: Disney Parking Project	$ 2,392,986	2,392,986			
Total Long-Term Capital Projects	$ 129,549,248	$ 61,749,632	$ 38,804,001	$ 25,709,969	$ 3,285,646
Total Long-Term Obligations	$ 129,549,248	$ 61,749,632	$ 38,804,001	$ 25,709,969	$ 3,285,646
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,388,000	$ 2,632,800	$ 1,755,200		
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 16,815,488	10,089,293	6,726,195		
Total Equipment	$ 21,203,488	$ 12,722,093	$ 8,481,395	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 7,301,583	$ 7,301,583			
Total Intermediate-Term Obligations	$ 28,505,071	$ 20,023,676	$ 8,481,395	$ 0	$ 0
Total Obligations	$ 158,054,319	$ 81,773,308	$ 47,285,396	$ 25,709,969	$ 3,285,646

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, 2012

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	$ 27,327,758	$ 27,327,758			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	4,572,633			$ 4,572,633	
Sheriffs Training Academy	3,774,814	3,774,814			
San Fernando Court	6,322,553			6,322,553	
Total 2002 Lease Rev Bonds Ser B	$ 14,670,000	$ 3,774,814	$ 0	$ 10,895,186	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 2,491,181	$ 2,491,181			
Alhambra Courthouse	1,706,798			$ 1,706,798	
Burbank Courthouse	3,155,913			3,155,913	
Ameron Building (Sheriff Headquarters)	5,691,191	5,691,191			
Biscailuz Center	505,685	505,685			
Emergency Operations Center	5,421,817	5,421,817			
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	4,639,093		$ 4,639,093		
Martin Luther King Medical Center - Trauma Center	25,646,917		25,646,917		
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	267,799		267,799		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	16,025,402		16,025,402		
Rancho Los Amigos Medical Center - Parking Structure	5,981,690		5,981,690		
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	1,764,925		1,764,925		
San Fernando Valley Juvenile Hall	3,556,848	3,556,848			
LAC/USC Medical Center Marengo Street Parking Garage	9,473,353		9,473,353		
LAX Area Courthouse	72,697,978			72,697,978	
San Fernando Valley Courthouse (Chatsworth)	57,573,413			57,573,413	
Harbor Med Center E.P.S.	0		-		
Total 2005 Lease Rev Refg Bonds Ser A	$ 216,600,000	$ 17,666,721	$ 63,799,178	$ 135,134,101	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 28,050,000				$ 28,050,000
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 5,005,000			$ 5,005,000	
Lynwood Regional Justice Center	31,700,000	$ 31,700,000			
Men's Central Jail - Twin Towers	29,970,000	29,970,000			
Hutton Building - Registrar / Recorder Headquarters	845,000	845,000			
Pomona Municipal Courthouse	130,000			130,000	
Pitchess Honor Rancho Laundry Expansion	65,000	65,000			
Pitchess Honor Rancho Visitors Center	165,000	165,000			
Mira Loma Men's Medium Security Facility	115,000	115,000			
Temple City Sheriff Station	280,000	280,000			
Van Nuys Courthouse	8,680,000			8,680,000	
Total 2006 Lease Rev Refg Bonds Ser A	$ 76,955,000	$ 63,140,000	$ 0	$ 13,815,000	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 92,990,000			$ 92,990,000	
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)	$ 14,000,000	14,000,000			
2012 Refg COPs: Disney Parking Project	$ 50,675,000	50,675,000			
Total Long-Term Capital Projects	$ 1,312,172,758	$ 496,945,923	$ 534,342,547	$ 252,834,288	$ 28,050,000
Total Long-Term Obligations	$ 1,312,172,758	$ 496,945,923	$ 534,342,547	$ 252,834,288	$ 28,050,000
Intermediate-Term Obligations					
Equipment					
2009 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,240,000	$ 2,544,000	$ 1,696,000		
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 47,230,000	28,338,000	18,892,000		
Total Equipment	$ 51,470,000	$ 30,882,000	$ 20,588,000	$ 0	$ 0
Taxable Bonds					
2009 Lease Rev Bonds Series 2009 (LA Opera)	$ 7,000,000	$ 7,000,000			
Total Intermediate-Term Obligations	$ 58,470,000	$ 37,882,000	$ 20,588,000	$ 0	$ 0
Total Obligations	$ 1,370,642,758	$ 534,827,923	$ 554,930,547	$ 252,834,288	$ 28,050,000

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, 2013

Title	Outstanding Principal	Total Future Payments		2012-13 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 23,842,515	$ 121,845,000		$ 6,915,000
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	12,065,000	13,927,100		361,950
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	189,115,000	256,836,845		4,586,148
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	28,050,000	35,320,969		2,647,823
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	55,780,000	60,249,300		1,262,794
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	90,450,000	147,457,400		2,167,678
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	102,900,000	126,143,050		2,479,419
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,309,363,340	(1)	15,762,629
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	11,799,812	13,358,814	(1)	800,583
2012 Refg COPs: Disney Parking Project	50,675,000	74,766,125		1,266,875
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	339,410,000	651,153,234		0
Total Long-Term Capital Projects	$ 1,592,092,327	$ 2,810,421,177		$ 38,250,899
Total Long-Term Obligations	$ 1,592,092,327	$ 2,810,421,177		$ 38,250,899
Intermediate-Term Obligations				
Equipment				
2009 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 1,680,000	$ 4,388,000		$ 4,388,000
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	39,205,000	51,534,988		16,815,488
Total Equipment	$ 40,885,000	$ 55,922,988		$ 21,203,488
Total Intermediate-Term Obligations	$ 40,885,000	$ 55,922,988		$ 21,203,488
Total Obligations	$ 1,632,977,327	$ 2,866,344,165		$ 59,454,386

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, 2013
Full Cash Value (2012-13): $960,510,110,796 (after deducting $141,357,566,413 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %		Debt as of 5/1/13
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Los Angeles County Flood Control District	100.000 %	$	19,770,000
Metropolitan Water District	48.221		79,605,638
Los Angeles Community College District	100.000		3,469,755,000
Other Community College Districts	Various (1)		2,240,740,897
Arcadia Unified School District	100.000		167,751,006
Beverly Hills Unified School District	100.000		173,083,674
Glendale Unified School District	100.000		164,754,986
Long Beach Unified School District	100.000		511,282,292
Los Angeles Unified School District	100.000		10,945,695,000
Pasadena Unified School District	100.000		371,575,000
Pomona Unified School District	100.000		212,631,870
Redondo Beach Unified School District	100.000		208,972,452
Santa Monica-Malibu Unified School District	100.000		302,113,173
Torrance Unified School District	100.000		183,285,331
Other Unified School Districts	Various (1)		2,699,006,803
High School and School Districts	Various (1)		1,717,058,452
City of Los Angeles	100.000		1,103,285,000
City of Los Angeles Special Tax Lease Revenue Bonds	100.000		20,090,000
City of Industry	100.000		136,645,000
Other Cities	100.000		82,145,000
Special Districts	100.000		4,580,000
Community Facilities Districts	100.000		798,206,241
Los Angeles County Regional Park & Open Space Assessment District	100.000		142,870,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000		121,055,492
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	25,875,958,307
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**1,741,337,327**
Los Angeles County Office of Education Certificates of Participation	100.000		10,377,239
Community College District Certificates of Participation	Various (2)		54,224,220
Baldwin Park Unified School District Certificates of Participation	100.000		40,915,000
Compton Unified School District Certificates of Participation	100.000		28,145,000
Los Angeles Unified School District Certificates of Participation	100.000		395,161,434
Pomona Unified School District Certificates of Participation	100.000		27,395,000
Other Unified School District Certificates of Participation	Various (2)		152,172,971
High School and School District General Fund Obligations	Various (2)		146,975,176
City of Beverly Hills General Fund Obligations	100.000		205,410,000
City of Los Angeles General Fund and Judgment Obligations	100.000		1,857,650,000
City of Long Beach General Fund Obligations	100.000		185,655,000
City of Long Beach Pension Obligations	100.000		50,205,000
City of Pasadena General Fund Obligations	100.000		470,867,641
City of Pasadena Pension Obligations	100.000		144,687,765
Other Cities' General Fund Obligations	100.000		1,291,992,107
Los Angeles County Sanitation Districts General Fund Obligations	100.000		272,735,338
Palmdale Water District Certificates of Participation	100.000		48,065,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	7,123,971,218
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**			**(5,915,745)**
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds			(5,052,000)
Cities' self-supporting bonds			(181,935,192)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,931,068,281
OVERLAPPING TAX INCREMENT DEBT:		$	4,319,661,900
GROSS COMBINED TOTAL DEBT		$	37,319,591,425 (3)
NET COMBINED TOTAL DEBT		$	37,126,688,488

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and 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 2012-13 ASSESSED VALUATION	
Total Direct and Overlapping Tax and Assessment Debt	2.350 %
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Gross Combined Direct Debt ($1,741,337,327)	**0.160 %**
Net Combined Direct Debt ($1,735,421,582)	**0.160 %**
Gross Combined Total Debt	3.390 %
Net Combined Total Debt	3.370 %

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 2012 Gross Product of $577.5 billion, Los Angeles County's economy is larger than that of 45 states and all but 19 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 2012, with an increase of 3.6% in economic output (as measured by Gross Product), a 3.4% increase in personal income and a 9.5% increase in taxable retail sales. The economic recovery is expected to continue in 2013, with several sectors of the local economy experiencing growth.

The County's unemployment rate averaged 11.1% in 2012, which represents an improvement from its 2011 unemployment rate of 12.3%. In 2013 and 2014, the job market is expected to show continued improvement, with a projected decline in the unemployment rate to 9.8% and 8.9%, respectively. The significant job losses 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) and the expansion of the Bradley International Terminal at the Los Angeles International Airport ("LAX"), have provided continued support to a struggling job market in the County.

In terms of its industrial base, diversity continues to be 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 359,600 workers employed in this sector in 2012. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked sixth largest among world's port facilities.

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 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 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.

Tens of 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, and the Super Bowl.

Population

The County is the most populous county in the U.S. with over 9.9 million people estimated to be residing within its borders as of 2012. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 26.20% of the total population of California. According to the 2010 federal census, the demographic profile of the County indicates that 48.5% of the population is Hispanic, 28.7% are White non-Hispanic; 11.4% are Asian-Pacific Islander; 9.6% are African-American; and 1.8% are American Indian and other races. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 97 consulates, 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 75.9% of the adult population has a high school diploma or higher, and 29% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

The economic downturn that started in late 2007 affected the entire nation and caused a significant adverse impact to the local economy. The unemployment rate climbed to 12.3% in 2011 but decreased to 11.1% in 2012. In comparison, the average unemployment rates for the State of California and the nation in 2012 were 10.5% and 8.1%, respectively. The employment situation in the County showed signs of improvement in 2012, with estimated total net job growth of 17,700 among the various sectors of the local economy. In 2013, total non-farm employment is projected to grow by 1.7% (22,900 jobs), resulting in a lower unemployment rate in the County of 10%. Table F details the non-agricultural employment statistics by sector for the County from 2008 through 2012.

Personal Income

Total personal income grew in the County by an estimated 3.4% in 2012. The 2012 total personal income of $435.3 billion represents an estimated 25.53% of the total personal income generated in California. The Los Angeles Economic Development Corporation ("LAEDC") is projecting continued growth in personal income of 3.6% for 2013 and 4.6% for 2014. Table C provides a summary of the personal income statistics for the County from 2008 through 2012.

Consumer Spending

The County is a national leader in consumer spending. As reported by LAEDC, the County experienced a 9.4% increase in taxable retail sales in 2012, with continued growth of 5.9% projected for 2013. The $97.9 billion of taxable retail sales in the County in 2012 represents over 25.3% of the total retail sales in California. Table D provides a summary of taxable retail sales activity in the County from 2008 through 2012.

Industry

With an estimated annual economic output of $577.5 billion in 2012, the County continues to rank among the world's largest economies. Its 2012 Gross Product represents approximately 28.2% of the total economic output in California and 3.8% 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 2008 through 2012.

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 increase over the past decade, resulting in a record level of $355.8 billion in 2008. In 2010, the LACD handled approximately $346.8 billion worth of international trade, which represents a 22.6% increase from 2009 and a significant improvement from the 20.5% decrease in the value of trade that occurred from 2008 to 2009. With the strong performance of the LACD in 2011 and 2012, the value of two-way trade surpassed the record level attained in 2008. In 2012, the LACD handled approximately $403.4 billion worth of international trade, which represents a 4.3% increase compared to 2011. With the strong performance of the LACD in 2012, the value of two-way trade has surpassed the previous record level attained in 2008 by 13.4%. Based on the latest LAEDC projections, international trade is expected to exceed $400 billion in 2013 and continue to grow in 2014. The LACD maintained its ranking as the top customs district in the nation for international trade in 2012, with China, Japan, South Korea, Taiwan and Thailand being the top trading partners. The LAEDC has projected an increase of 3% for 2013 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 2012, LAX served 63.7 million passengers, representing a 3% increase from the previous year. The 1.9 million tons of air cargo handled at LAX in 2012, and the corresponding value of $89 billion, represent increases of 5.6% and 5.9%, respectively, from 2011. LAX is currently in the process of implementing a $4.3 billion capital improvement project through Fiscal Year 2016-17, which is expected to generate approximately 40,000 local jobs. The Board of Airport Commissioners and the Los Angeles City Council recently approved an additional $4.76 billion of capital projects, which include a consolidated rental car facility, light rail links, improvements to terminal and parking facilities, and North Airfield runway improvements.

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 2012, the port complex experienced a 0.8% increase in the volume of cargo from 2011, and is projecting continued growth in 2013 and 2014.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2012, 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 2012, the Port handled over 8.1 million TEUs, which represents a 1.7% increase in container volume from 2011.

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 eighteenth busiest in the world in 2011. The Port of Long Beach covers over 3,200 acres with 10 separate piers. In 2012, the port handled over 6.1 million TEUs of container cargo, which represents a slight decrease of 0.25% from 2011. The decrease in activity was attributed to the loss of one of its seven container terminal customers (Hyundai).

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 2012-13 operating budget for the MTA is $4.5 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

Over 41 million visitors traveled to Southern California in 2012, providing a significant contribution to the County's economy. In 2012, the Los Angeles region hosted a record high 27.9 million overnight visitors, representing a 3.3% increase from 2011. 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 2012, with tourists and business travelers spending $16.5 billion (as reported by the Bureau of Economic Analysis), representing a significant increase of 6.7% from 2011. The new convention center hotel and the higher number of conferences scheduled for 2013 will help facilitate continued growth in this sector of the local economy.

Real Estate and Construction

The County's residential housing market experienced a significant downturn from late 2007 through early 2012. The average annual median price for new and existing homes decreased by nearly 48% from a peak of $562,346 in August 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market stabilized in 2012, and has continued to show signs of a recovery, as the average median home price increased by 23.5% to $358,185 in December 2012 from the low in January 2012. Other positive trends also suggest a more stable housing market. After a record high of 105,433 in 2009, notices of default recorded decreased by nearly 53% to 49,354 in 2012, and have leveled off at approximately 5,000 per month over the last two quarters of 2012. Foreclosures, as measured by the number of trustees deeds recorded, decreased by over 57% from a cyclical high of 39,774 in 2008 to 17,123 in 2012. The positive trend continued over the last six months of 2012, as the number of foreclosures averaged only 1,345 per month from July through December.

The commercial real estate sector experienced mixed results in 2011. Construction lending experienced a significant increase of 41% from $3.258 billion in 2011 to $4.601 billion in 2012. Office market vacancy rates were essentially unchanged from 2011 to 2012 with an average of 16.8%, which is still significantly higher than the 9.7% vacancy rate in 2007, prior to the economic downturn. Industrial market vacancy rates experienced improvement from 2.9% in 2011 to 2.1% in 2012, but are still nearly one half times greater than the 1.5% vacancy rate in 2007.

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 2012-13, the County Assessor is reporting a Net Local Roll of $1.08 trillion, which represents a 2.20% increase from the Net Local Roll of $1.056 trillion in Fiscal Year 2011-12.

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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

	2008	2009	2010	2011	2012
Los Angeles County	$548,598	$530,021	$543,740	$557,500	$577,500
State of California	1,911,720	1,847,044	1,901,072	1,958,900	2,045,700
United States	14,291,500	13,939,000	14,526,500	15,094,000	15,653,370
Los Angeles County as a % of California	28.70%	28.70%	28.60%	28.46%	28.23%

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

TABLE B: POPULATION LEVELS

	2008	2009	2010	2011	2012
Los Angeles County	9,797,000	9,805,000	9,827,000	9,858,000	9,911,700
State of California	36,538,000	36,888,000	37,319,000	37,579,000	37,826,000
Los Angeles County as a % of California	26.81%	26.58%	26.33%	26.23%	26.20%

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

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

	2008	2009	2010	2011	2012
Los Angeles County	$417,500	$392,600	$403,100	$420,900	$435,300
Orange County	155,900	145,200	147,200	154,100	160,900
Riverside and San Bernardino Counties	125,600	120,400	123,600	128,900	134,200
Ventura County	37,600	35,500	36,500	38,100	39,400
State of California	1,610,700	1,516,700	1,564,200	1,645,100	1,705,200
Los Angeles County as a % of California	25.92%	25.89%	25.77%	25.59%	25.53%

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

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

	2008	2009	2010	2011	2012
Los Angeles County	$89,800	$78,400	$82,200	$89,400	$97,900
State of California	357,300	311,200	327,900	354,800	387,500
Los Angeles County as a % of California	25.13%	25.19%	25.07%	25.20%	25.26%

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

TABLE E: UNEMPLOYMENT RATES

	2008	2009	2010	2011	2012
Los Angeles County	7.5%	11.6%	12.6%	12.3%	11.1%
State of California	7.2%	11.3%	12.4%	11.7%	10.5%
United States	5.8%	9.3%	9.6%	8.9%	8.1%

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

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2008	2009	2010	2011	2012
Government	603.7	595.8	579.6	565.2	559.7
Wholesale & Retail Trade	640.2	591.5	589.3	598.1	605.6
Health Care & Social Assistance	400.7	404.6	410.9	417.0	418.9
Manufacturing	434.4	389.1	373.2	365.4	359.6
Leisure & Hospitality	401.6	385.6	384.8	392.8	406.3
Professional, Scientific & Technical Services	269.6	250.2	245.6	253.7	259.7
Administrative & Support Services	247.0	215.9	219.6	223.0	242.8
Information	210.3	191.2	191.5	195.6	199.1
Transportation & Utilities	163.1	151.2	150.6	149.9	150.8
Finance & Insurance	153.9	142.3	137.8	137.5	140.1
Construction	145.2	117.3	104.5	103.5	107.8
Educational Services	105.1	110.1	111.1	117.7	127.5
Real Estate	79.4	73.8	71.7	71.9	74.6
Management of Enterprises	56.7	54.4	53.2	54.4	55.7
Other	146.1	137.9	136.7	135.0	134.3
Total	4,057.0	3,810.9	3,760.1	3,780.7	3,842.5

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

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

Type of Activity	2008	2009	2010	2011	2012
International Air Cargo (Tons)					
Los Angeles International Airport	996.5	916.0	1,125.2	1,080.7	1,135.8
As Percentage of Total Air Cargo	47.97%	50.98%	67.63%	57.80%	57.85%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,077.5	1,796.5	1,663.9	1,869.6	1,963.2
Bob Hope Airport (Burbank)	53.7	42.9	44.4	43.9	47.4
Total	2,131.3	1,839.4	1,708.2	1,913.5	2,010.6
International Air Passengers					
Los Angeles International Airport	16,684.8	15,100.9	15,936.0	16,731.3	17,152.9
As Percentage of Total Passengers	27.89%	26.72%	26.98%	27.05%	26.93%
Total Air Passengers					
Los Angeles International Airport	59,820.8	56,520.9	59,070.1	61,862.5	63,688.1
Bob Hope Airport (Burbank)	5,331.4	4,588.4	4,461.3	3,942.3	3,725.5
Total	65,152.2	61,109.3	63,531.4	65,804.8	67,413.6
Container Volume (TEUs)					
Port of Los Angeles	7,850.0	6,749.0	7,831.9	7,940.5	8,077.7
Port of Long Beach	6,487.8	5,067.6	6,263.5	6,061.1	6,045.7
Total	14,337.8	11,816.6	14,095.4	14,001.6	14,123.4

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

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

Customs District	2008	2009	2010	2011	2012
Los Angeles, CA	$355,798	$282,898	$346,800	$386,700	$403,500
New York, NY	$353,400	$266,700	$326,500	$387,500	$381,300
Detroit, MI	$236,400	$170,800	$219,000	$243,700	$250,600
Houston, TX	$242,100	$165,800	$211,500	$265,000	$272,600
New Orleans, LA	$214,200	$149,800	$191,500	$230,500	$239,800
Laredo, TX	$173,300	$146,000	$184,500	$215,000	$238,100
Chicago, IL	$153,300	$127,800	$160,700	$176,100	$187,300
Seattle, WA	$120,400	$101,500	$111,100	$128,200	$138,400
Savannah, GA	$101,000	$87,200	$108,900	$126,000	$132,000
Miami, FL	$87,700	$77,650	$93,390	$110,640	$122,110

Source: Los Angeles Economic Development Corporation - 2012 International Trade Report

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

Port	2008	2009	2010	2011	2012
Los Angeles-Long Beach, CA	201,456	167,866	193,591	199,509	201,706
Tacoma, WA	34,701	28,701	27,507	28,428	30,975
Seattle, WA	26,731	25,070	31,337	29,856	25,549
Oakland, CA	28,416	27,872	29,475	30,285	30,305
Portland, OR	21,683	16,348	19,661	19,140	17,948
Kalama, WA	12,320	9,065	11,653	11,570	10,199
San Diego, CA	5,557	3,506	4,074	4,287	4,822
Vancouver, WA	5,903	5,135	6,110	6,198	4,915
Port Hueneme	3,571	2,998	3,356	4,095	4,520

Source: Los Angeles Economic Development Corporation - 2012 International Trade Report

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

Port	2008	2009	2010	2011	2012
Los Angeles-Long Beach, CA	14,338	11,817	14,095	14,002	14,124
New York, NY	5,265	4,562	5,292	5,503	5,530
Savannah, GA	2,616	2,357	2,825	2,945	2,966
Oakland, CA	2,236	2,045	2,330	2,343	2,344
Houston, TX	1,795	1,797	1,812	1,866	1,786
Norfolk, VA	2,083	1,745	1,895	1,918	2,106
Charleston, SC	1,636	1,368	1,280	1,380	921
Seattle, WA	1,704	1,585	2,140	2,034	1,869
Tacoma, WA	1,861	1,546	1,455	1,489	1,455

Source: Los Angeles Economic Development Corporation - 2012 International Trade Report

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

Indicator	2008	2009	2010	2011	2012
1. Construction Lending (in millions)	$ 3,520	$ 2,465	$ 2,128	$ 3,258	$ 4,601
2. Residential Purchase Lending (in millions)	$ 22,256	$ 22,111	$ 22,491	$ 20,469	$ 23,675
3. New & Existing Median Home Prices	$ 397,474	$ 321,550	$ 335,363	$ 316,469	$ 352,106
4. New & Existing Home Sales	65,278	81,072	77,313	74,216	83,680
5. Notices of Default Recorded	84,806	105,433	68,603	64,490	49,354
6. Unsold New Housing (at year-end)	3,117	1,629	1,997	1,517	845
7. Office Market Vacancy Rates	12.2%	16.0%	17.0%	17.0%	16.7%
8. Industrial Market Vacancy Rates	2.2%	3.3%	3.2%	2.9%	2.1%

Source: Real Estate Research Council of Southern California - 4th Quarter 2012

TABLE L: BUILDING PERMITS AND VALUATIONS

	2008	2009	2010	2011	2012
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	3,539	2,131	2,439	2,370	2,756
b. Multi-Family	10,165	3,522	5,029	8,033	7,950
Total Residential Building Permits	13,704	5,653	7,468	10,403	10,706
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 1,134	$ 798	$ 922	$ 1,032	$ 1,128
b. Multi-Family	1,409	522	811	1,222	1,416
c. Alterations and Additions	1,411	1,073	1,110	1,122	674
Residential Building Valuations Subtotal	$ 3,954	$ 2,393	$ 2,843	$ 3,376	$ 3,218
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 446	$ 192	$ 133	$ 156	$ 38
b. Retail Buildings	469	222	263	223	115
c. Hotels and Motels	256	11	28	24	5
d. Industrial Buildings	135	40	56	136	169
e. Alterations and Additions	2,158	1,658	1,662	1,774	1,095
f. Other	1,275	245	532	280	1,171
Non-Residential Building Valuations Subtotal	$ 4,739	$ 2,368	$ 2,674	$ 2,593	$ 2,593
Total Building Valuations (in millions)	$ 8,693	$ 4,761	$ 5,517	$ 5,969	$ 5,811

Source: Real Estate Research Council of Southern California - 4th Quarter 2012

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

Company (in order of 2012 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1 Kaiser Permanente	Health Care Provider	Oakland, CA	36,508	174,389
2 Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	18,000	75,000
3 University of Southern California	Education-Private University	Los Angeles, CA	16,623	16,180
4 Target Corp.	Retailer	Minneapolis, MN	14,250	365,000
5 Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,200	N/A
6 Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,000	N/A
7 Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,000	275,500
8 Providence Health & Services	Health Care	Renton, WA	11,403	N/A
9 Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	11,249	165,442
10 Walt Disney Co.	Entertainment	Burbank, CA	10,500	156,000
11 Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,250	300,000
12 Wells Fargo	Diversified Financial Services	San Francisco, CA	9,520	275,000
13 Edison International	Electric Utility	Rosemead, CA	8,979	19,930
14 AT&T Inc.	Telecommunications	Dallas, TX	8,900	256,420
15 California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,900	N/A
16 ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,300	97,000
17 Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	8,200	71,000
18 Warner Bros. Entertainment Inc.	Entertainment	Burbank, CA	8,000	N/A
19 Vons	Grocery Retailer	Pleasanton, CA	7,747	25,309
20 FedEx Corp.	Shipping and Logistics	Memphis, TN	8,000	230,600
21 Dignity Health	Hospitals	San Francisco, CA	7,300	60,000
22 JP Morgan Chase	Banking and Financial Services	New York, NY	6,600	262,882
23 Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,000	17,800
24 Sony Pictures Entertainment	Entertainment	Culver City, CA	6,000	N/A
25 Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,667	159,913

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, September 2012

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, 2012
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COUNTY OF LOS ANGELES

CALIFORNIA

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Sacramento

Walnut Creek

Oakland

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA), and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets/fund balances, and revenues/additions of the following opinion units:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental Activities	2%	3%	1%
Business-type Activities	4%	15%	10%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	68%	70%	4%

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 21 and the schedules of funding progress on pages 112 and 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 the 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 and the other auditors obtained during our audit of the basic financial statements. We and the other auditors 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules 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. The information has been subjected to the auditing procedures applied by us and the other auditors 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, based on our audit and the reports of other auditors, the information is 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 them.

Macias Gini & O'Connell LLP

Los Angeles, California
December 14, 2012

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2012. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive $12.131 billion. However, net assets are classified into three categories and the unrestricted component is negative $7.717 billion. See further discussion on page B-7.

During the current year, the County's net assets decreased by a total of $2.060 billion. Net assets related to governmental activities decreased by $1.789 billion, while net assets related to business-type activities decreased by $271 million. Growth in liabilities associated with postemployment health insurance benefits was $1.572 billion during the current year and continued to have a very significant effect on the County's financial condition and overall decrease in net assets. See further discussion on page B-7.

At the end of the current year, the County's General Fund reported a total fund balance of $2.642 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $260 million, restricted fund balance of $55 million, committed fund balance of $332 million, assigned fund balance of $405 million, and $1.590 billion of unassigned fund balance.

The County's capital asset balances were $18.490 billion at year-end and increased by $275 million during the year.

During the current year, the County's total long-term debt increased by $38 million. Newly issued and accreted long-term debt of $508 million exceeded bond maturities of $470 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 Assets presents information on all County assets and liabilities, with the difference representing net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

- Discretely Presented Component Unit - Component units are separate entities for which the County is financially accountable. First 5 LA is the only component unit that is discretely presented. As discussed in Note 20 to the basic financial statements, First 5 LA recognized an "extraordinary item" of $424 million in the current year which restored this amount to the net assets of this component unit due to a Superior Court decision that invalidated State Assembly Bill (AB) 99. In the prior year, an "extraordinary item" of like amount ($424 million) was recognized as a reduction of net assets to reflect First 5 LA's obligation to the State under AB 99.

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 Project Funds, and Permanent Funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $12.131 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 8,411,714	$ 9,065,797	$ 1,073,713	$ 892,800	$ 9,485,427	$ 9,958,597
Capital assets	15,701,869	15,563,696	2,787,966	2,650,760	18,489,835	18,214,456
Total assets	$ 24,113,583	$ 24,629,493	$ 3,861,679	$ 3,543,560	$ 27,975,262	$ 28,173,053
Current and other liabilities	$ 1,761,689	$ 2,218,534	$ 268,362	$ 179,700	$ 2,030,051	$ 2,398,234
Long-term liabilities	10,977,896	9,248,193	2,836,246	2,336,010	13,814,142	11,584,203
Total liabilities	$ 12,739,585	$ 11,466,727	$ 3,104,608	$ 2,515,710	$ 15,844,193	$ 13,982,437
Net assets:						
Invested in capital assets, net of related debt	14,593,171	14,484,468	2,241,059	2,242,340	16,834,230	16,726,808
Restricted net assets	2,908,564	2,925,662	104,997	122,216	3,013,561	3,047,878
Unrestricted net assets (deficit)	(6,127,737)	(4,247,364)	(1,588,985)	(1,336,706)	(7,716,722)	(5,584,070)
Total net assets	11,373,998	13,162,766	757,071	1,027,850	12,131,069	14,190,616
Total liabilities and net assets	$ 24,113,583	$ 24,629,493	$ 3,861,679	$ 3,543,560	$ 27,975,262	$ 28,173,053

Significant changes in assets and liabilities included the following:

Current and Other Assets

Current and other assets decreased by $654 million for governmental activities and increased by $181 million for business-type activities. For governmental activities, pooled cash and investment balances were lower by $231 million in the current year. However, there was a reduction of $515 million in investment purchase transactions which took place at the end of the current year and settled subsequent to the statement of net assets date. This decrease was offset by corresponding reductions in liabilities (Other Payables) of like amount. Changes in "internal balances" of $225 million had the effect of reducing assets for governmental activities and increasing assets for business-type activities by like amount. This change was primarily associated with a $359 million reduction in cash flow advances from governmental activities (the County's General Fund) to the business activities (the County's Hospitals).

Liabilities

Current and other liabilities decreased by $457 million for governmental activities, largely due to the previously mentioned $515 million reduction of liabilities associated with investment purchase transactions pending settlement at year-end. For business-type activities, a net increase of $89 million in current and other liabilities was primarily due to a $76 million increase in accounts payable for intergovernmental transfer expenses associated with the Hospitals. Long-term liabilities increased by $1.730 billion for governmental activities and by $500 million for business-type activities. Other postemployment benefits (OPEB) continued to be funded on a pay-as-you-go basis in the current year and OPEB-related liabilities increased for both governmental and business-type activities by $1.311 billion and $261 million, respectively. Additional significant factors increasing liabilities were higher compensated absences for the governmental activities 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 8 and 10 to the basic financial statements.

The County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($16.834 billion) represents its investment in capital assets (i.e., land, structures and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Assets

The County's restricted net assets at year-end were $3.014 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

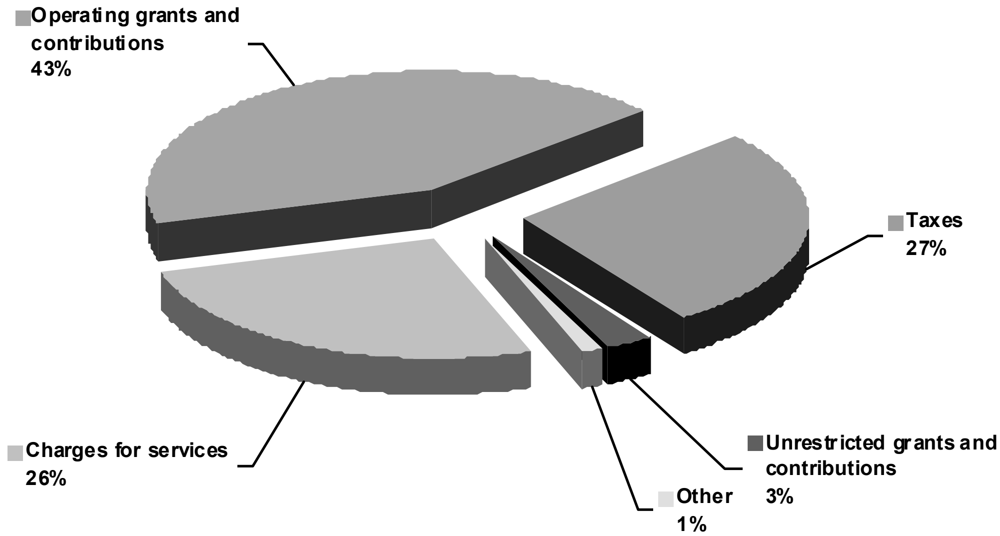
The County's total unrestricted net assets are negative $7.717 billion. Both governmental and business-type activities reported deficits in this category of $6.128 billion and $1.589 billion, respectively. The deficits closely parallel the OPEB related liabilities of $5.777 billion for governmental activities and $1.142 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 8 to the basic financial statements, the County established an OPEB trust fund during the current year.

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

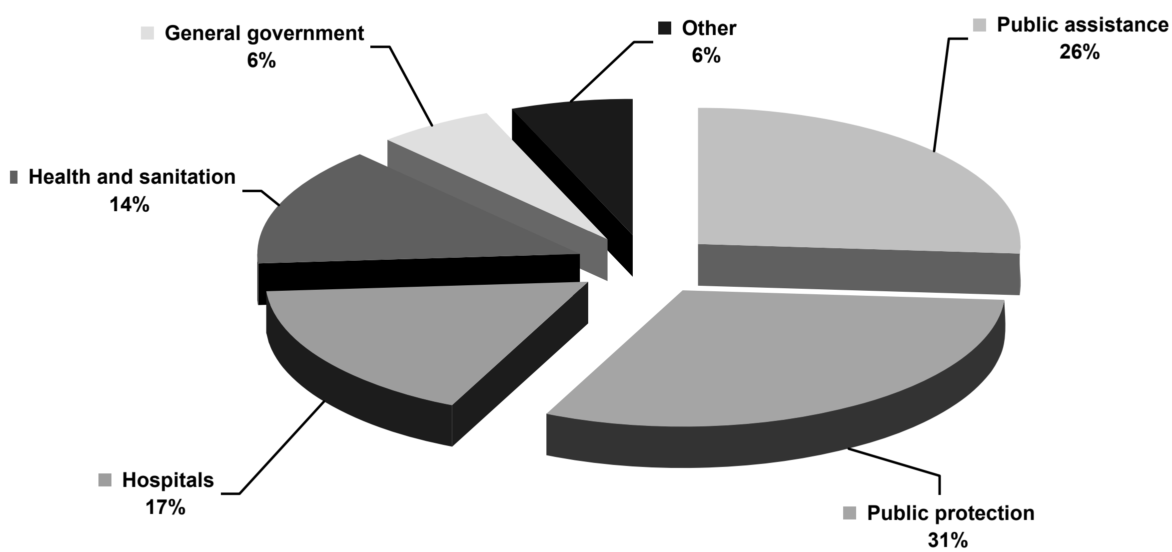
Summary of Changes in Net Assets
For the Years Ended June 30, 2012 and 2011
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 2,712,525	$ 2,657,587	$ 2,262,644	$ 2,283,048	$ 4,975,169	$ 4,940,635
Operating grants and contributions	7,715,282	7,939,142	776,779	681,471	8,492,061	8,620,613
Capital grants and contributions	38,352	149,569	1,311	437	39,663	150,006
General revenues:						
Taxes	5,192,668	5,046,783	4,382	4,265	5,197,050	5,051,048
Unrestricted grants and contributions	608,967	677,767	51	41	609,018	677,808
Investment earnings	82,271	80,746	1,770	2,142	84,041	82,888
Miscellaneous	134,827	129,963	21,657	28,232	156,484	158,195
Total revenues	16,484,892	16,681,557	3,068,594	2,999,636	19,553,486	19,681,193
Expenses:						
General government	1,315,662	1,100,781			1,315,662	1,100,781
Public protection	6,608,319	6,081,466			6,608,319	6,081,466
Public ways and facilities	355,527	417,250			355,527	417,250
Health and sanitation	3,036,296	2,781,183			3,036,296	2,781,183
Public assistance	5,599,244	5,728,637			5,599,244	5,728,637
Education	112,497	104,159			112,497	104,159
Recreation and cultural services	310,369	311,422			310,369	311,422
Interest on long-term debt	110,541	134,429			110,541	134,429
Hospitals			3,768,699	3,541,874	3,768,699	3,541,874
Waterworks			94,651	83,592	94,651	83,592
Aviation			5,022	4,658	5,022	4,658
Community Development Commission			289,924	284,048	289,924	284,048
Total expenses	17,448,455	16,659,327	4,158,296	3,914,172	21,606,751	20,573,499
Excess (deficiency) before transfers and extraordinary item	(963,563)	22,230	(1,089,702)	(914,536)	(2,053,265)	(892,306)
Transfers	(818,923)	(859,079)	818,923	859,079		
Extraordinary item	(6,282)				(6,282)	
Changes in net assets	(1,788,768)	(836,849)	(270,779)	(55,457)	(2,059,547)	(892,306)
Net assets – beginning	13,162,766	13,999,615	1,027,850	1,083,307	14,190,616	15,082,922
Net assets – ending	$ 11,373,998	$ 13,162,766	$ 757,071	$ 1,027,850	$ 12,131,069	$ 14,190,616

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012



Governmental Activities

Revenues from governmental activities decreased by $197 million (1.2%) 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 decreased by $224 million. State mental health revenues associated with the Mental Health Services Act (Proposition 63) were lower by $301 million as program revenues for Proposition 63 declined in the current year. The previous year's revenues were exceptionally higher as there were a large number of significant one-time program plans approved by the State, enabling the County to qualify for, and recognize, these revenues in the prior year. For public assistance programs, there was an $85 million reduction in federal stimulus revenues as this funding source was phased out in the current year and there were reduced revenues of $71 million associated with lower claimable costs for the California Work Opportunities and Responsibilities to Kids (CalWORKs) program, particularly in the areas of child care, eligibility and employment services. The above program revenue decreases were partially offset by $151 million of increased State revenues for public safety programs, which included new current year revenues of $106 million to fund the State's public safety realignment initiatives.

- Taxes, the County's largest general revenue source, were $146 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes, which grew by $134 million. The County's assessed property tax roll was 1.36% higher in the current year and the increase followed assessed value reductions in the two previous years. Property tax revenues also increased due to State legislation which dissolved redevelopment agencies and shifted residual property taxes to local government agencies, including the County. The County's share of such revenues in the current year was $100 million.

- Capital grants and contributions were $111 million lower than the previous year. In the previous year, the County recognized $85 million of one-time revenues associated with State Proposition 1B. Revenues from Proposition 1B provided transportation infrastructure funding to local governments, including the County and funded street and highway pavement maintenance, drainage facilities, traffic control devices, facilities that expand ridership on transit systems, and capital improvements to address local traffic congestion. There were no current year revenues from Proposition 1B and there were a variety of other current year revenues which comprised the remaining reduction of $26 million for this revenue category.

Governmental Activities-Continued

Expenses related to governmental activities increased by $789 million during the current year. The largest portion of the net increase was attributable to the public protection category, which grew by $527 million. As discussed in Note 1 to the basic financial statements, the County reevaluated liabilities for compensated absences and this accounted for $281 million of the growth in the public protection costs. Additional factors were salaries and paid benefits, which grew by $119 million and an increase of $88 million in workers' compensation expenses. There were also expense increases of $255 million in the health and sanitation sector. Of this amount, contractual service costs were higher by $140 million and were concentrated in mental health services. Salaries and employee benefits, including compensated absences and workers' compensation expenses, also grew by $98 million in the current year.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $69 million (2.3%). The most significant change was in the area of operating grants and contributions, which increased by $95 million and was associated with the County's Hospitals. As discussed in Note 13 to the basic financial statements, a federal funding program known as the Delivery System Reform Incentive Pool (DSRIP) provided nearly $443 million of revenues to the Hospitals. The DSRIP program began in the prior year and the year-to-year revenue increase for this program was $100 million. There were reduced revenues from charges for services of $20 million and all other revenues were $6 million lower in the current year.

Expenses related to business-type activities increased from the previous year by $244 million. The increased expenses were principally related to the Hospitals, where expenses were higher by $227 million. Intergovernmental transfer expenses were $155 million higher and these increases were associated with managed care programs ($84 million) and the DSRIP program ($80 million). There were reductions of $9 million for the intergovernmental transfers related to the Medi-Cal demonstration projects. Salaries and employee benefits associated with the Hospitals were also higher by $89 million. For all facilities, the average patient census during the current year was 1,263 patients per day, which was lower in comparison with 1,321 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.

Governmental Funds-Continued

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.144 billion, a decrease of $61 million in comparison with the prior year. Of the total fund balances, $306 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.237 billion is classified as restricted, $458 million as committed, and $553 million as assigned. The remaining balance of $1.590 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $16.455 billion, a decrease of $95 million (less than 1%) from the previous year. Expenditures for all governmental funds in the current year were $15.950 billion, an increase of $174 million (1.1%) from the previous year. In addition, other financing uses exceeded other financing sources by $560 million as compared to $483 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 decreased by $80 million (3.0%). At the end of the current fiscal year, the General Fund's total fund balance was $2.642 billion. Of this amount, $260 million is classified as nonspendable, $55 million as restricted, $332 million as committed, $405 million as assigned and the remaining $1.590 billion is classified as unassigned. In the prior year, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and amounts previously displayed as "designations" were classified as "assigned" fund balance. Based on clarification from GASB and as discussed in Note 1 to the basic financial statements, the County reclassified the former fund balance "designations" from assigned to committed in the current year.

General Fund revenues during the current year were $13.826 billion, an increase of $258 million (1.9%) from the previous year. General Fund expenditures during the current year were $13.619 billion, an increase of $65 million (less than 1%) from the previous year. Other financing sources/uses-net was negative $287 million in the current year as compared to negative $288 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $137 million and property taxes comprised $127 million of this increase. As previously mentioned, assessed property values were higher in the current year and there were also new property tax revenues from redevelopment dissolution and revenue increases associated with these two factors were $39 million and $88 million, respectively.

Governmental Funds-Continued

- Intergovernmental revenues increased overall by $126 million. Within this category, State revenues increased by $356 million, federal revenues declined by $208 million and revenues from other governmental agencies were lower by $22 million. State revenue growth of $165 million was largely associated with public protection programs, as the Sheriff's and Probation Departments recognized $96 million of new revenues associated with the State's Assembly Bill 109 public safety realignment initiative and there was also growth of $50 million from State Proposition 172 public safety revenues. There was also growth of $110 million in State revenues for mental health services. The decrease in federal revenues was principally due to the expiration of federal economic stimulus revenues, which funded a number of social service initiatives and was previously noted for public assistance programs.
- General fund expenditures increased by a total of $65 million, or less than 1%. Within this total, there were increases of $332 million in current expenditures, decreases in debt service expenditures of $254 million, and capital outlay expenditures were lower by $13 million. The most significant increase in current expenditures was in the health and sanitation category, where expenditures were higher by $213 million as mental health expenditures increased by $130 million, primarily due to higher levels of contracted program services. Public protection expenditures also grew by $136 million, of which $97 million was related to the Sheriff's Department and the remainder was concentrated in the Probation Department, District Attorney and Public Defender. In the previous year, the final payment of $243 million was made on pension obligation bonds and this accounted for nearly all of the year-to-year change in debt service expenditures.

The Fire Protection District reported a year-end fund balance of $204 million, which represented a decrease of $14 million from the previous year. Revenues were nearly unchanged in comparison to the previous year while expenditures increased by $8 million. Transfers out increased by $16 million in the current year and such transfers were made to a capital projects fund for purposes of accumulating funding to address facility improvement needs.

The Flood Control District reported a year-end fund balance of $195 million, which was $38 million higher than the previous year. Revenues were $10 million higher in the current year and increases were spread among several categories. Expenditures decreased by $31 million, or 14%, and nearly all of these reductions were due to lower infrastructure improvement expenditures of $26 million and lower equipment rental expenditures of $4 million.

The Public Library Fund reported a year-end fund balance of $54 million, which was $11 million higher than the previous year. Revenues were lower by $5 million, with most of the decrease associated with property taxes, as certain property tax revenues were transferred to a city which assumed direct operation of former County library facilities. Expenditures were also lower in the current year, decreasing by approximately $4 million. There was a net increase of $12 million for "transfers in," which was attributable to increased contributions from the County's General Fund. In the current year, sales of capital assets decreased by nearly $8 million as there was a significant sale of library facilities to the aforementioned city near the end of the prior year.

Governmental Funds-Continued

The Regional Park and Open Space District reported a year-end fund balance of $322 million, which was $12 million higher than the previous year. Current year revenues and expenditures were each slightly higher, increasing by $2 million and $4 million, respectively.

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 $77 million for Rancho Los Amigos National Rehabilitation Center to $258 million for the LAC+USC Medical Center. The total subsidy amount was $643 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." By comparison, the total General Fund subsidy in the prior year was $672 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 ($73 million), Harbor UCLA Medical Center ($63 million), and Olive View UCLA Medical Center ($58 million). The total amount of current year Measure B transfers ($194 million) was lower than the prior year amount of $202 million.

Waterworks Funds reported year-end net assets of $828 million, a $22 million reduction from the previous year. Current year operating revenues of $68 million were $10 million higher than the previous year amount of $58 million. Current year operating expenses of $95 million were also higher than the previous year's amount of $84 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting has not yet incorporated GASB 54 fund balance terminology and is discussed in Notes 1 and 15 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $36 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-(Negative)
Taxes	$ 93,868	$ 4,014,045	$ 3,977,557	$ (36,488)
Intergovernmental revenues	197,915	8,310,809	7,595,430	(715,379)
Charges for services	(24,779)	1,783,188	1,704,354	(78,834)
All other revenues	77,617	606,005	525,357	(80,648)
Other sources and transfers in	54,269	704,886	456,322	(248,564)
Total	$ 398,890	$ 15,418,933	$ 14,259,020	$ (1,159,913)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $399 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $198 million. Of this amount, $140 million was associated with State revenues for newly realigned programs operated by the County, primarily in the public safety sector. There was $45 million of State revenues added to the budget to reflect funding for the Seriously Emotionally Disturbed Children's program. There were other net additions to budgeted intergovernmental revenues of $13 million.

Changes from Amounts Originally Budgeted-Continued

- The budget for tax revenues was increased by $94 million. Of this increase, $86 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 $8 million of increased tax revenues was appropriated for a variety of programs.

- There was a net increase of $78 million related to "all other revenues" and $65 million of this amount was attributable to tobacco settlement revenues. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous revenue increases accounted for the remaining $13 million.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $1.160 billion, or 7.5%, 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 $715 million lower than the amount budgeted. Budgeted intergovernmental revenues of $200 million were not realized for various capital improvements, disaster recovery programs and homeland security projects, as these initiatives were not completed prior to year-end. Mental health programs accounted for approximately $187 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Approximately $155 million was associated with social service programs, where reimbursable costs were lower than anticipated due to hiring and promotion delays, reduced spending for services and supplies, and delays in implementing new systems. Public health related programs experienced budgeted revenue shortfalls of $54 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Registrar-Recorder did not realize $43 million of federal and state revenues associated with an anticipated election that was canceled during the fiscal year. The remaining variance of $76 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $249 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 $112 million lower than budgeted. In addition, "transfers in" totaling $107 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. The budget for the Sheriff's Department under-realized the budgeted amount of "transfers in" by $25 million as such funds were not required as anticipated. There were various other sources and transfers that comprised the remaining variance of $5 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, reserves, and designations (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (3,285)	$ 1,659,144	$ 907,092	$ 752,052
Public protection	130,805	4,799,296	4,584,081	215,215
Health and sanitation	(23,254)	3,189,050	2,822,989	366,061
Public assistance	62,389	5,558,176	5,139,887	418,289
All other expenditures	42,741	1,115,615	366,497	749,118
Transfers out	17,947	644,949	628,344	16,605
Contingencies	74,612	74,612		74,612
Reserves/designations-net	96,935	(20,338)	(153,801)	133,463
Total	$ 398,890	$ 17,020,504	$14,295,089	$ 2,725,415

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $399 million. As discussed below, the most significant increases occurred in the following areas:

- Appropriations were increased for the public protection category by $131 million. Of this amount, $108 million was appropriated for newly realigned State programs associated with public safety. An additional $10 million was allocated for various Sheriff's and Probation Departments' programs, and the remaining $13 million augmented various other programs.
- Provisions for net reserves and designations were increased during the year by $97 million. At the end of the fiscal year, the designation for health services, which is predominately funded by tobacco settlement revenues, was increased by $73 million. This amount was comprised of tobacco settlement revenues recognized in the current year ($65 million) plus prior year funds that were appropriated, but unexpended ($8 million). There were net increases of $26 million to reserve amounts funded by local utility tax revenues, pending their required allocation for services to unincorporated County areas. Miscellaneous decreases of $2 million were made to other reserves and designations.
- After the original budget was established, appropriations for contingencies were increased by $75 million. As previously mentioned, there was an $86 million increase at the end of the fiscal year to budgeted tax revenues, which was accompanied by an increase in the appropriations for contingencies for purposes of complying with statutory requirements. There were also various reductions in the appropriations for contingencies totaling $11 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.725 billion lower (16.0%) than the final total budget of $17.021 billion. There were budgetary savings in all functional expenditure categories. Due to ongoing economic uncertainties, the County remained fiscally prudent in managing appropriations throughout the fiscal year. Savings were achieved through a variety of measures including departmental hiring freezes, prioritization of purchases of services and supplies and capital assets, and continued reliance on efficiency initiatives. Following are the functional areas that recognized the largest variations from the final budget:

- The general government function reported actual expenditures that were $752 million less than the amount budgeted. Of this amount, $580 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 $172 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.

- The category referred to as "all other expenditures" reflected actual spending of $749 million less than the budgeted amount. Nearly all ($739 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.

- Actual public assistance expenditures were $418 million lower than the final budget. Of this amount, $355 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 $39 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance amount of $24 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $366 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $256 million, primarily due to less than anticipated costs for contracted services and to a lesser extent, salary savings. Public Health Services recognized budgetary savings of $89 million, primarily due to lower than expected contract service costs. The remaining variance of $21 million was associated with programs administered by the Department of Health Services.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2012 were $18.490 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 $275 million, as shown in the following table.

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

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,533,637	$ 7,520,029	$ 13,608
Buildings and improvements	3,907,035	3,917,585	(10,550)
Infrastructure	5,106,802	5,044,706	62,096
Equipment	501,887	496,315	5,572
Software	337,633	294,865	42,768
Capital assets, in progress	1,102,841	940,956	161,885
Total	$ 18,489,835	$ 18,214,456	$ 275,379

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 $88 million was capitalized for surgical facilities and seismic retrofit projects. There were an additional $88 million of capitalized construction costs for the Martin Luther King, Jr. inpatient tower project, and $44 million for the Martin Luther King, Jr. Multi-Service Ambulatory Care Center project. As of the end of the current year, there were $475 million of capital construction commitments outstanding and as discussed in the subsequent events note to the basic financial statements (Note 21), the Board approved $720 million of new capital asset commitments in November 2012.

Debt Administration

During the current year, the County's liabilities for long-term debt increased by $38 million, as newly issued debt and accretions of $508 million exceeded debt maturities of $470 million. Specific changes related to governmental and business-type activities are presented in Note 10 (Long-Term Obligations) to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- Commercial paper proceeds of $370 million were issued for governmental and business-type activities in the amounts of $189 million and $181 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 13 to the basic financial statements) and fire department facilities. For business-type activities, debt was issued to finance hospital and ambulatory care improvements.

- New debt of $79 million was issued to finance the acquisition of equipment. Equipment debt totaling $95 million was redeemed during the year in accordance with maturity schedules.

- Current refunding debt of $51 million, along with bond reserve funds, was issued to refund $58 million of outstanding bond principal.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $1.3 billion in tax and revenue anticipation notes, with maturities of $300 million on February 29, 2012, $500 million on March 30, 2012, and $500 million on June 29, 2012. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

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

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

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

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

- Moody's upgraded the rating for the Flood Control District Revenue Bonds from Aa1 to Aaa and upgraded the rating for Regional Park and Open Space District Bonds from Aa2 to Aa1.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2012-2013 Budget on June 25, 2012. The Budget was adopted based on estimated fund balances that would be available at the end of 2011-2012. The Board updated the Budget on October 2, 2012 to reflect final 2011-2012 fund balances and other pertinent financial information. For the County's General Fund, the 2012-2013 Budget, as updated in October 2012, utilized $1.566 billion of fund balance, which exceeded the previously estimated fund balance of $1.270 billion. Of the additional fund balance of $296 million, $104 million was used to carryover lapsed appropriations and the remaining $192 million was used to fund one-time projects and programs.

After four consecutive years of budget reductions and fiscal challenges, the County's 2012-2013 budget outlook was improved and did not require program reductions or departmental curtailments. The County Assessor has released the Net Local Property Tax Roll for 2012-13 and it is 1.14% higher than the previous year. This marks the second consecutive year of increased assessed property values. Despite the relative stability of the 2012-2013 County Budget, there was a cautionary spending approach as the Board reaffirmed a hard hiring freeze, except for critical health and safety positions. Non-essential purchases of services, supplies, and capital assets also remain under close scrutiny.

The County's budgetary process continues to closely monitor the State of California's economic recovery and there are signs of an improved budget outlook at the State level. The State Legislative Analyst's Office (LAO) reports that the State budget situation has improved sharply. The improved economy, State budget reductions and voter approval of temporary taxes (State Proposition 30) have combined to significantly reduce the prospects of a State budget deficit for 2013-2014.

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2012 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 3,641,157	56,369	$ 3,697,526	$ 809,663
Other (Note 1)	1,334,755	44,210	1,378,965	
Total pooled cash and investments	4,975,912	100,579	5,076,491	809,663
Other investments (Note 5)	550,763	42,636	593,399	
Taxes receivable	272,361	991	273,352	
Accounts receivable - net (Note 13)		1,135,385	1,135,385	
Interest receivable	9,775	328	10,103	385
Other receivables	1,754,702	280,096	2,034,798	45,613
Internal balances (Note 14)	735,278	(735,278)		
Inventories	102,264	17,537	119,801	
Restricted assets (Note 5)	10,659	231,439	242,098	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,920,623	715,855	8,636,478	2,039
Capital assets, net of accumulated depreciation	7,781,246	2,072,111	9,853,357	10,739
Total capital assets	15,701,869	2,787,966	18,489,835	12,778
TOTAL ASSETS	24,113,583	3,861,679	27,975,262	868,439
LIABILITIES				
Accounts payable	415,535	166,694	582,229	22,593
Accrued payroll	350,103	73,189	423,292	
Other payables (Note 5)	547,994	12,278	560,272	3,644
Accrued interest payable	20,902	14,215	35,117	
Unearned revenue	39,604	1,696	41,300	
Advances payable	387,551	290	387,841	
Long-term liabilities: (Note 10)				
Due within one year	857,543	289,498	1,147,041	81
Due in more than one year	10,120,353	2,546,748	12,667,101	313
TOTAL LIABILITIES	12,739,585	3,104,608	15,844,193	26,631
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	14,593,171	2,241,059	16,834,230	12,778
Restricted for:				
Capital projects	82,520		82,520	
Debt service	58,399	38,829	97,228	
Permanent funds - nonspendable	2,240		2,240	
Permanent funds - spendable	404		404	
General government	551,124		551,124	
Public protection	520,161		520,161	
Public ways and facilities	461,502	53,997	515,499	
Health and sanitation	624,337		624,337	
Recreation	329,385		329,385	
Community development	269,128	12,171	281,299	
Other	9,364		9,364	829,030
Unrestricted (deficit)	(6,127,737)	(1,588,985)	(7,716,722)	
TOTAL NET ASSETS	$ 11,373,998	757,071	$ 12,131,069	$ 841,808

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, 2012 (in thousands)

FUNCTIONS		PROGRAM REVENUES		
PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,315,662	455,062	83,141	3,057
Public protection	6,608,319	1,304,650	1,241,768	31,367
Public ways and facilities	355,527	36,828	213,883	3,812
Health and sanitation	3,036,296	665,863	1,725,711	116
Public assistance	5,599,244	63,981	4,447,838	
Education	112,497	2,990	1,417	
Recreation and cultural services	310,369	183,151	1,524	
Interest on long-term debt	110,541			
Total governmental activities	17,448,455	2,712,525	7,715,282	38,352
Business-type activities:				
Hospitals	3,768,699	2,181,405	491,093	
Waterworks	94,651	66,504	204	
Aviation	5,022	3,806	979	1,311
Community Development Commission	289,924	10,929	284,503	
Total business-type activities	4,158,296	2,262,644	776,779	1,311
Total primary government	$ 21,606,751	4,975,169	8,492,061	39,663
COMPONENT UNIT -				
First 5 LA	$ 139,596	$	108,770	$

GENERAL REVENUES:
Taxes:
Property taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Sales and use taxes, levied by the State
Grants and contributions not restricted
to special programs
Investment income
Miscellaneous
EXTRAORDINARY ITEMS (Note 20):
Reversal of State of California - AB 99 liability
Net assets transferred to private-purpose trust fund
TRANSFERS - NET
Total general revenues, extraordinary items and transfers
CHANGE IN NET ASSETS
NET ASSETS, JULY 1, 2011
NET ASSETS, JUNE 30, 2012

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

NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (774,402)		$ (774,402)		General government
(4,030,534)		(4,030,534)		Public protection
(101,004)		(101,004)		Public ways and facilities
(644,606)		(644,606)		Health and sanitation
(1,087,425)		(1,087,425)		Public assistance
(108,090)		(108,090)		Education
(125,694)		(125,694)		Recreation and cultural services
(110,541)		(110,541)		Interest on long-term debt
(6,982,296)		(6,982,296)		Total governmental activities
				Business-type activities:
	(1,096,201)	(1,096,201)		Hospitals
	(27,943)	(27,943)		Waterworks
	1,074	1,074		Aviation
	5,508	5,508		Community Development Commission
	(1,117,562)	(1,117,562)		Total business-type activities
(6,982,296)	(1,117,562)	(8,099,858)		Total primary government
				COMPONENT UNIT -
			$ (30,826)	Total - First 5 LA
				GENERAL REVENUES:
				Taxes:
4,615,965	4,382	4,620,347		Property taxes
57,985		57,985		Utility users taxes
338,134		338,134		Voter approved taxes
48,266		48,266		Documentary transfer taxes
49,371		49,371		Other taxes
82,947		82,947		Sales and use taxes, levied by the State
608,967	51	609,018		Grants and contributions not restricted to special programs
82,271	1,770	84,041	916	Investment income
134,827	21,657	156,484	9	Miscellaneous
				EXTRAORDINARY ITEMS (Note 20):
			424,389	Reversal of State of California - AB 99 liability
(6,282)		(6,282)		Net assets transferred to private-purpose trust fund
(818,923)	818,923			TRANSFERS - NET
5,193,528	846,783	6,040,311	425,314	Total general revenues, extraordinary items and transfers
(1,788,768)	(270,779)	(2,059,547)	394,488	CHANGE IN NET ASSETS
13,162,766	1,027,850	14,190,616	447,320	NET ASSETS, JULY 1, 2011
$ 11,373,998	757,071	$ 12,131,069	$ 841,808	NET ASSETS, JUNE 30, 2012

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 820,310	129,190	173,402	47,033
Other (Note 1)	1,190,548	53,381	14,483	4,066
Total pooled cash and investments	2,010,858	182,571	187,885	51,099
Other investments (Notes 4 and 5)	11,109			119
Taxes receivable	186,830	45,367	14,223	6,531
Interest receivable	2,965	332	422	117
Other receivables	1,583,132	38,102	9,167	1,644
Due from other funds (Note 14)	407,604	3,471	8,699	6,405
Advances to other funds (Note 14)	703,512		6,534	
Inventories	51,616	14,862		1,565
TOTAL ASSETS	$ 4,957,626	284,705	226,930	67,480
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 354,119	4,727	4,091	1,257
Accrued payroll	303,615	28,553		3,263
Other payables (Note 5)	525,438	2,278		426
Due to other funds (Note 14)	390,153	12,806	14,092	3,433
Deferred revenue	346,488	32,776	14,076	4,748
Advances payable	379,847			
Third party payor (Notes 10 and 13)	16,015			
TOTAL LIABILITIES	2,315,675	81,140	32,259	13,127
FUND BALANCES (Note 19):				
Nonspendable	259,597	14,862		1,565
Restricted	55,115	188,703	194,572	9,661
Committed	332,255			
Assigned	405,285		99	43,127
Unassigned	1,589,699			
TOTAL FUND BALANCES	2,641,951	203,565	194,671	54,353
TOTAL LIABILITIES AND FUND BALANCES	$ 4,957,626	284,705	226,930	67,480

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)
$ 321,988	2,114,971		$ 3,606,894	Operating (Note 1)
4,828	62,473		1,329,779	Other (Note 1)
326,816	2,177,444		4,936,673	Total pooled cash and investments
	702,865	(170,725)	543,368	Other investments (Notes 4 and 5)
2,766	16,644		272,361	Taxes receivable
788	5,043		9,667	Interest receivable
5,169	75,258		1,712,472	Other receivables
95	344,079		770,353	Due from other funds (Note 14)
	16,117		726,163	Advances to other funds (Note 14)
	23,508		91,551	Inventories
$ 335,634	3,360,958	(170,725)	$ 9,062,608	TOTAL ASSETS
				LIABILITIES AND FUND BALANCES
				LIABILITIES:
$ 959	43,586		$ 408,739	Accounts payable
	94		335,525	Accrued payroll
	17,780		545,922	Other payables (Note 5)
6,552	357,977		785,013	Due to other funds (Note 14)
5,959	36,435		440,482	Deferred revenue
	6,833		386,680	Advances payable
	654		16,669	Third party payor (Notes 10 and 13)
13,470	463,359		2,919,030	TOTAL LIABILITIES
				FUND BALANCES (Note 19):
	29,944		305,968	Nonspendable
322,164	2,637,268	(170,725)	3,236,758	Restricted
	125,838		458,093	Committed
	104,549		553,060	Assigned
			1,589,699	Unassigned
322,164	2,897,599	(170,725)	6,143,578	TOTAL FUND BALANCES
$ 335,634	3,360,958	(170,725)	$ 9,062,608	TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012 (in thousands)

Fund balances - total governmental funds (page B-29)		$ 6,143,578
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	$ 7,278,235	
Construction-in-progress	642,388	
Buildings and improvements - net	2,687,634	
Equipment - net	281,300	
Intangible software - net	296,794	
Infrastructure - net	4,381,908	15,568,259
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	$ 199,232	
Long-term receivables	234,199	433,431
Accrued interest payable is not recognized in governmental funds.		(20,734)
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 (including accreted interest)	$ (1,717,093)	
Capital lease obligations	(190,613)	
Accrued compensated absences	(1,130,688)	
Workers' compensation	(1,811,663)	
Litigation and self-insurance	(156,733)	
Pollution remediation obligations	(25,294)	
OPEB obligation	(5,529,309)	(10,561,393)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net assets.		(189,143)
Net assets of governmental activities (page B-25)		$ 11,373,998

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, 2012 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 3,980,409	628,948	101,735	67,829
Licenses, permits and franchises	57,144	12,954	705	
Fines, forfeitures and penalties	217,972	4,092	1,500	540
Revenue from use of money and property:				
Investment income (Note 5)	39,258	1,342	1,911	510
Rents and concessions (Note 9)	61,752	113	7,565	15
Royalties	2,019		1,154	
Intergovernmental revenues:				
Federal	3,081,893	14,989	769	90
State	4,464,100	11,826	4,502	1,847
Other	86,821	22,493	5,529	1,470
Charges for services	1,700,540	163,127	116,758	2,298
Miscellaneous	134,071	874	4,733	1,739
TOTAL REVENUES	13,825,979	860,758	246,861	76,338
EXPENDITURES:				
Current:				
General government	983,077			
Public protection	4,538,075	855,987	189,656	
Public ways and facilities				
Health and sanitation	2,689,192			
Public assistance	5,108,516			
Education				109,089
Recreation and cultural services	255,818			
Debt service:				
Principal	5,295	745		270
Interest and other charges	19,307	129		20
Capital outlay	20,106			
TOTAL EXPENDITURES	13,619,386	856,861	189,656	109,379
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	206,593	3,897	57,205	(33,041)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 14)	466,078		226	50,464
Transfers out (Note 14)	(772,080)	(18,325)	(19,885)	(6,065)
Issuance of debt (Note 10)				
Refunding bonds issued (Note 10)				
Proceeds for capital leases (Note 9)	15,128			
Sales of capital assets	3,789	235	21	2
TOTAL OTHER FINANCING SOURCES (USES)	(287,085)	(18,090)	(19,638)	44,401
EXTRAORDINARY ITEM (Note 20) - Net assets transferred to private-purpose trust fund				
NET CHANGE IN FUND BALANCES	(80,492)	(14,193)	37,567	11,360
FUND BALANCES, JULY 1, 2011	2,722,443	217,758	157,104	42,993
FUND BALANCES, JUNE 30, 2012	$ 2,641,951	203,565	194,671	54,353

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:
$	325,577		$ 5,104,498	Taxes
	12,449		83,252	Licenses, permits and franchises
713	75,493		300,310	Fines, forfeitures and penalties
				Revenue from use of money and property:
5,526	42,670	(9,270)	81,947	Investment income (Note 5)
	44,733		114,178	Rents and concessions (Note 9)
	273		3,446	Royalties
				Intergovernmental revenues:
	136,268		3,234,009	Federal
	488,596		4,970,871	State
	14,904		131,217	Other
79,484	145,351		2,207,558	Charges for services
	82,583		224,000	Miscellaneous
85,723	1,368,897	(9,270)	16,455,286	TOTAL REVENUES
				EXPENDITURES:
				Current:
	16,885		999,962	General government
	65,379		5,649,097	Public protection
	324,449		324,449	Public ways and facilities
	151,340		2,840,532	Health and sanitation
	144,410		5,252,926	Public assistance
	70		109,159	Education
37,063	6,782		299,663	Recreation and cultural services
				Debt service:
	207,201	(26,560)	186,951	Principal
	100,812	(9,270)	110,998	Interest and other charges
	156,091		176,197	Capital outlay
37,063	1,173,419	(35,830)	15,949,934	TOTAL EXPENDITURES
48,660	195,478	26,560	505,352	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES):
	202,797		719,565	Transfers in (Note 14)
(36,577)	(689,646)		(1,542,578)	Transfers out (Note 14)
	192,281		192,281	Issuance of debt (Note 10)
	50,675		50,675	Refunding bonds issued (Note 10)
			15,128	Proceeds for capital leases (Note 9)
	686		4,733	Sales of capital assets
(36,577)	(243,207)		(560,196)	TOTAL OTHER FINANCING SOURCES (USES)
	(6,282)		(6,282)	EXTRAORDINARY ITEM (Note 20) - Net assets transferred to private-purpose trust fund
12,083	(54,011)	26,560	(61,126)	NET CHANGE IN FUND BALANCES
310,081	2,951,610	(197,285)	6,204,704	FUND BALANCES, JULY 1, 2011
$ 322,164	2,897,599	(170,725)	$ 6,143,578	FUND BALANCES, JUNE 30, 2012

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, 2012 (in thousands)

Net change in fund balances - total governmental funds (page B-33)		$ (61,126)
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	$ 457,331	
Less - current year depreciation expense	(348,944)	108,387
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.		(4,306)
Contribution of capital assets is not recognized in the governmental funds.		35,295
Revenue timing differences result in more revenue in government-wide statements.		(58,601)
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net assets.		(258,084)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Certificates of participation	$ 139,817	
Assessment bonds	26,560	
Other long-term notes, loans and capital leases	22,470	188,847
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	$ (61,781)	
Change in litigation and self-insurance	(39,366)	
Change in pollution remediation obligations	2,801	
Change in accrued compensated absences	(334,045)	
Change in OPEB obligation	(1,255,782)	
Change in accrued interest payable	5,906	
Change in accretion of tobacco settlement bonds	(2,321)	
Transfer of capital assets from governmental fund to enterprise fund	(1,478)	(1,686,066)
The portion of internal service funds that is reported with governmental activities.		(53,114)
Change in net assets of governmental activities (page B-27)		$ (1,788,768)

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, 2012 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 3,920,177	4,014,045	3,977,557	(36,488)
Licenses, permits and franchises	46,494	47,169	57,144	9,975
Fines, forfeitures and penalties	224,114	224,114	217,972	(6,142)
Revenue from use of money and property:				
Investment income	56,387	57,087	36,989	(20,098)
Rents and concessions	96,696	96,696	61,752	(34,944)
Royalties	225	225	2,019	1,794
Intergovernmental revenues:				
Federal	3,643,401	3,669,259	3,066,041	(603,218)
State	4,313,050	4,484,566	4,440,333	(44,233)
Other	156,443	156,984	89,056	(67,928)
Charges for services	1,807,967	1,783,188	1,704,354	(78,834)
Miscellaneous	104,472	180,714	149,481	(31,233)
TOTAL REVENUES	14,369,426	14,714,047	13,802,698	(911,349)
EXPENDITURES:				
Current:				
General government	1,662,429	1,659,144	907,092	(752,052)
Public protection	4,668,491	4,799,296	4,584,081	(215,215)
Health and sanitation	3,212,304	3,189,050	2,822,989	(366,061)
Public assistance	5,495,787	5,558,176	5,139,887	(418,289)
Recreation and cultural services	269,125	270,751	260,647	(10,104)
Debt service-				
Interest	5,456	5,456	5,456	
Capital outlay	798,293	839,408	100,394	(739,014)
TOTAL EXPENDITURES	16,111,885	16,321,281	13,820,546	(2,500,735)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,742,459)	(1,607,234)	(17,848)	1,589,386
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	8,471	8,471	3,789	(4,682)
Transfers in	642,146	696,415	452,533	(243,882)
Transfers out	(627,002)	(644,949)	(628,344)	16,605
Appropriation for contingencies		(74,612)		74,612
Changes in reserves and designations	117,273	20,338	153,801	133,463
OTHER FINANCING SOURCES (USES) - NET	140,888	5,663	(18,221)	(23,884)
NET CHANGE IN FUND BALANCE	(1,601,571)	(1,601,571)	(36,069)	1,565,502
FUND BALANCE, JULY 1, 2011 (Note 15)	1,601,571	1,601,571	1,601,571	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		1,565,502	1,565,502

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, 2012 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 619,509	628,031	628,563	532
Licenses, permits and franchises	13,007	13,007	12,954	(53)
Fines, forfeitures and penalties	5,821	5,821	4,092	(1,729)
Revenue from use of money and property:				
Investment income	1,500	1,500	1,030	(470)
Rents and concessions	85	85	113	28
Intergovernmental revenues:				
Federal	20,602	24,316	14,989	(9,327)
State	12,012	12,265	11,826	(439)
Other	29,540	29,540	22,493	(7,047)
Charges for services	171,102	171,102	163,127	(7,975)
Miscellaneous	377	377	874	497
TOTAL REVENUES	873,555	886,044	860,061	(25,983)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	755,592	756,235	740,841	(15,394)
Services and supplies	149,144	146,009	108,124	(37,885)
Other charges	4,842	4,850	1,690	(3,160)
Capital assets	19,103	27,120	20,974	(6,146)
TOTAL EXPENDITURES	928,681	934,214	871,629	(62,585)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(55,126)	(48,170)	(11,568)	36,602
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	117	117	235	118
Transfers out	(13,123)	(17,686)	(17,686)	
Appropriation for contingencies		(8,522)		8,522
Changes in reserves and designations	(13,208)	(7,079)	(5,510)	1,569
OTHER FINANCING SOURCES (USES) - NET	(26,214)	(33,170)	(22,961)	10,209
NET CHANGE IN FUND BALANCE	(81,340)	(81,340)	(34,529)	46,811
FUND BALANCE, JULY 1, 2011 (Note 15)	81,340	81,340	81,340	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		46,811	46,811

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, 2012 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 97,311	101,264	101,684	420
Licenses, permits and franchises	695	695	705	10
Fines, forfeitures and penalties	2,178	2,178	1,500	(678)
Revenue from use of money and property:				
Investment income	2,360	2,360	1,452	(908)
Rents and concessions	7,879	7,879	7,565	(314)
Royalties	634	634	1,154	520
Intergovernmental revenues:				
Federal			769	769
State	852	852	4,502	3,650
Other	5,726	5,726	5,529	(197)
Charges for services	113,349	113,349	116,949	3,600
Miscellaneous	1,219	1,219	4,733	3,514
TOTAL REVENUES	232,203	236,156	246,542	10,386
EXPENDITURES:				
Current-Public protection:				
Services and supplies	194,999	194,699	168,808	(25,891)
Other charges	20,945	21,245	19,828	(1,417)
Capital assets	245	245	177	(68)
Capital outlay	21,479	21,479	12,703	(8,776)
TOTAL EXPENDITURES	237,668	237,668	201,516	(36,152)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,465)	(1,512)	45,026	46,538
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	300	300	21	(279)
Transfers in			99	99
Transfers out	(2,835)	(2,835)	(1,018)	1,817
Appropriation for contingencies		8,047		(8,047)
Changes in reserves and designations	(13,956)	(25,956)	(12,435)	13,521
OTHER FINANCING SOURCES (USES) - NET	(16,491)	(20,444)	(13,333)	7,111
NET CHANGE IN FUND BALANCE	(21,956)	(21,956)	31,693	53,649
FUND BALANCE, JULY 1, 2011 (Note 15)	21,956	21,956	21,956	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		53,649	53,649

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, 2012 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 65,432	67,900	67,901	1
Fines, forfeitures and penalties			540	540
Revenue from use of money and property:				
Investment income	400	400	386	(14)
Rents and concessions	15	15	15	
Intergovernmental revenues:				
Federal	61	61	90	29
State	857	857	1,847	990
Other	1,415	1,415	1,470	55
Charges for services	3,379	3,379	2,298	(1,081)
Miscellaneous	1,270	1,270	1,739	469
TOTAL REVENUES	72,829	75,297	76,286	989
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	79,669	79,669	70,791	(8,878)
Services and supplies	61,399	67,802	42,363	(25,439)
Other charges	426	426	319	(107)
Capital assets	695	695	325	(370)
TOTAL EXPENDITURES	142,189	148,592	113,798	(34,794)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(69,360)	(73,295)	(37,512)	35,783
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	13	13	2	(11)
Transfers in	53,761	60,164	50,464	(9,700)
Transfers out	(924)	(6,065)	(6,065)	
Appropriation for contingencies		(2,468)		2,468
Changes in reserves and designations	(9,277)	(4,136)	(2,498)	1,638
OTHER FINANCING SOURCES (USES) - NET	43,573	47,508	41,903	(5,605)
NET CHANGE IN FUND BALANCE	(25,787)	(25,787)	4,391	30,178
FUND BALANCE, JULY 1, 2011 (Note 15)	25,787	25,787	25,787	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$		30,178	30,178

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, 2012 (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	$ 950	950	713	(237)
Revenue from use of money and property-				
Investment income	4,217	4,217	4,688	471
Charges for services	81,129	81,129	79,555	(1,574)
TOTAL REVENUES	86,296	86,296	84,956	(1,340)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	5,914	5,914	5,069	(845)
Other charges	198,401	198,401	29,974	(168,427)
TOTAL EXPENDITURES	204,315	204,315	35,043	(169,272)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(118,019)	(118,019)	49,913	167,932
OTHER FINANCING SOURCES (USES):				
Transfers in	84,287	84,287	74,571	(9,716)
Transfers out	(120,765)	(120,765)	(111,148)	9,617
Appropriation for contingencies	(31,148)	(31,148)		31,148
Changes in reserves and designations	6,997	6,997	8,205	1,208
OTHER FINANCING SOURCES (USES) - NET	(60,629)	(60,629)	(28,372)	32,257
NET CHANGE IN FUND BALANCE	(178,648)	(178,648)	21,541	200,189
FUND BALANCE, JULY 1, 2011 (Note 15)	178,975	178,975	178,975	
FUND BALANCE, JUNE 30, 2012 (Note 15)	$ 327	327	200,516	200,189

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

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012 (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 (Note 1)	$ 1,677	594	1,448	251
Other (Note 1)	13,453	10,312	17,183	2,283
Total pooled cash and investments	15,130	10,906	18,631	2,534
Other investments (Note 5)				
Taxes receivable				
Accounts receivable - net (Note 13)	376,298	218,875	414,242	106,453
Interest receivable	114	22	64	3
Other receivables	15,261	14,961	24,842	4,912
Due from other funds (Note 14)	56,372	51,134	55,963	5,618
Advances to other funds (Note 14)				
Inventories	6,432	4,220	5,779	1,102
Total current assets	469,607	300,118	519,521	120,622
Noncurrent assets:				
Restricted assets (Note 5)	190,684	15,259	22,605	1,438
Other receivables (Note 13 and 14)	72,859	47,503	68,424	30,986
Capital assets: (Notes 6 and 9)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	272,319	152,939	1,079,042	187,179
Equipment	73,228	43,362	146,095	15,607
Intangible - software	15,352	13,878	18,158	5,085
Infrastructure				
Construction in progress	300,326	83,673	2,095	9,143
Less accumulated depreciation	(214,900)	(120,775)	(294,580)	(111,746)
Total capital assets - net	449,601	189,503	968,993	105,485
Total noncurrent assets	713,144	252,265	1,060,022	137,909
TOTAL ASSETS	1,182,751	552,383	1,579,543	258,531
LIABILITIES				
Current liabilities:				
Accounts payable	53,086	27,224	66,666	12,064
Accrued payroll	22,399	13,788	30,902	6,100
Other payables	4,333	2,022	3,666	1,105
Accrued interest payable	11,709	2,250	60	156
Due to other funds (Note 14)	66,776	43,032	73,428	13,330
Advances from other funds (Note 14)	251,887	204,430	188,095	57,000
Advances payable			290	
Unearned revenue			1,423	
Current portion of long-term liabilities (Note 10)	84,256	41,906	139,499	14,429
Total current liabilities	494,446	334,652	504,029	104,184
Noncurrent liabilities:				
Accrued compensated absences (Note 10)	54,607	30,185	69,804	12,816
Bonds and notes (Note 10)	415,974	76,855	6,436	15,525
Capital lease obligations (Notes 9 and 10)				
Workers' compensation (Notes 10 and 17)	70,173	21,790	110,347	20,155
Litigation and self-insurance (Notes 10 and 17)	24,773	1,539	51,114	
OPEB obligation (Notes 8 and 10)	321,321	222,975	492,955	104,895
Third party payor (Notes 10 and 13)	109,947	32,978	178,083	49,260
Total noncurrent liabilities	996,795	386,322	908,739	202,651
TOTAL LIABILITIES	1,491,241	720,974	1,412,768	306,835
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	164,703	94,231	872,325	83,486
Restricted:				
Debt service		1,336	22,041	
Public ways and facilities				
Community development commission				
Unrestricted (deficit)	(473,193)	(264,158)	(727,591)	(131,790)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ (308,490)	(168,591)	166,775	(48,304)

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

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	$ 44,649	7,274	$ 55,893	$ 34,739
Other (Note 1)	975	3	44,209	4,977
Total pooled cash and investments	45,624	7,277	100,102	39,716
Other investments (Note 5)		42,636	42,636	7,395
Taxes receivable	991		991	
Accounts receivable - net (Note 13)	12,352	7,165	1,135,385	
Interest receivable	107	17	327	109
Other receivables	348		60,324	8,929
Due from other funds (Note 14)	759	2	169,848	64,016
Advances to other funds (Note 14)	1,445		1,445	
Inventories	3	1	17,537	10,713
Total current assets	61,629	57,098	1,528,595	130,878
Noncurrent assets:				
Restricted assets (Note 5)			229,986	12,112
Other receivables (Note 13 and 14)			219,772	
Capital assets: (Notes 6 and 9)				
Land and easements	11,273	206,027	255,402	
Buildings and improvements	119,091	173,759	1,984,329	1,734
Equipment	889	3,410	282,591	275,581
Intangible - software	1,222		53,695	
Infrastructure	1,165,291	51,615	1,216,906	
Construction in progress	27,353	37,863	460,453	
Less accumulated depreciation	(545,883)	(185,920)	(1,473,804)	(135,311)
Total capital assets - net	779,236	286,754	2,779,572	142,004
Total noncurrent assets	779,236	286,754	3,229,330	154,116
TOTAL ASSETS	840,865	343,852	4,757,925	284,994
LIABILITIES				
Current liabilities:				
Accounts payable	3,483	4,095	166,618	6,872
Accrued payroll			73,189	14,578
Other payables		1,152	12,278	2,072
Accrued interest payable	17		14,192	191
Due to other funds (Note 14)	4,067	332	200,965	18,239
Advances from other funds (Note 14)		4,196	705,608	22,000
Advances payable			290	
Unearned revenue	65	208	1,696	123
Current portion of long-term liabilities (Note 10)	24	7,055	287,169	29,216
Total current liabilities	7,656	17,038	1,462,005	93,291
Noncurrent liabilities:				
Accrued compensated absences (Note 10)		62	167,474	44,700
Bonds and notes (Note 10)	5,032	40,202	560,024	49,060
Capital lease obligations (Notes 9 and 10)				87
Workers' compensation (Notes 10 and 17)			222,465	37,039
Litigation and self-insurance (Notes 10 and 17)			77,426	1,341
OPEB obligation (Notes 8 and 10)			1,142,146	247,665
Third party payor (Notes 10 and 13)			370,268	
Total noncurrent liabilities	5,032	40,264	2,539,803	379,892
TOTAL LIABILITIES	12,688	57,302	4,001,808	473,183
NET ASSETS				
Invested in capital assets, net of related debt (Notes 6 and 10)	774,180	251,242	2,240,167	88,168
Restricted:				
Debt service		15,452	38,829	
Public ways and facilities	53,997		53,997	
Community development commission		12,171	12,171	2,593
Unrestricted (deficit)		7,685	(1,589,047)	(278,950)
TOTAL NET ASSETS (DEFICIT) (Note 3)	$ 828,177	286,550	756,117	$ (188,189)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			954	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)			$ 757,071	

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (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 13)	$ 647,879	365,062	1,043,827	123,703
Rentals				
Charges for services				
Other (Note 13)	159,995	94,833	203,161	54,674
TOTAL OPERATING REVENUES	807,874	459,895	1,246,988	178,377
OPERATING EXPENSES:				
Salaries and employee benefits	595,476	375,046	841,045	167,570
Services and supplies	106,749	93,200	238,937	25,371
Other professional services	173,971	113,999	330,049	38,111
Depreciation and amortization (Note 6)	7,460	5,648	25,987	3,048
Medical malpractice	3,176	319	15,627	
Rent		1,718	5,602	1,867
TOTAL OPERATING EXPENSES	886,832	589,930	1,457,247	235,967
OPERATING LOSS	(78,958)	(130,035)	(210,259)	(57,590)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	12	64	508	16
Interest expense	(28,699)	(6,481)	(2,827)	(2,001)
Intergovernmental transfers expense (Note 13)	(173,424)	(79,921)	(268,286)	(36,411)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(202,111)	(86,338)	(270,605)	(38,396)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(281,069)	(216,373)	(480,864)	(95,986)
Capital contributions	551	497	430	
Transfers in (Note 14)	277,719	152,066	330,445	78,548
Transfers out (Note 14)	(1,333)	(144)	(23,731)	
CHANGE IN NET ASSETS	(4,132)	(63,954)	(173,720)	(17,438)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2011	(304,358)	(104,637)	340,495	(30,866)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2012	$ (308,490)	(168,591)	166,775	(48,304)

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

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES:				
Net patient service revenues (Note 13)	$		$ 2,180,471	$
Rentals		14,364	14,364	29,308
Charges for services	66,504	368	66,872	433,808
Other (Note 13)	1,003	625	514,291	
TOTAL OPERATING REVENUES	67,507	15,357	2,775,998	463,116
OPERATING EXPENSES:				
Salaries and employee benefits			1,979,137	400,778
Services and supplies	69,318	291,251	824,826	53,244
Other professional services	3,386	761	660,277	35,832
Depreciation and amortization (Note 6)	21,927	2,796	66,866	31,871
Medical malpractice			19,122	
Rent			9,187	
TOTAL OPERATING EXPENSES	94,631	294,808	3,559,415	521,725
OPERATING LOSS	(27,124)	(279,451)	(783,417)	(58,609)
NONOPERATING REVENUES (EXPENSES):				
Taxes	4,382		4,382	
Investment income	536	634	1,770	380
Interest expense	(20)	(138)	(40,166)	(1,814)
Intergovernmental transfers expense (Note 13)			(558,042)	
Intergovernmental revenues:				
State	121		121	
Federal	119	284,860	284,979	706
Other	15		15	
TOTAL NONOPERATING REVENUES (EXPENSES)	5,153	285,356	(306,941)	(728)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(21,971)	5,905	(1,090,358)	(59,337)
Capital contributions		1,311	2,789	
Transfers in (Note 14)		4,126	842,904	5,683
Transfers out (Note 14)	(254)		(25,462)	(112)
CHANGE IN NET ASSETS	(22,225)	11,342	(270,127)	(53,766)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2011	850,402	275,208		(134,423)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2012	$ 828,177	286,550		$ (188,189)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(652)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-27)			$ (270,779)	

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (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	$ 659,374	333,686	1,153,315	159,426
Rentals received				
Cash received from (returned for) charges for services				
Other operating revenues	160,012	94,835	203,163	54,678
Cash received for services provided to other funds	18,750	12,937	23,213	929
Cash paid for salaries and employee benefits	(515,671)	(311,573)	(709,926)	(140,228)
Cash paid for services and supplies	(35,496)	(9,321)	(111,796)	(6,397)
Other operating expenses	(182,076)	(118,032)	(338,786)	(43,343)
Cash paid for services from other funds	(72,603)	(40,691)	(75,833)	(12,198)
Net cash provided by (required for) operating activities	32,290	(38,159)	143,350	12,867
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash advances received from other funds	538,765	313,155	795,385	109,178
Cash advances paid/returned to other funds	(625,731)	(337,659)	(995,902)	(156,237)
Interest paid on advances	(842)	(773)	(1,014)	(185)
Intergovernmental transfers	(173,424)	(79,921)	(268,286)	(36,411)
Intergovernmental receipts				
Transfers in	277,719	152,066	330,445	78,548
Transfers out	(1,333)	(144)	(23,731)	
Net cash provided by noncapital financing activities	15,154	46,724	(163,103)	(5,107)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	55,341	32,340	89,254	4,000
Interest paid on capital borrowing	(33,643)	(6,738)	(1,951)	(2,172)
Principal payments on bonds and notes	(13,746)	(5,513)	(90,909)	(7,732)
Principal payments on capital leases				
Acquisition and construction of capital assets	(110,411)	(23,323)	(1,164)	(890)
Net cash provided by (required for) capital and related financing activities	(102,459)	(3,234)	(4,770)	(6,794)
CASH FLOWS FROM INVESTING ACTIVITIES - Investment income received	95	64	618	17
Net increase (decrease) in cash and cash equivalents	(54,920)	5,395	(23,905)	983
Cash and cash equivalents, July 1, 2011	260,734	20,770	65,141	2,989
Cash and cash equivalents, June 30, 2012	$ 205,814	26,165	41,236	3,972

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

ENTERPRISE FUNDS Waterworks Funds	Nonmajor Enterprise Funds	Total	GOVERNMENTAL ACTIVITIES Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$		$ 2,305,801	$	Cash received from patient services
	16,543	16,543	29,579	Rentals received
64,073	(807)	63,266	64,623	Cash received from (returned for) charges for services
1,003	625	514,316		Other operating revenues
		55,829	381,783	Cash received for services provided to other funds
	(20,169)	(1,697,567)	(344,646)	Cash paid for salaries and employee benefits
(70,454)	(273,970)	(507,434)	(47,352)	Cash paid for services and supplies
(3,386)	(761)	(686,384)	(35,832)	Other operating expenses
		(201,325)		Cash paid for services from other funds
(8,764)	(278,539)	(136,955)	48,155	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
	696	1,757,179		Cash advances received from other funds
(137)		(2,115,666)		Cash advances paid/returned to other funds
		(2,814)		Interest paid on advances
		(558,042)		Intergovernmental transfers
255	284,860	285,115	706	Intergovernmental receipts
	4,126	842,904	5,683	Transfers in
(254)		(25,462)	(112)	Transfers out
(136)	289,682	183,214	6,277	Net cash provided by noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
4,356		4,356		Proceeds from taxes
	1,311	1,311		Capital contributions
5,032	6	185,973	79,404	Proceeds from bonds and notes
(3)	(138)	(44,645)	(1,861)	Interest paid on capital borrowing
(22)		(117,922)	(94,910)	Principal payments on bonds and notes
			(43)	Principal payments on capital leases
(23)	(32,241)	(168,052)	(39,158)	Acquisition and construction of capital assets
9,340	(31,062)	(138,979)	(56,568)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES -
570	640	2,004	419	Investment income received
1,010	(19,279)	(90,716)	(1,717)	Net increase (decrease) in cash and cash equivalents
44,614	69,192	463,440	60,940	Cash and cash equivalents, July 1, 2011
$ 45,624	49,913	$ 372,724	$ 59,223	Cash and cash equivalents, June 30, 2012

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (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	$ (78,958)	(130,035)	(210,259)	(57,590)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	7,460	5,648	25,987	3,048
Other revenues (expenses) - net	(46,974)	11,123	(1,118)	(1)
(Increase) decrease in:				
Accounts receivable - net	(28,979)	(18,398)	27,709	5,070
Other receivables	(22,375)	9,359	(10,313)	(8,433)
Due from other funds	25,182	(13,393)	63,626	15,699
Inventories	(2,202)	(315)	1,434	157
Increase (decrease) in:				
Accounts payable	32,128	16,154	36,546	8,213
Accrued payroll	932	877	653	314
Other payables	56	37	66	23
Accrued compensated absences	11,885	6,995	16,345	2,427
Due to other funds	15,715	16,228	14,448	(1,589)
Unearned revenue			1,384	
Workers' compensation	(6,569)	(755)	(3,947)	(1,061)
Litigation and self-insurance	(3,852)	(842)	20,255	(3,365)
OPEB obligation	71,019	54,839	109,161	25,529
Third party payor	57,822	4,319	51,373	24,426
TOTAL ADJUSTMENTS	111,248	91,876	353,609	70,457
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 32,290	(38,159)	143,350	12,867
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Assets acquired from capital leases	$			
Capital contributions	551	497	430	
TOTAL	$ 551	497	430	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Pooled cash and investments	$ 15,130	10,906	18,631	2,534
Other investments				
Restricted assets	190,684	15,259	22,605	1,438
TOTAL	$ 205,814	26,165	41,236	3,972

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

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating loss	$ (27,124)	(279,451)	$ (783,417)	$ (58,609)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	21,927	2,796	66,866	31,871
Other revenues (expenses) - net	3	(284)	(37,251)	(807)
(Increase) decrease in:				
Accounts receivable - net	(1,947)	1,054	(15,491)	
Other receivables	(1)		(31,763)	228
Due from other funds	(41)	(1)	91,072	13,639
Inventories		(1)	(927)	(688)
Increase (decrease) in:				
Accounts payable	227	(594)	92,674	1,521
Accrued payroll			2,776	337
Other payables		(677)	(495)	124
Accrued compensated absences		85	37,737	5,863
Due to other funds	(1,366)	(1,417)	42,019	(2,111)
Unearned revenue	(442)	(49)	893	69
Workers' compensation			(12,332)	2,469
Litigation and self-insurance			12,196	(950)
OPEB obligation			260,548	55,199
Third party payor			137,940	
TOTAL ADJUSTMENTS	18,360	912	646,462	106,764
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (8,764)	(278,539)	$ (136,955)	$ 48,155
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Assets acquired from capital leases	$		$	$ 11
Capital contributions			1,478	
TOTAL	$		$ 1,478	$ 11
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Pooled cash and investments	$ 45,624	7,277	$ 100,102	$ 39,716
Other investments		42,636	42,636	7,395
Restricted assets			229,986	12,112
TOTAL	$ 45,624	49,913	$ 372,724	$ 59,223

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	CDC PRIVATE-PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS				
Pooled cash and investments (Note 5)	$ 63,046	$ 14,250,254	$	$ 1,468,892
Other investments: (Note 5)		97,933	2,346	302
Stocks	19,139,191			
Bonds	9,470,150			
Short-term investments	1,133,643			
Commodities	929,259			
Real estate	3,899,087			
Mortgages	144,185			
Alternative assets	4,041,846			
Cash collateral on loaned securities	1,469,510			
Taxes receivable				330,905
Interest receivable	110,360	33,815		17,667
Other receivables	806,278	237,000	22	
Inventories (Note 1)			5,368	
TOTAL ASSETS	41,206,555	14,619,002	7,736	$ 1,817,766
LIABILITIES				
Accounts payable	1,367,869		75	
Other payables (Note 5)	1,531,930	602,118	179	
Due to other governments			1,511	1,817,766
TOTAL LIABILITIES	2,899,799	602,118	1,765	$ 1,817,766
NET ASSETS HELD IN TRUST	$ 38,306,756	$ 14,016,884	$ 5,971	

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	CDC PRIVATE-PURPOSE TRUST FUND
ADDITIONS:			
Contributions:			
Pension trust contributions:			
Employer	$ 1,078,929	$	$
Member	506,758		
Contributions to investment trust funds		37,262,271	
Total contributions	1,585,687	37,262,271	
Investment earnings:			
Investment income	1,213,169	176,200	16
Net decrease in the fair value of investments	(1,432,805)		
Securities lending income (Note 5)	4,234		
Total investment earnings (losses)	(215,402)	176,200	16
Less - Investment expenses:			
Expense from investing activities	75,216		
Expense from securities lending activities (Note 5)	391		
Total net investment expense	75,607		
Net investment earnings (losses)	(291,009)	176,200	16
Miscellaneous	1,004		39
TOTAL ADDITIONS	1,295,682	37,438,471	55
DEDUCTIONS:			
Salaries and employee benefits	38,069		
Services and supplies	12,149		366
Benefit payments	2,372,977		
Distributions from investment trust funds		39,062,751	
Miscellaneous	17,742		
TOTAL DEDUCTIONS	2,440,937	39,062,751	366
EXTRAORDINARY ITEM (Note 20) -			
Net assets transferred from CDC special revenue fund			6,282
CHANGE IN NET ASSETS	(1,145,255)	(1,624,280)	5,971
NET ASSETS HELD IN TRUST, JULY 1, 2011	39,452,011	15,641,164	
NET ASSETS HELD IN TRUST, JUNE 30, 2012	$ 38,306,756	$ 14,016,884	$ 5,971

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 the Governmental Accounting Standards Board (GASB), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

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

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

Net assets are classified into the following three categories: 1) invested in capital assets, net of related debt; 2) restricted and 3) unrestricted. Net assets are reported as restricted when they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the restricted net assets balances were $2.91 billion and $105.00 million for governmental activities and business-type activities, respectively. For governmental activities, $707.30 million was restricted by enabling legislation.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

General Fund
The General Fund is available for any authorized purpose and is used to account for 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Regional Park and Open Space District Fund

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

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types

Pension Trust Fund

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

Investment Trust Funds

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

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

CDC Private-Purpose Trust Fund

The CDC Private-Purpose Trust Fund (PPTF) is a fiduciary fund used by the County to report trust arrangements under which principal and income benefit other governments. Unlike the limited reporting typically utilized for agency fund, a private-purpose trust fund reports a statement of fiduciary net assets and changes in fiduciary net assets. This fund reports the assets, liabilities and activities of the Los Angeles County Redevelopment Successor Agency. On February 21, 2012, the Board of Supervisors assigned CDC to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill x1 26. Specific details related to Assembly Bill x1 26 appear in Note 20.

Agency Funds

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

Basis of Accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) are 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, property and sales taxes, investment income, and charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenues are not considered susceptible to accrual and are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's 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 County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

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

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds $25 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2012. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 15 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2011-2012 assessed valuation of the County of Los Angeles approximated $1.071 trillion.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,969 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 x1 26 (AB x1 26), also referred to as the “Redevelopment Dissolution Act,” was upheld by the State Supreme Court in December 2011 and redevelopment agencies were dissolved on February 1, 2012. AB x1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations and not incur any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the County’s Auditor-Controller, who will in turn distribute these funds to the appropriate local government agencies.

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 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, 2012, the County’s share of residual property tax revenues was $100 million, of which $88 million was recognized in the County’s General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes-Continued

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and a small number of projects. The successor agency for these activities is the County's Community Development Commission (a blended component unit) and the dissolution of County related projects is expected to have minimal impact, if any, to the County's overall financial condition. As discussed earlier in this Note 1, a newly established fiduciary fund, the Community Development Commission Private-Purpose Trust Fund, was established to account for the County's dissolution of redevelopment activities.

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, 2012 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

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

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.

Of the amounts reported as inventories in the governmental activities and fiduciary funds, $23,508,000 and $5,368,000, respectively, represents land held for resale by the CDC. The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in FASB Statement No. 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is also reflected as a liability in that statement.

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.

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."

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).

In FY 2011-2012, and in conjunction with its various collective bargaining agreements, the County re-evaluated the accumulation of compensatory time earned on holidays and compensatory overtime. As a result of this review, approximately $474 million of current year additions were made to the liabilities for compensated absences. The increase was concentrated in the public protection functional area due to the heavy reliance on those departments to provide continuous service to the public.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. Bond premiums, 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 19.

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

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

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

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balance-Continued

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. In FY 2011-2012, the County reviewed 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.

Reclassification

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications have no effect upon reported net assets or fund balances.

2. NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2012, the County implemented GASB 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions.” GASB 64 is an amendment to GASB 53, “Accounting for Financial Reporting for Derivative Instruments.”

GASB 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. GASB 64 did not have an impact to the County or LACERA financial statements.

2. NEW PRONOUNCEMENTS-Continued

Future Governmental Accounting Standards Board (GASB) Statements that the County is evaluating but the impact have not been determine:

GASB 60	Accounting and Financial Reporting for Service Concession Arrangements	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
GASB 61	The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.
GASB 62	Codification of Accounting and Financial Reporting Guidance Continued in Pre-November 30, 1989 FASB and AICPA Pronouncements	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
GASB 63	Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
GASB 65	Items Previously Reported as Assets and Liabilities	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
GASB 66	Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
GASB 67	Financial Reporting for Pension Plans-An Amendment of GASB Statement No. 25	The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.
GASB 68	Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27	The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2012 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 308,490
Olive View-UCLA Medical Center	168,591
Rancho Los Amigos National Rehab Center	48,304
Internal Service Fund-	
Public Works	205,802

3. NET ASSET DEFICITS-Continued

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:

<u>Fund Financial Statements</u>

At June 30, 2012, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $170,725,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($170,725,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

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

<u>Government-wide Financial Statements</u>

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 ($170,725,000) and investment income and interest expense ($9,270,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

4. ELIMINATIONS-Continued

Government-wide Financial Statements-Continued

The bonds payable of $170,725,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 10 and are captioned “Assessment Bonds.”

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2012 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 4,936,673	$ 543,368	$	$	$ 5,480,041
Proprietary Funds	139,818	50,031	45,901	196,197	431,947
Fiduciary Funds (excluding Pension Trust Fund)	15,719,146	100,581			15,819,727
Pension Trust Fund	63,046	40,226,871			40,289,917
Component Unit	809,663				809,663
Total	$ 21,668,346	$40,920,851	$ 45,901	$ 196,197	$ 62,831,295

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, 2012, the carrying amount of the County's deposits was $144,251,000 and the balance per various financial institutions was $141,999,000. 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, 2012, the carrying amount of Pension Trust Fund deposits was $130,198,000. Pension Trust Fund deposits are held in the Fund’s custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by “pass through insurance” in accordance with applicable law and FDIC rules and regulations.

5. CASH AND INVESTMENTS-Continued

Investments

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

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

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

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

**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.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

At June 30, 2012, the County had open trade commitments with various brokers to purchase investments totaling $1,123,745,000 with settlement dates subsequent to year-end. These investments have been included in Pooled Cash and Investments-Other and corresponding liabilities have been recorded as Other Payables.

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

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA’s Report on Audited Financial Statements for the year ended June 30, 2012.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty percent (80%) 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 $98,785,000. 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 Trust Fund other investments) at June 30, 2012 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 9,688,622
U.S. Treasury securities	680,835
Negotiable certificates of deposit	4,019,435
Commercial paper	7,190,209
Corporate and deposit notes	705,639
Municipal bonds	76,380
Los Angeles County securities	17,000
Money market mutual funds	9,087
Local Agency Investment Fund	63,523
Mortgage trust deeds	97
Other	9,346
Total	$ 22,460,173

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2012 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	$ 20,478,503
Fixed income	10,747,978
Real estate	3,899,087
Private equity	3,789,891
Commodities	929,259
Hedge Funds	251,955
Total	$ 40,096,673

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2012 totaling $63,046,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2012 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 is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U.S. Agency securities	$ 9,618,411	$ 9,562,358	0.19% - 5.25%	08/13/12 - 12/18/17	3.87
U.S. Treasury bills	499,211	499,245	0.16% - 0.20%	03/07/13 - 06/27/13	0.84
U.S. Treasury notes	181,215	173,970	1.38% - 2.38%	08/31/14 - 11/30/15	2.88
Negotiable certificates of deposit	4,019,435	4,019,708	0.18% - 0.44%	07/02/12 - 06/25/15	0.30
Commercial paper	7,190,209	7,190,060	0.16% - 0.49%	07/02/12 - 08/28/12	0.05
Corporate and deposit notes	633,255	632,106	0.32% - 5.45%	07/20/12 - 01/30/15	0.83
Los Angeles County securities	17,000	17,000	0.55% - 0.56%	06/30/14	2.00
Deposits	114,791	114,791			
	$ 22,273,527	$22,209,238			

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 63,523	$ 63,447	0.00% -15.00%	07/02/12 - 08/25/37	0.74
Corporate and deposit notes	72,384	72,364	1.72% - 6.50%	08/15/12 - 10/19/16	2.92
Mortgage trust deeds	97	97	5.50%	01/01/14 - 04/01/17	4.00
Municipal bonds	76,380	76,380	3.13% - 7.26%	08/01/12 - 09/02/21	2.62
U.S. Agency securities	70,211	70,259	0.04% - 3.70%	11/26/12 - 01/17/30	6.40
U.S. Treasury bonds	107	86	7.25%	05/15/16	3.88
U.S. Treasury bills	302	302	0.13%	12/06/12	0.43
Money market mutual funds	9,087	9,087	0.01% - 0.04%	07/01/12	0.00
Other	9,346	9,346			
Deposits	29,460	29,460			
	$ 330,897	$ 330,828			

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 equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to a target of less than 1.5 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2012, 50.96% have a maturity of six months or less, 6.02% have a maturity of between six and twelve months, and 43.02% have a maturity of more than one year.

As of June 30, 2012, variable-rate notes comprised 3.81% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds, which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2012, 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.

5. CASH AND INVESTMENTS-Continued

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, 2012, 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 Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $500 million, approximately 2.12% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $750 million, or 3.18% of the investment pool's daily investment balance.

The Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2012 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 2,355,659	$ 8,050
Federal Home Loan Bank	2,198,723	9,642
Federal Home Loan Mortgage Corp	2,297,278	5,240
Federal National Mortgage Association	2,769,422	8,647

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2012:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	32.45%
Corporate and deposit notes			
	AA-	Aa3	0.79%
	AA+	A1	1.00%
	A+	A2	0.05%
	AA-	Not Rated	0.68%
	Not Rated	Not Rated	0.34%
Los Angeles County securities	Not Rated	Not Rated	0.08%
Negotiable certificates of deposit	AA-	Aa2	0.22%
	AA-	Aa3	0.22%
	AA-	Not Rated	0.45%
	Not Rated	Aa2	0.23%
	Not Rated	P-1	0.79%
	Not Rated	Not Rated	16.22%
U.S. Treasury securities	AA+	Aaa	42.31%
	AA+	Not Rated	1.10%
U.S. Agency securities	Not Rated	Aaa	0.82%
	Not Rated	Not Rated	2.25%
			100.00%
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	21.07%
Corporate and deposit notes	AA+	A1	1.03%
	Not Rated	Not Rated	22.98%
Mortgage trust deeds	Not Rated	Not Rated	0.03%
Municipal bonds	Not Rated	Not Rated	25.34%
U.S. Agency securities	AA+	Aaa	10.48%
	Not Rated	Aaa	12.82%
	Not Rated	Not Rated	< 0.00%
U.S. Treasury securities	Not Rated	Aaa	0.03%
	Not Rated	Not Rated	0.10%
Money market mutual funds	Not Rated	Not Rated	3.02%
Other	Not Rated	Not Rated	3.10%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasury Pool for the fiscal year ended June 30, 2012 was 0.98%.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

A separate financial report is issued for the Treasury Pool. The most current report, as of June 30, 2011, is available on the Treasurer's website, and the report as of June 30, 2012, is in progress. The following represents a condensed statement of net assets and changes in net assets for the Treasury Pool as of and for the year ended June 30, 2012 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 22,273,527
Equity of internal pool participants	$ 8,355,428
Equity of external pool participants	13,918,099
Total equity	$ 22,273,527
Statement of Changes in Net Assets	
Net assets at July 1, 2011	$ 24,248,618
Net change in investments by pool participants	(1,975,091)
Net assets at June 30, 2012	$ 22,273,527

The unrealized gain on investments held in the Treasury Pool was $64,289,000 as of June 30, 2012. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

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

5. CASH AND INVESTMENTS-Continued

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, 2012, there were approximately $844,101,000 in floating rate notes.

Derivatives

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2012, forward currency contracts receivable and payable totaled $7,543,962,000 and $7,501,703,000, respectively. All investment derivative positions are included as part of investments at fair value on LACERA’s statement of plan net assets. 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 assets.

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, 2012.

Securities Lending Transactions

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

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

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

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2012, 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, 2012.

As of June 30, 2012, the fair value of securities on loan was $2.01 billion. The value of the cash collateral received for those securities was $1.47 billion and the non-cash collateral was $587 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $1.5 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $3.8 million for the year ended June 30, 2012.

For the year ended June 30, 2012, 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, 2012 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 144,251	$ 130,198	$ 274,449
Investments	22,460,173	40,096,673	62,556,846
	$ 22,604,424	$ 40,226,871	$ 62,831,295

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows (in thousands):

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,403,087	4,005	(10)	$ 2,407,082
Easements	4,862,795	9,175	(817)	4,871,153
Software in progress	24,524	28,717	(38,858)	14,383
Construction in progress-buildings and improvements	210,947	188,831	(85,143)	314,635
Construction in progress-infrastructure	421,288	128,564	(236,482)	313,370
Subtotal	$ 7,922,641	359,292	(361,310)	$ 7,920,623

6. CAPITAL ASSETS-Continued

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, being depreciated:				
Buildings and improvements	$ 4,115,164	100,033	(38,422)	$ 4,176,775
Equipment	1,317,700	125,259	(33,881)	1,409,078
Software	405,899	90,825		496,724
Infrastructure	7,359,624	217,803	(567)	7,576,860
Subtotal	13,198,387	533,920	(72,870)	13,659,437
Less accumulated depreciation for:				
Buildings and improvements	(1,441,579)	(76,276)	29,656	(1,488,199)
Equipment	(920,516)	(100,903)	26,309	(995,110)
Software	(155,542)	(44,388)		(199,930)
Infrastructure	(3,039,695)	(155,293)	36	(3,194,952)
Subtotal	(5,557,332)	(376,860)	56,001	(5,878,191)
Total capital assets, being depreciated, net	7,641,055	157,060	(16,869)	7,781,246
Governmental activities capital assets, net	$15,563,696	516,352	(378,179)	$15,701,869
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 223,138	1,255		$ 224,393
Easements	31,009			31,009
Software in progress	2,154	2,144		4,298
Construction in progress-buildings and improvements	232,815	194,920	(1,106)	426,629
Construction in progress-infrastructure	49,228	14,972	(34,674)	29,526
Subtotal	538,344	213,291	(35,780)	715,855
Capital assets, being depreciated:				
Buildings and improvements	1,983,062	1,451	(184)	1,984,329
Equipment	337,507	9,620	(44,178)	302,949
Software	53,818		(123)	53,695
Infrastructure	1,195,795	21,344	(233)	1,216,906
Subtotal	3,570,182	32,415	(44,718)	3,557,879
Less accumulated depreciation for:				
Buildings and improvements	(739,062)	(26,992)	184	(765,870)
Equipment	(238,376)	(19,056)	42,402	(215,030)
Software	(9,310)	(3,546)		(12,856)
Infrastructure	(471,018)	(21,227)	233	(492,012)
Subtotal	(1,457,766)	(70,821)	42,819	(1,485,768)
Total capital assets, being depreciated, net	2,112,416	(38,406)	(1,899)	2,072,111
Business-type activities capital assets, net	$ 2,650,760	174,885	(37,679)	$ 2,787,966
Total Capital Assets, net	$18,214,456	691,237	(415,858)	$18,489,835

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	$ 21,644
Public protection	159,315
Public ways and facilities	87,031
Health and sanitation	17,196
Public assistance	41,964
Education	2,905
Recreation and cultural services	18,889
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	27,916
Total depreciation expense, governmental activities	$ 376,860
Business-type activities:	
Hospitals	$ 42,143
Waterworks	21,927
Aviation	1,729
Community Development Commission	1,067
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	3,955
Total depreciation expense, business-type activities	$ 70,821

The business-type activities included equipment transfers from the County's General Fund to each Hospital Fund. Capital contributions totaling $1.5 million are shown in the statement of revenues, expenses and changes in fund net assets for each of the Hospital Funds.

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

In fiscal year 2011-2012, the County recorded two courthouse transfers of buildings and improvements to the State, which resulted in a loss on the transfer of capital assets used in governmental activities. The loss of $13.6 million is reported as a general government expense in the government-wide statement of activities.

6. CAPITAL ASSETS-Continued

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2012 was as follows (in thousands):

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:,				
Buildings and improvements	12,021	55		12,076
Equipment	2,399	80		2,479
Subtotal	14,420	135		14,555
Less accumulated depreciation for:				
Buildings and improvements	(1,466)	(241)		(1,707)
Equipment	(1,879)	(230)		(2,109)
Subtotal	(3,345)	(471)		(3,816)
Total capital assets being depreciated, net	11,075	(336)		10,739
Component unit capital assets, net	$ 13,114	(336)		$ 12,778

7. PENSION PLAN

Plan Description

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

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

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

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

7. PENSION PLAN-Continued

Plan Description-Continued

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

Funding Policy

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

The following employer rates were in effect for 2011-2012:

July 1, 2011 - September 30, 2011	A	B	C	D	E
General Members	19.40%	12.74%	12.23%	12.65%	12.67%
Safety Members	29.46%	22.69%			

October 1, 2011 - June 30, 2012	A	B	C	D	E
General Members	21.59%	15.00%	14.51%	14.80%	15.30%
Safety Members	30.38%	21.10%			

The rates were determined by the actuarial valuation performed as of June 30, 2010 and June 30, 2011, respectively. The June 30, 2010 and June 30, 2011 actuarial valuations were used to calculate the annual required contribution (ARC).

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

During 2011-2012, the County contributed the full amount of the ARC.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for 2011-2012, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 1,078,783
Non-County entities	146
Total ARC/Annual pension cost	1,078,929
Contributions made:	
County	1,078,783
Non-County entities	146
Total contributions	1,078,929
Change in net pension obligation (asset)	0
Net pension obligation (asset), July 1, 2011	0
Net pension obligation (asset), June 30, 2012	$ 0

7. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2010	$ 895,453	94.2%	$(51,751)
June 30, 2011	995,925	94.8%	0
June 30, 2012	1,078,929	100.00%	0

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the funded ratio was determined to be 80.6%. The actuarial value of assets was $39.2 billion, and the actuarial accrued liability (AAL) was $48.6 billion, resulting in an unfunded AAL of $9.4 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 141.4%.

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

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The most recent actuarial valuation also assumed an annual investment rate of return of 7.70%, and projected salary increases ranging from 4.21% to 10.19%, with both assumptions including a 3.45% 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 last actuarial valuation completed in 2010.

The County contribution rate to finance the unfunded AAL is 16.31% and 17.54% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2010 and 2011 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.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Funding Policy

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

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

The County's contribution during 2011-2012 is on a pay-as-you-go basis. During the 2011-2012 fiscal year, the County made payments to LACERA totaling $379.7 million for retiree health care benefits. Included in this amount was $38.0 million for Medicare Part B reimbursements and $6.9 million in death benefits. Additionally, $36.0 million was paid by member participants. The County also made payments of $36.7 million for long-term disability benefits.

Establishment of OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Post-Employment 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. The County established an OPEB trust fund and there were no financing activities during the current year.

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Establishment of OPEB Trust-Continued

The OPEB Trust is the County's first step to reduce its OPEB unfunded liability. It will provide a framework where the Board of Supervisors can begin making contributions to the trust and transition, over time, from "pay-as-you-go" to "pre-funding." 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, 2010, 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)	$ 1,853,600	$ 70,509	$1,924,109
Interest on Net OPEB obligation	261,488	5,892	267,380
Adjustment to ARC	(199,587)	(3,928)	(203,515)
Annual OPEB cost (expense)	1,915,501	72,473	1,987,974
Less: Contributions made (pay-as-you-go)	379,744	36,701	416,445
Increase in Net OPEB obligation	1,535,757	35,772	1,571,529
Net OPEB obligation, July 1, 2011	5,229,762	117,829	5,347,591
Net OPEB obligation, June 30, 2012	$ 6,765,519	$ 153,601	$6,919,120

Annual OPEB Cost and Net OPEB Obligation

Retiree Health Care Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 1,687,657	22.8%	$ 3,707,862
June 30, 2011	1,897,487	19.8%	5,229,762
June 30, 2012	1,915,501	19.8%	6,765,519

LTD Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 62,479	53.6%	$ 90,139
June 30, 2011	62,962	56.0%	117,829
June 30, 2012	72,473	50.6%	153,601

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress

As of July 1, 2010, 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 $22.9 billion, resulting in an unfunded AAL of $22.9 billion. The covered payroll was $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 342.62%.

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 $6.7 billion and the ratio of the unfunded AAL to the covered payroll was 15.22%.

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

Actuarial Methods and Assumptions

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

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

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

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

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

8. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2010 actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	8.09%	5.05%
LACERA Medical Over 65	6.81%	5.05%
Firefighters Local 1014 (all)	6.55%	5.05%
Part B Premiums	8.25%	4.95%
Dental (all)	2.43%	4.50%

9. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012 (in thousands):

Year Ending June 30	Governmental Activities
2013	$ 86,056
2014	65,740
2015	55,118
2016	30,725
2017	20,390
2018-2022	42,533
2023-2027	17,884
2028-2032	12,210
Total	$ 330,656

Rent expenses related to operating leases were $97,144,000 for the year ended June 30, 2012.

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, 2012 (in thousands):

Year Ending June 30	Governmental Activities
2013	$ 26,914
2014	24,474
2015	21,827
2016	21,340
2017	19,990
2018-2022	101,098
2023-2027	79,108
2028-2032	67,622
2033-2037	40,984
2038-2042	1,360
Total	404,717
Less: Amount representing interest	213,971
Present value of future minimum lease payments	$ 190,746

9. LEASES-Continued

Capital Lease Obligations-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2012 (in thousands):

	Governmental Activities
Land	$ 17,279
Buildings and improvements	153,513
Equipment	63,036
Accumulated depreciation	(37,477)
Total	$ 196,351

Future rent revenues to be received from noncancelable subleases are $1,160,000 as of June 30, 2012.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements, which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 85 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 27 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.

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is $435,086,000. The carrying value of the capital assets associated with the golf course and regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2012 (in thousands):

Year Ending June 30	Governmental Activities
2013	$ 43,748
2014	42,996
2015	42,186
2016	41,976
2017	41,703
Thereafter	1,427,760
Total	$ 1,640,369

9. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of rental income for these operating leases for the year ended June 30, 2012 (in thousands):

	Governmental Activities
Minimum rentals	$ 43,387
Contingent rentals	17,364
Total	$ 60,751

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

10. LONG-TERM OBLIGATIONS

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

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

	Original Par Amount of Debt	Balance June 30, 2012
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	$ 143,195	$ 22,275
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	14,920
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	182,868
Community Development Commission (CDC) Notes, 0.45% to 6.41%	78,512	30,789
NPC Bond Anticipation Notes, 0.536% to 0.561%	13,902	13,902
NPC Bonds 1.5% to 5.0%	66,597	45,294
Marina del Rey Loans, 4.5% to 4.7%	23,500	18,083
Public Buildings Certificates of Participation, 2.0% to 6.841%	1,130,933	846,576
Commercial Paper, 0.16% to 0.33%	189,065	189,065
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	412,517
Total	$ 2,261,606	$ 1,776,289

10. LONG-TERM OBLIGATIONS-Continued

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

	Original Par Amount of Debt	Balance June 30, 2012
NPC Bond Anticipation Notes, 0.536% to 0.561 %	$ 3,098	$ 3,098
NPC Bonds, 1.5% to 5.0%	12,903	6,176
Public Buildings Certificates of Participation, 2.0% to 6.841%	610,607	528,301
Commercial Paper, 0.16% to 0.33 %	180,935	180,935
Waterworks District Bonds, 3.3% to 8.0%	280	24
Waterworks District Loans, 2.28%	5,032	5,032
Community Development Commission Mortgage Notes, 2.0% to 5.5%	55,128	46,702
Total	$ 867,983	$ 770,268

General Obligation Bonds

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

Year Ending	Business-type Activities	
June 30	Principal	Interest
2013	$ 24	$ 1
Total	$ 24	$ 1

Assessment Bonds

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

The bonds mature in fiscal year 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $198,963,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,830,000 and $79,484,000, respectively.

10. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2013	$ 27,855	$ 7,925
2014	29,255	6,497
2015	30,735	4,998
2016	32,270	3,422
2017	11,715	2,313
2018-2022	38,895	3,083
Subtotal	170,725	$ 28,238
Add: Unamortized Bond Premiums	12,143	
Total Assessment Bonds	$ 182,868	

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During the 2011-2012 fiscal year, the County issued COPs of $50,675,000 to refund the 1998 Disney Concert Hall Parking Garage Refunding COPs and $55,475,000 to finance equipment purchases. The allocation of debt between Governmental Activities and Business-type Activities was $101,816,000 and $4,334,000, respectively.

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, in the amount of $679,000, are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid $2,540,000 of the current fiscal year debt payment of $3,219,000. Total principal and interest remaining on the bonds is $35,959,000.

10. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type Activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2013	$ 88,196	$ 52,926	$ 14,939	$ 37,771
2014	61,542	50,111	14,618	37,117
2015	64,099	47,920	22,743	36,495
2016	48,486	46,184	21,901	35,488
2017	33,759	46,186	14,305	33,632
2018-2022	146,847	209,453	57,127	151,705
2023-2027	133,097	116,783	70,409	132,256
2028-2032	120,620	79,794	89,280	102,901
2033-2037	90,572	44,890	113,688	64,954
2038-2042	75,993	11,879	111,617	17,448
Subtotal	863,211	$ 706,126	530,627	$ 649,767
Accretions	71,687			
Unamortized Bond Premiums	20,116		3,850	
Unamortized Loss	(25,949)			
Total Certificates of Participation	$ 929,065		$ 534,477	

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 2012 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 $1,438,000,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending	Governmental Activities	
June 30	Principal	Interest
2013	$	$ 20,762
2014		20,763
2015		20,762
2016		20,763
2017		20,762
2018-2022	51,995	100,186
2023-2027		85,680
2028-2032	46,370	72,585
2033-2037	62,196	64,767
2038-2042	53,157	42,665
2043-2047	97,824	21,564
Subtotal	311,542	$ 491,259
Accretions	100,975	
Total Tobacco Settlement Asset-Backed Bonds	$ 412,517	

Notes, Loans, and Commercial Paper

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets 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 the 2011-2012 fiscal year, LACCAL issued additional BANS in the amount of $18,040,000, as reflected in Governmental Activities and $2,460,000 as reflected in Business-type Activities.

CDC notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD. During the 2011-2012 fiscal year, CDC issued additional notes payable in the amount of $3,216,000 as reflected in Governmental Activities and $6,000 as reflected in Business-type Activities.

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

During the 2011-2012 fiscal year, the Waterworks District obtained loans in the amount of $5,032,000 from the California Department of Public Health for the replacement of aging water pipelines. The loans are secured by revenue from surcharges collected for capital improvements.

10. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Commercial Paper

Tax-exempt commercial paper (TECP) notes provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of the TECP is secured by irrevocable direct-pay letters of credit (LOC) from four separate banks, with twenty-four County-owned properties pledged as collateral in a lease-revenue financing structure with the Los Angeles County Capital Asset Leasing Corporation. The LOCs were issued for a three-year period and have a termination date of April 26, 2013. The County has the option to extend the LOCs for an additional one-year period, or to some other term mutually agreed to with the participating banks.

The aggregate principal amount of the four LOCs is $400 million, which consists of $175 million of Series A (JP Morgan), $75 million of Series B (Bank of America), $75 million of Series C (Wells Fargo) and $75 million of Series D (Union Bank). For Series A, B and C, the County is required to pay an annual fee equal to 1.25% of the stated amounts of the LOCs. For Series D, the County is required to pay an annual fee equal to 0.95% of the stated amount on the utilized portion of the LOC and 0.50% of the stated amount on the unutilized portion of the LOC. The stated amount for each LOC series is equal to the sum of the principal amount and the 12% maximum interest rate permitted on the LOCs. As of June 30, 2012, $370 million of TECP notes were outstanding, including $175 million of Series A, $75 million of Series B, $75 million of Series C and $45 million of Series D.

The TECP notes are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of the TECP notes, the notes are re-issued at prevailing interest rates in the short term note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During fiscal year 2011-2012, County issued TECP notes are reflected as notes payable in the amount of $189,065,000 for Governmental Activities and $180,935,000 for Business-type Activities. The average interest rate on TECP notes in fiscal year 2011-2012 was 0.152%.

Principal and interest requirements on NPC BANS, CDC Notes, Marina del Rey Loans and Commercial Paper for Governmental Activities and NPC BANS, CDC Mortgage notes, Waterworks District Loans and Commercial Paper, for Business-type Activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2013	$ 193,307	$ 1,966	$ 187,435	$ 1,946
2014	17,405	1,846	3,668	1,873
2015	3,617	1,717	592	2,196
2016	3,611	1,583	839	1,948
2017	3,742	1,443	1,855	1,918
2018-2022	15,941	5,186	4,944	9,000
2023-2027	11,324	2,042	6,084	7,857
2028-2032	2,892	197	7,578	6,359
2033-2037			8,181	4,388
2038-2042			10,205	2,020
2043-2047			2,380	62
Indeterminate maturity			2,006	
Total	$ 251,839	$ 15,980	$ 235,767	$ 39,567

10. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

Debt Type	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
General Obligation Bonds	$	$	$ 24	$ 1
Assessment Bonds	170,725	28,238		
Certificates of Participation	863,211	706,126	530,627	649,767
Tobacco Settlement Asset-Backed Bonds	311,542	491,259		
Notes, Loans, and Commercial Paper	251,839	15,980	235,767	39,567
Subtotal	1,597,317	$1,241,603	766,418	$ 689,335
Add: Accretions	172,662			
Unamortized Bond Premiums	32,259		3,850	
Less: Unamortized Loss on Advanced Refunding of Debt	(25,949)			
Total Bonds and Notes	$1,776,289		$ 770,268	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refunding.

Current Refunding of Debt

On March 6, 2012, the County issued $50,675,000 of 2012 Refunding Certificate of Participation for Disney Concert Hall Parking Garage, maturing on various dates between 2020 and 2023. These bonds, with an average rate of 3.12%, were issued to refund the outstanding principal amount of $57,975,000 of bonds issued in 1995, with an average interest rate of 4.75%.

Proceeds from the sale of the Certificates were deposited in an irrevocable trust with an escrow agent to provide for the prepayment of debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Asset – Governmental Activities. Specific disclosures related to the refunding issue are as follows (in thousands):

Proceeds of refunding bonds issued	$ 50,675
Prior years' bond reserves and/or premiums	7,675
Deposit to escrow	$ 58,350
Future years' aggregate debt service Payment reduction	$ 8,789
Present value savings (economic gain)	7,150

10. LONG-TERM OBLIGATIONS-Continued

Current Refunding of Debt-Continued

For the refunding transaction, the carrying amount of the refunded debt was less than the reacquisition price. This difference was $375,000. This amount has been reported as a reduction of the amount of outstanding debt in the basic financial statements.

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, 2012, the amount of outstanding bonds and certificates of participation considered defeased was $18,410,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2012 (in thousands):

	Balance July 1, 2011	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Bonds and notes	$ 1,802,547	315,555	341,813	$ 1,776,289	$ 319,613
Capital lease obligations (Note 9)	181,260	15,139	5,653	190,746	10,162
Accrued compensated absences	838,104	425,425	85,518	1,178,011	63,499
Workers' compensation (Note 17)	1,791,511	377,993	313,743	1,855,761	322,851
Litigation and self-insurance (Note 17)	119,661	85,136	46,645	158,152	123,337
Pollution remediation obligation (Note 18)	28,095	1,865	4,666	25,294	1,412
OPEB obligation (Note 8)	4,465,993	1,310,981		5,776,974	
Third party payor	21,022	23,741	28,094	16,669	16,669
Total governmental activities	$ 9,248,193	2,555,835	826,132	$ 10,977,896	$ 857,543
Business-type activities:					
Bonds and notes	$ 706,121	192,767	128,620	$ 770,268	$ 203,299
Accrued compensated absences	139,489	48,408	10,671	177,226	9,752
Workers' compensation (Note 17)	279,087	29,214	41,546	266,755	44,290
Litigation and self-insurance (Note 17)	92,589	30,204	18,008	104,785	27,359
OPEB obligation (Note 8)	881,598	260,548		1,142,146	
Third party payor (Note 13)	237,126	180,718	42,778	375,066	4,798
Total business-type activities	$ 2,336,010	741,859	241,623	$ 2,836,246	$ 289,498

10. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued 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 increased during 2011-2012, thereby increasing liabilities for Bonds and Notes by $425,000 for governmental activities. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

11. SHORT-TERM DEBT

On July 1, 2011, the County issued $ 1,300,000,000 of short-term Tax and Revenue Anticipation Notes Series A, B and C at an effective interest rate of 0.32%, 0.34%, and 0.40%, 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 2011. The Series A notes, $300,000,000, matured and were redeemed on February 29, 2012, the Series B notes, $500,000,000, on March 30, 2012 and the Series C notes, $500,000,000, on June 29, 2012.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2012, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $59,614,000 and limited obligation improvement bonds totaling $8,357,000. 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.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds outstanding as of June 30, 2012, was $336,087,000.

12. CONDUIT DEBT OBLIGATIONS-Continued

Residential Mortgage Revenue Bonds-Continued

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

Industrial Development and Other Conduit Bonds

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

As of June 30, 2012, the amount of industrial development and other conduit bonds outstanding was $24,255,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

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

Medi-Cal Demonstration Project

In November, 2010, the Centers for Medicare and Medicaid Services (CMS) approved, pursuant to Section 1115(a) of the Social Security Act, the new Medi-Cal demonstration project, called the California Bridge to Reform, which effects 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. It incorporates many of the features of the prior demonstration projects, particularly as they relate to inpatient hospital services paid on a fee-for-service basis (FFS), and disproportionate share hospital (DSH) payments.

Under the Demonstration Project, revenues for the public hospitals are comprised of: 1) cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) 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 $436.0 million in FY 2011-2012. The non-federal share of these three types of payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE). In addition to CPE, for DSH, Intergovernmental Transfers (IGT) are also made whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

The federal medical assistance percentage (FMAP), which establishes the matching amount for the FFS cost-based reimbursement, was 50% for FY 2011-2012.

The FMAP for DSH remains at 50%. For the inpatient hospital cost-based reimbursement, each hospital receives all of the federal match associated with its CPE.

For the DSH and SNCP distributions, the CPEs of all the public hospitals are used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The County 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 Demonstration Project restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (non-federal plus federal match) may not exceed 75% of the hospital's uncompensated care costs. The gross IGT funded DSH payment must be "retained" by the recipient hospital fund.

The County recognizes the funding received under the Demonstration Project by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net assets. The IGTs are reflected as nonoperating expenses by each hospital in the statement of revenues, expenses, and changes in fund net assets.

The IGTs paid during FY 2011-2012 include payments for services provided in FYs 2010-2011 and 2011-2012. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2011-2012 as adjusted for over/under-realization of revenues for FY 2005-2006 through FY 2010-2011. The amounts below are in thousands:

	Program Revenues			
	Medi-Cal FFS	DSH	SNCP	Intergovernmental Transfers Expense
Harbor-UCLA	$ 88,413	$ 50,762	$ 59,051	$ 61,493
Olive View-UCLA	36,889	66,969	28,126	32,175
LAC+USC	151,351	241,945	64,144	137,661
Rancho	31,675	1,437	7,338	16,154
Total	$ 308.328	$ 361,113	$ 158,659	$ 247,483

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

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 counties meet certain federal requirements and have the resources available to do so, they 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. In FY 2011-2012, supplemental federal revenues estimated at $142.5 million for patient care services and $10.3 million for HWLA administration were recognized.

CMS is currently considering a proposal retroactively to allow the County to change the basis for HWLA payments to capitation. Once CMS makes a decision on a capitation rate, the County will decide whether to actually make the change.

Delivery System Reform Incentive Pool

The Demonstration Project establishes the Delivery System Reform Incentive Pool (DSRIP), which will tie 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 2011-2012:

	DSRIP Gross Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 143,528	$ 85,383
Olive View-UCLA	86,430	32,523
LAC+USC	163,550	89,364
Rancho	48,992	13,980
Total	$ 442,500	$ 221,250

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

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 2011-2012, an estimated $93.6 million of SPD gross revenues were recorded, which included $92.5 million for FY 2011-2012 and $1.1 million for FY 2010-2011.

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 $22.0 million in FY 2011-2012.

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.

Net revenues of $21.7 million were recognized during FY 2011-2012 and included adjustments for the over/under-realization of revenues associated with FY 2005-2006 through FY 2010-2011.

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 Department-wide CBRC revenues in FY 2011-2012 were $203.5 million. As of June 30, 2012, the County estimated that approximately $219.8 million of CBRC accounts receivable would not be collectable within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net assets for each hospital.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Cost Report Settlements

All of the FY 2007-2008 CBRC audit reports were issued and total audit settlements of $68.5 million were paid to the County. The Department 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 August 2012. The hearing results are anticipated to be issued sometime next year.

The State auditors are in the process of finalizing the FY 2008-09 CBRC audit findings and the anticipated issuance of the audit report is late December 2012.

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, 2010 through September 30, 2011. 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, including DHS' Community Health Plan and providers.

For L.A. Care and Health Net, the total estimated revenues and related estimated IGTs recorded in FY 2011-2012, including prior year over/under realization, are as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
L.A. Care	$ 100,080	$ 46,783
Health Net	44,196	20,556
Totals	$ 144,276	$ 67,339

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, SNCP, CBRC, AB 915, SB 1732, etc.) represent approximately 61% of the hospitals' patient care revenue for the year ended June 30, 2012.

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 in recalculating 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 2005-2006.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2002-2003 and FY 2003-2004, the audits have been completed for all hospitals and NPRs have been issued for the former Martin Luther King Jr./Drew Medical Center (MLK/D), 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 their NPR due to the Medicare SSI fraction issue.

For FY 2004-2005, the audits have been completed and the NPRs issued for MLK/D and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-2005 audits have been completed for LAC+USC MC, H-UCLA MC and RLANRC.

For FY 2005-2006, the audits have been completed and NPRs issued for MLK/D and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-2006 audits have been completed for LAC+USC MC, H-UCLA MC, and RLANRC.

For FY 2006-2007, the audits for MLK/D, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. The audits are in progress for H-UCLA MC and LAC+USC MC.

For FY 2007-2008, the audits for RLANRC and OV-UCLA MC have been completed except for the Medicare SSI fraction issue. The audits are in progress for LAC+USC MC and H-UCLA MC. Effective August 16, 2007, MLK/D ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-2008 due to low Medicare utilization.

For FY 2008-2009, the Medicare audit has been completed, except for the Medicare SSI fraction issue for RLANRC. The audit is in progress for OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2009-2010, the audits are in progress for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC have not been scheduled.

For FY 2010-2011, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 8% of patient care revenue for the year ended June 30, 2012.

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.

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2012 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$1,783,472	$ 901,138	$ 2,346,958	$ 420,022	$ 5,451,590
Less: Allowance for uncollectible amounts	1,407,174	682,263	1,932,716	313,569	4,335,722
Accounts receivable - net	$ 376,298	$ 218,875	$ 414,242	$ 106,453	$ 1,115,868

Charity Care

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

The total amount of such charity care provided by the hospitals for the year ended June 30, 2012, based on established rates, is as follows (in thousands):

Charges forgone	$2,033,597
Less: Federal and State subventions	-
Net charges forgone	$2,033,597

Martin Luther King, Jr.

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3), the Martin Luther King, Jr.-Los Angeles Healthcare Corporation, to operate a new hospital at the MLK-MACC site. The new hospital would: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC effective on August 10, 2010, and is proceeding with efforts to open the new MLK Hospital. Construction of the new hospital facility at the MLK-MACC site is expected to be completed by mid-year 2013.

14. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2012.

14. INTERFUND TRANSACTIONS

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, 2012 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 10,597
	Flood Control District	1,953
	Public Library	3,433
	Regional Park and Open Space District	5,925
	Nonmajor Governmental Funds	204,509
	Harbor-UCLA Medical Center	56,056
	Olive View-UCLA Medical Center	38,040
	LAC+USC Medical Center	70,534
	Rancho Los Amigos Nat'l Rehab Center	11,730
	Waterworks Enterprise Funds	566
	Nonmajor Enterprise Funds	11
	Internal Service Funds	4,250
		407,604
Fire Protection District	General Fund	2,944
	Nonmajor Governmental Funds	524
	Harbor-UCLA Medical Center	2
	Olive View-UCLA Medical Center	1
		3,471
Flood Control District	General Fund	1,471
	Nonmajor Governmental Funds	3,227
	Waterworks Enterprise Funds	343
	Nonmajor Enterprise Funds	72
	Internal Service Funds	3,586
		8,699
Public Library	General Fund	4,465
	Nonmajor Governmental Funds	1,940
		6,405
Regional Park and Open Space District	Nonmajor Governmental Funds	95
Nonmajor Governmental Funds	General Fund	309,628
	Fire Protection District	1,906
	Flood Control District	393
	Regional Park and Open Space District	627
	Nonmajor Governmental Funds	21,741
	Internal Service Funds	9,784
		344,079

14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Harbor-UCLA Medical Center	General Fund	$ 15,759
	Fire Protection District	12
	Nonmajor Governmental Funds	38,001
	Olive View-UCLA Medical Center	609
	LAC+USC Medical Center	1,463
	Rancho Los Amigos Nat'l Rehab Center	528
		56,372
Olive View-UCLA Medical Center	General Fund	11,043
	Fire Protection District	144
	Nonmajor Governmental Funds	38,000
	Harbor-UCLA Medical Center	1,802
	LAC+USC Medical Center	29
	Rancho Los Amigos Nat'l Rehab Center	116
		51,134
LAC+USC Medical Center	General Fund	22,304
	Fire Protection District	44
	Nonmajor Governmental Funds	21,234
	Harbor-UCLA Medical Center	7,814
	Olive View-UCLA Medical Center	3,909
	Rancho Los Amigos Nat'l Rehab Center	658
		55,963
Rancho Los Amigos Nat'l Rehab Center	General Fund	4,122
	Fire Protection District	56
	Nonmajor Governmental Funds	35
	Olive View-UCLA Medical Center	4
	LAC+USC Medical Center	1,401
		5,618
Waterworks Enterprise Funds	General Fund	142
	Internal Service Funds	617
		759
Nonmajor Enterprise Funds	Internal Service Funds	2
Internal Service Funds	General Fund	18,275
	Fire Protection District	47
	Flood Control District	11,746
	Nonmajor Governmental Funds	28,671
	Harbor-UCLA Medical Center	1,102
	Olive View-UCLA Medical Center	469
	LAC+USC Medical Center	1
	Rancho Los Amigos Nat'l Rehab Center	298
	Waterworks Enterprise Funds	3,158
	Nonmajor Enterprise Funds	249
		64,016
Total Interfund Receivables/Payables		$ 1,004,217

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the 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, 2012 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 48,594
	Nonmajor Governmental Funds	80,134
	Harbor-UCLA Medical Center	214,322
	Olive View-UCLA Medical Center	93,976
	LAC+USC Medical Center	257,749
	Rancho Los Amigos Nat'l Rehab Center	77,230
	Internal Service Funds	75
		772,080
Fire Protection District	Nonmajor Governmental Funds	18,325
Flood Control District	Nonmajor Governmental Funds	18,910
	Internal Service Funds	975
		19,885
Public Library	General Fund	5,141
	Nonmajor Governmental Funds	924
		6,065
Regional Park and Open Space District	Nonmajor Governmental Funds	36,577
Nonmajor Governmental Funds	General Fund	438,678
	Flood Control District	226
	Public Library	1,870
	Nonmajor Governmental Funds	46,200
	Harbor-UCLA Medical Center	63,364
	Olive View-UCLA Medical Center	58,072
	LAC+USC Medical Center	72,696
	Rancho Los Amigos Nat'l Rehab Center	35
	Nonmajor Enterprise Funds	4,126
	Internal Service Funds	4,379
		689,646

14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	$ 1,333
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	144
LAC+USC Medical Center	General Fund	22,259
	Nonmajor Governmental Funds	138
	Harbor-UCLA Medical Center	33
	Olive View-UCLA Medical Center	18
	Rancho Los Amigos Nat'l Rehab Center	1,283
		23,731
Waterworks Enterprise Funds	Internal Service Funds	254
Internal Service Funds	Nonmajor Governmental Funds	112
Total Interfund Transfers		$1,568,152

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 $162.7 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2012 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 219,521	$ 32,366	$ 251,887
	Olive View-UCLA Medical Center	161,188	43,242	204,430
	LAC+USC Medical Center	127,698	60,397	188,095
	Rancho Los Amigos Nat'l Rehab Center	30,339	26,661	57,000
	Internal Service Funds	2,100		2,100
		540,846	162,666	703,512

14. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
Flood Control District	Internal Service Funds	$ 6,534		$ 6,534
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	4,196		4,196
	Internal Service Funds	11,921		11,921
		16,117		16,117
Waterworks Enterprise Funds	Internal Service Funds	1,445		1,445
Total Interfund Advances		$ 564,942	$ 162,666	$ 727,608

15. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

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

The Budget adopted by the County for FY 2011-2012 uses fund balance terminology that was in effect prior to GASB 54. As such, the Statement of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual on Budgetary Basis continues to make reference to reserves and designations.

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

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

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

- For the General Fund, obligations for accrued 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.

15. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-06, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as a sale of future revenues and were being recognized over the duration of the sale agreement, in accordance with GASB 48. This matter is also discussed in Note 10, under the caption, “Tobacco Settlement Asset-Backed Bonds.”

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

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

- 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, 2012.

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	$ 1,565,502	$ 46,811	$ 53,649	$ 30,178	$ 200,516
Reserves and designations	1,145,523	168,437	145,863	25,556	121,470
Subtotal	2,711,025	215,248	199,512	55,734	321,986
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	121,297	(478)		94	
Accrual of compensated absences	53,701				
Deferral of sale of tobacco settlement revenue	(252,815)				
Change in revenue accruals	(105,862)	(18,062)	(4,841)	(2,566)	178
Change in OPEB	114,605	6,857		1,091	
Subtotal	(69,074)	(11,683)	(4,841)	(1,381)	178
Fund balance - GAAP basis	$ 2,641,951	$ 203,565	$ 194,671	$ 54,353	$ 322,164

16. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2012, there were contractual commitments of approximately $252.3 million for various general government construction projects and approximately $223.0 million for various hospital construction projects that were financed by bonds and commercial paper.

LACERA Capital Commitments

At June 30, 2012, LACERA had outstanding capital commitments to various investment managers, approximating $2,210,000,000. Subsequent to June 30, 2012, LACERA funded $220,000,000 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, 2012, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 397,192	$ 397,192
Fire Protection District	27,697			27,697
Flood Control District	51,582			51,582
Public Library			12,792	12,792
Regional Park and Open Space District	56,667			56,667
Nonmajor Governmental Funds	120,101	14,428	4,848	139,377
Total Encumbrances	$ 256,047	$ 14,428	$ 414,832	$ 685,307

17. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2009-2010, 2010-2011 or 2011-2012.

17. 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, 2012 were approximately $2.123 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2012. Approximately $101,715,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2012, the County's best estimate of these liabilities is $2.385 billion. Changes in the reported liability since July 1, 2010 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
2010-2011				
Workers' Compensation	$ 2,159,415	$ 245,578	$(334,395)	$ 2,070,598
Other	257,708	22,302	(67,760)	212,250
Total 2010-2011	$ 2,417,123	$ 267,880	$(402,155)	$ 2,282,848
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

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $148.7 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

18. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation 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 pollution remediation obligation when estimates can reasonably be determined.

18. POLLUTION REMEDIATION-Continued

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, 2012, the County's estimated pollution remediation obligation totaled $25,294,000. 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.

19. 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, 2012 (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	$ 51,616	14,862		1,565		23,508
Long-term receivables	207,981					4,196
Permanent fund principal						2,240
Total nonspendable	259,597	14,862		1,565		29,944
Restricted for:						
General government	38,458					
Public protection	3,206	188,703	194,572			310,973
Public ways and facilities						468,850
Health and sanitation						612,972
Public assistance	13,451					245,402
Education				9,661		442
Recreation and cultural services					322,164	5,694
Capital projects						373,551
Debt service						618,980
Endowments and annuities						404
Total restricted	55,115	188,703	194,572	9,661	322,164	2,637,268
Committed to:						
General government	202,989					150
Public protection	12,237					25,642
Health and sanitation	108,189					
Public assistance	8,840					
Education						14,402
Capital projects						85,644
Total committed	332,255					125,838

19. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Assigned to:						
General government	$ 160,234					72,736
Public protection	101,151		99			4,593
Health and sanitation	94,643					3,746
Public assistance	36,871					
Education				43,127		
Recreation and cultural services	10,298					22,306
Capital projects						1,168
Imprest cash	2,088					
Total assigned	405,285		99	43,127		104,549
Unassigned	1,589,699					
Total Fund Balances	$2,641,951	203,565	194,671	54,353	322,164	2,897,599

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 $93,271,000 is reported as unassigned fund balance in the General Fund.

20. EXTRAORDINARY ITEMS

First 5 LA (Discretely Presented Component Unit)

On March 24, 2011, the Governor signed Assembly Bill 99 ("AB 99") into law. AB 99 established the Children and Families Health and Human Services Fund (the "CFHHSF"). As specified in the legislation, the CFHHSF will be used, upon appropriation, by the California State Legislature for health and human services. First 5 LA accrued the AB 99 amount of $424,389,000 as a liability with a corresponding expense at June 30, 2011 as an extraordinary item.

20. EXTRAORDINARY ITEMS-Continued

First 5 LA (Discretely Presented Component Unit)-Continued

A lawsuit was filed by First 5 LA against the State challenging that the AB 99 violates the intent of Proposition 10. Several Counties joined the suit against the State and in November 2011, a Fresno Superior Court judge found AB 99 invalid. As a result, the AB 99 liability reflected in the First 5 LA statement of net assets as of June 30, 2011 in the amount of $424,389,000 was reversed, a corresponding extraordinary item was recognized in FY 2011-2012, and net assets for this matter were restored in the government-wide financial statements.

Community Development Commission

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (AB x1 26) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the County’s Community Development Commission (CDC) that previously had reported a redevelopment agency.

AB x1 26 provides that upon the dissolution of the redevelopment agency, either CDC or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On February 21, 2012, the Board of Supervisors assigned CDC to become the Successor Agency for the County’s former redevelopment agency.

All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the CDC Nonmajor Special Revenue fund. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in the financial statements in the CDC Private-Purpose Trust Fund.

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of CDC to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the CDC Private-Purpose Trust Fund as an extraordinary gain. Total extraordinary loss reported in the governmental funds and government-wide financial statements amounted to $6.3 million.

21. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 2, 2012, the County issued $300,000,000; $400,000,000; and $400,000,000 in 2012-2013 TRANS Series A, B, and C, respectively, which will mature on the following dates: February 28, 2013, March 29, 2013, and June 28, 2013, respectively. The TRANS are collateralized by taxes and other revenues attributable to the 2012-2013 fiscal year and were issued in the form of Fixed Rate Notes at effective interest rates of 0.18%, 0.19%, and 0.20%, respectively.

21. SUBSEQUENT EVENTS-Continued

Tax-Exempt Commercial Paper

On September 6, 2012, the Los Angeles County Capital Asset Leasing Corporation issued an additional $30,000,000 in tax-exempt commercial paper with an initial average rate of 0.180%. Also, on November 26, 2012, the Corporation issued an additional $25,000,000 in tax-exempt commercial paper with an initial average rate of 0.244%. The proceeds are being used to fund capital requirements of various capital projects. The commercial paper notes are secured by a long-term lease of County real estate and a letter of credit.

California Public Employees' Pension Reform Act of 2013

On September 12, 2012, AB 340, known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), was signed into law by Governor Brown. PEPRA takes effect January 1, 2013. LACERA and the County of Los Angeles are working together to thoroughly analyze the complex legislation's impact on the County of Los Angeles and its employees.

Public Works Financing Authority - Lease Revenue Bonds Series 2012

On October 10, 2012, the authority issued $339,410,000 in lease revenue bonds, maturing from 2013 to 2033, with yields ranging from 0.40% to 3.5%. Proceeds from the sale of the bonds will be used to finance and/or refinance various capital improvements projects.

County Assessor

On October 17, 2012, certain members of the Office of the Assessor, including the elected Assessor, were arrested by the Los Angeles County District Attorney in connection with assessed property value reductions allegedly extended to the Assessor's campaign contributors and would-be contributors. The investigations are not focused on the day-to-day operations of the Office of the Assessor and are not expected to have a material financial impact on the County's financial statements.

Significant Contractual Commitments

In November 2012, the Board of Supervisors approved and authorized approximately $720 million in various contractual commitments to be financed by bonds and commercial paper. The committed projects approved by the Board included the $367 million for an Electronic Health Record System, $176 million for the San Fernando Valley Family Support Center Project and $177 million for the Rancho Seismic Retrofit Compliance and Inpatient Consolidation Project.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On December 5, 2012, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.632%. 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, 2015. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

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, 2009	$39,541,865	$ 44,468,636	$ 4,926,771	88.9%	$ 6,547,616	75.2%
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%

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, 2006	$ 0	$ 20,301,800	$ 20,301,800	0%	$ 5,205,804	389.98%
July 1, 2008	0	20,901,600	20,901,600	0%	6,123,888	341.31%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%

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%	6,695,439	15.22%

COUNTY OF LOS ANGELES

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

COUNTY OF LOS ANGELES
CALIFORNIA

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July 1, 2013

County of Los Angeles
Los Angeles, California

County of Los Angeles 2013-14 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Los Angeles (the "County") in connection with the issuance of $1,000,000,000 aggregate principal amount of the County of Los Angeles 2013-14 Tax and Revenue Anticipation Notes, Series A and Series B (the "Notes"), dated the date hereof. The Notes are being issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the County on May 14, 2013 (the "Resolution") and the Financing Certificate Provided for the Terms and Conditions of Issuance and Sale of 2013-14 Tax and Revenue Anticipation Notes, dated the date hereof (the "Financing Certificate"). In such connection, we have reviewed: the Resolution; the Financing Certificate; a tax certificate of the County with exhibits, dated the date hereof (the "Tax Certificate"); the opinion of counsel to the County; certificates of the County and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Financing Certificate.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes is concluded with their issuance on this date, and we disclaim any obligation to update this opinion. We have assumed and relied upon, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by and validity thereof against any parties other than the County. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications and have assumed compliance with the covenants of the County in the Financing Certificate, the Tax Certificate and other relevant documents to which it is a party. The accuracy of certain of those representations and certifications, and compliance by the County with certain of their covenants, may be necessary for interest on the Notes to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Notes may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Notes and the Financing Certificate and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Notes constitute the valid and binding obligations of the County.

2. The Financing Certificate has been duly authorized, executed and delivered by and constitutes the valid and binding obligation of the County.

3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the County for the fiscal year ending June 30, 2014 and lawfully available for the payment of the Notes, and the interest thereon, and are secured by a pledge of certain moneys, all as specified in the Resolution and the Financing Certificate.

4. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Notes earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on the Notes is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Notes.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and County and the Underwriters take no responsibility for the completeness or accuracy thereof. The County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company, New York, NY, will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and other payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the County's designated agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the DTC account of the County's designated agent.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Resolution and Financing Certificate with respect to certificated Notes will apply.

12. The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Notes are not subject to redemption prior to maturity.

NONE OF THE COUNTY OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR REDEMPTION.

COUNTY OF LOS ANGELES
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COUNTY OF LOS ANGELES • 2013-14 TAX AND REVENUE ANTICIPATION NOTES

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