NEW ISSUES – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under existing law interest on the Series 2015 Refunding Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants herein, interest on the Series 2015B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum income tax imposed on corporations and individuals. The Authority has taken no action to cause, and does not intend, interest on the Series 2015C Bonds to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from gross income of the owners thereof for federal income tax purposes. See "TAX MATTERS" herein.

$218,340,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Refunding Bonds

$133,330,000
2015 Series B (Tax-Exempt)

$85,010,000
2015 Series C (Federally Taxable)

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

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt) (the "Series 2015B Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable) (the "Series 2015C Bonds" and, together with the Series 2015B Bonds, the "Series 2015 Refunding Bonds") are payable solely from Lease Revenues and the other assets pledged therefor under the Master Indenture, dated as of February 1, 2015, as amended and supplemented as described herein (as so amended and supplemented, the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and Zions First National Bank, as trustee (the "Trustee"). Lease Revenues consist primarily of Base Rental Payments to be made by the County for the use of certain real property and the improvements located thereon (the "Property") pursuant to the Master Sublease, dated as of February 1, 2015, as amended and supplemented as described herein (as so amended and supplemented, the "Sublease"), by and between the County and the Authority. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The County's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS" herein.

The Authority has previously issued the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2015 Series A (the "Series 2015A Bonds") pursuant to the Indenture in the original aggregate principal amount of $153,215,000. Subject to satisfaction of certain conditions precedent, the Authority may issue additional bonds (the "Additional Bonds") under the Indenture. The Series 2015 Refunding Bonds will be issued as Additional Bonds under the Indenture, and the Series 2015A Bonds, the Series 2015 Refunding Bonds and any other Additional Bonds hereafter issued (collectively, the "Bonds") are payable from Lease Revenues on a parity with all other Bonds issued under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS – Parity Obligations; Additional Bonds" herein.

The proceeds of the Series 2015B Bonds will be used to refund the Authority's outstanding Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project), Series 2005, and Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2005 Master Refunding Project), Series A, to fund a portion of the Common Reserve Account established under the Indenture for the Series 2015A Bonds and the Series 2015 Refunding Bonds, and to pay certain costs of issuance incurred in connection with the issuance of the Series 2015B Bonds. The proceeds of the Series 2015C Bonds will be used to refund a portion of the Authority's outstanding Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project), Series B, to fund a portion of the Common Reserve Account established under the Indenture for the Series 2015A Bonds and the Series 2015 Refunding Bonds, and to pay certain costs of issuance incurred in connection with the issuance of the Series 2015C Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2015 Refunding Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2015 Refunding Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on December 1, 2015. The Series 2015 Refunding Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2015 Refunding Bonds. Ownership interests in the Series 2015 Refunding Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Series 2015 Refunding Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2015 Refunding Bonds. See APPENDIX D – "Book-Entry Only System" attached hereto.

The Series 2015 Refunding Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2015 REFUNDING BONDS – Redemption of the Series 2015 Refunding Bonds" herein.

See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2015 Refunding Bonds.

THE OBLIGATION OF THE COUNTY TO PAY THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE SERIES 2015 REFUNDING BONDS SHALL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE LEASE REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2015 REFUNDING BONDS. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

The Series 2015 Refunding Bonds are offered when, as and if issued, subject to the approval as to their validity by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the County by County Counsel and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. It is anticipated that the Series 2015 Refunding Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September 2, 2015.

Goldman, Sachs & Co.
Morgan Stanley

Raymond James **Backstrom McCarley Berry & Co., LLC** **KeyBanc Capital Markets Inc.**

Dated: August 12, 2015

MATURITY SCHEDULE

$133,330,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Refunding Bonds
2015 Series B (Tax-Exempt)

(Base CUSIP†: 54473E)

Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2015	$17,970,000	4.000%	0.090%	QV9	2026	$11,455,000	5.000%	2.850%*	RE6
2016	8,120,000	5.000	0.430	QW7	2027	12,030,000	5.000	2.980*	RF3
2017	2,400,000	5.000	0.810	QX5	2028	12,645,000	5.000	3.090*	RG1
2018	2,595,000	5.000	1.120	QY3	2029	13,285,000	5.000	3.170*	RH9
2019	2,805,000	5.000	1.350	QZ0	2030	7,200,000	5.000	3.240*	RJ5
2020	3,025,000	5.000	1.600	RA4	2031	7,565,000	5.000	3.310*	RK2
2021	3,265,000	5.000	1.890	RB2	2032	5,675,000	5.000	3.370*	RL0
2024	6,420,000	5.000	2.500	RC0	2033	5,970,000	5.000	3.410*	RM8
2025	10,905,000	5.000	2.670	RD8					

$85,010,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Refunding Bonds
2015 Series C (Federally Taxable)

(Base CUSIP†: 54473E)

Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2015	$7,480,000	0.320%	0.320%	RX4	2020	$ 9,070,000	2.910%	2.910%	RS5
2016	9,520,000	0.845	0.845	RN6	2021	9,345,000	3.180	3.180	RT3
2017	8,485,000	1.507	1.507	RP1	2022	9,660,000	3.450	3.450	RU0
2018	8,640,000	2.036	2.036	RQ9	2023	10,000,000	3.587	3.587	RV8
2019	8,830,000	2.560	2.560	RR7	2024	3,980,000	3.737	3.737	RW6

* Priced to first optional redemption date of December 1, 2025 at par.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, 2015 Series B (Tax-Exempt) & Series C (Federally Taxable)

Board of Supervisors

Michael D. Antonovich
Fifth District, Mayor

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Patrick Ogawa
Acting Executive Officer-Clerk
Board Of Supervisors

County Officials

Sachi A. Hamai
Interim Chief Executive Officer

Mary C. Wickham
Interim County Counsel

Joseph Kelly
Treasurer And Tax Collector

John Naimo
Auditor-Controller

Norton Rose Fulbright US LLP
Bond Counsel

Public Resources Advisory Group
Financial Advisor

Zions First National Bank
Trustee

U.S. Bank National Association
Escrow Bank

Causey Demgen & Moore P.C.
Verification Agent

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2015 Refunding Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2015 Refunding Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from the Authority and the County, and other sources that are believed by the Authority and the County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Series 2015 Refunding Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Authority.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the County nor the Authority plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The County maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2015 Refunding Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 REFUNDING BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2015 REFUNDING BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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COUNTY OF LOS ANGELES
CALIFORNIA

$218,340,000
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Lease Revenue Refunding Bonds

$133,330,000 **2015 Series B (Tax-Exempt)**	**$85,010,000** **2015 Series C (Federally Taxable)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (this "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt) (the "Series 2015B Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable) (the "Series 2015C Bonds" and, together with the Series 2015B Bonds, the "Series 2015 Refunding Bonds"). The Series 2015 Refunding Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code and the Master Indenture, dated as of February 1, 2015, by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and Zions First National Bank, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture, dated as of September 1, 2015, by and among the County, the Authority and the Trustee (as so amended and supplemented, the "Indenture").

The Series 2015 Refunding Bonds are payable solely from the Lease Revenues (as defined herein) and the other assets pledged therefor under the Indenture as described herein. Lease Revenues consist primarily of Base Rental Payments to be made by the County for the use of certain real property and the improvements located thereon, as more particularly described herein (the "Property"), pursuant to the Master Sublease, dated as of February 1, 2015, by and between the County and the Authority, as amended and supplemented by the First Amendment to Master Sublease, dated as of September 1, 2015, by and between the County and the Authority (as so amended and supplemented, the "Sublease").

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Series 2015 Refunding Bonds to potential investors is made only by means of this Official Statement.

All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Sublease shall have the same meanings assigned to such terms as set forth therein. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

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 is more populous than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production and tourism. For additional economic, demographic and financial information with respect to the County, see APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994, and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to the JPA Agreement in accordance with its terms. The Authority has previously issued obligations secured by certain revenues of and rental payments from certain contracting parties and may issue additional obligations in the future. These other obligations of the Authority, other than the Series 2015A Bonds described herein and any other Additional Bonds hereafter issued, are not secured by the Lease Revenues, and the Series 2015 Refunding Bonds are not secured by any other assets or property of the Authority other than the Lease Revenues and the other assets pledged to the payment of the Series 2015 Refunding Bonds under the Indenture.

Description of the Series 2015 Refunding Bonds

The Series 2015 Refunding Bonds will be issued in denominations of $5,000 and any integral multiple thereof (the "Authorized Denominations"). The Series 2015 Refunding Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on December 1, 2015.

The Series 2015 Refunding Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Series 2015 Refunding Bonds may be purchased in book-entry form only. Principal of and interest on the Series 2015 Refunding Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the beneficial owners (the "Beneficial Owners") of the Series 2015 Refunding Bonds. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Series 2015 Refunding Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2015 REFUNDING BONDS – Redemption of the Series 2015 Refunding Bonds."

For a more complete description of the Series 2015 Refunding Bonds and the basic documentation pursuant to which they are being issued, see "THE SERIES 2015 REFUNDING BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Security and Sources of Payment for the Bonds

The County leases the Property to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, by and between the County and the Authority, as amended and supplemented by the First Amendment to Master Site Lease, dated as of September 1, 2015, by and between the County and the Authority (as so amended and supplemented, the "Site Lease"). The County subleases the Property from the Authority pursuant to the Sublease. The Series 2015 Refunding Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. "Lease Revenues" is defined in the Indenture to mean all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

The Authority has previously issued the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2015 Series A (the "Series 2015A Bonds") pursuant to the Indenture in the original aggregate principal amount of $153,215,000. Subject to satisfaction of certain conditions precedent, the Authority may issue additional bonds (the "Additional Bonds") under the Indenture. The Series 2015 Refunding Bonds will be issued as Additional Bonds under the Indenture, and the Series 2015A Bonds, the Series 2015 Refunding Bonds and any other Additional Bonds hereafter issued (collectively, the "Bonds") are payable from Lease Revenues on a parity with all other Bonds issued under the Indenture.

Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Bonds when due. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments.

The County's obligation to pay Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. Failure of the County to pay Base Rental Payments during any such period shall not constitute a default under the Sublease, the Indenture or the Bonds.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Reserve Fund

Pursuant to the Indenture, the Trustee shall establish and maintain a special fund designated the "Reserve Fund." Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Common Reserve Account" and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Bonds pursuant to the Indenture (all Bonds, including the Series 2015 Refunding Bonds, issued pursuant to the Indenture being referred to as the "Bonds") and to the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Common Reserve Account will secure the payment of principal of and interest on the Series 2015A Bonds, the Series 2015 Refunding Bonds and any other Series of Additional Bonds issued under the Indenture secured by the Common Reserve Account (collectively, the "Common Reserve Bonds") as provided in the Supplemental Indenture providing for the issuance of each such Series of Additional Bonds. The Reserve Fund will be funded in an amount sufficient to satisfy the Reserve Requirement, which is defined as an amount equal to (a) with respect to the Common Reserve Bonds, as of the date of any calculation, the least of (i) 50% Maximum Annual Debt Service of such Common Reserve Bonds, (ii) 10% of the original aggregate principal amount of the Common Reserve Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), and (iii) 125% of Average Annual Debt Service of such Common Reserve Bonds, and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; provided, however, that in no event shall any Reserve Requirement exceed an amount permitted by the Code. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS – Reserve Fund."

Parity Obligations; Additional Bonds

The Series 2015 Refunding Bonds will be issued as Additional Bonds under the Indenture. The Authority has previously issued the Series 2015A Bonds pursuant to the Indenture payable from Lease Revenues on a parity with the Series 2015 Refunding Bonds and all other Additional Bonds hereafter issued under the Indenture. Under the Indenture, the Authority may issue other Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but subject to the satisfaction of certain conditions precedent, including, (1) the provision to the Trustee of a Supplemental Indenture that, among other things, specifies whether such Additional Bonds shall (a) constitute Common Reserve Bonds secured by the Common Reserve Account, (b) be secured by any other Reserve Account, or (c) not be secured by any Reserve Account and (2) the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS – Parity Obligations; Additional Bonds" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" and "– Procedure for the Issuance of Additional Bonds."

Purpose of the Series 2015 Refunding Bonds

The proceeds of the Series 2015B Bonds will be used (a) to refund the Authority's outstanding Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Calabasas Landfill Project), Series 2005 (the "Series 2005 Refunded Bonds"), (b) to refund the Authority's outstanding Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2005 Master Refunding Project), Series A (the "Series 2005A Refunded Bonds"), (c) to fund a portion of the Common Reserve Account established under the Indenture for the Series 2015A Bonds and the Series 2015 Refunding Bonds, and (d) to pay certain costs of issuance incurred in connection with the issuance of the Series 2015B Bonds. The proceeds of the Series 2015C Bonds will be used (a) to refund a portion of the Authority's outstanding Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project), Series B, maturing on September 1 of the years 2016 to 2033, inclusive (the "Series 2006B Refunded Bonds" and, together with the Series 2005 Refunded Bonds and the Series 2005A Refunded Bonds, the "Refunded Bonds"), (b) to fund a portion of the Common Reserve Account established under the Indenture for the Series 2015A Bonds and the Series

2015 Refunding Bonds, and (c) to pay certain costs of issuance incurred in connection with the issuance of the Series 2015C Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2015 Refunding Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2016, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Series 2015 Refunding Bonds in complying with the Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Certain Risk Factors

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "CERTAIN RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2015 Refunding Bonds.

Forward-Looking Statements

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

Other Information

The descriptions herein of the Indenture, the Site Lease and the Sublease and any other agreements relating to the Series 2015 Refunding Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2015 Refunding Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Copies of the Indenture, the Site Lease and the Sublease may be obtained upon request from the Trustee at: 550 South Hope Street, Suite 2650, Los Angeles, California 90071, Attention: Corporate Trust Services.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

PLAN OF REFUNDING

As further described in the tables below, the proceeds of the Series 2015B Bonds will be used (a) to refund the Series 2005 Refunded Bonds, (b) to refund the Series 2005A Refunded Bonds, (c) to fund a portion of the Common Reserve Account established under the Indenture for the Series 2015A Bonds and the Series 2015 Refunding Bonds, and (d) to pay certain costs of issuance incurred in connection with the issuance of the Series 2015B Bonds.

Series 2005 Refunded Bonds

Maturity Date	Principal Amount to be Refunded	CUSIP(1)	Redemption Date	Redemption Price
06/01/2016	$2,500,000	54473EKQ6	09/02/2015	100%
06/01/2017	2,675,000	54473EKR4	09/02/2015	100
06/01/2018	600,000	54473EKT0	09/02/2015	100
06/01/2018	2,255,000	54473EKS2	09/02/2015	100
06/01/2019	3,045,000	54473EKU7	09/02/2015	100
06/01/2020	3,250,000	54473EKV5	09/02/2015	100
06/01/2021	3,485,000	54473EKW3	09/02/2015	100
06/01/2022	3,740,000	54473EKX1	09/02/2015	100

(1) CUSIP numbers are provided for convenience of reference only. None of the Authority, the County or the Underwriters takes any responsibility for the accuracy of such CUSIP numbers.

Series 2005A Refunded Bonds

Maturity Date	Principal Amount to be Refunded	CUSIP[(1)]	Redemption Date	Redemption Price
12/01/2015	$2,525,000	54473EJJ4	-	-
12/01/2015	2,100,000	54473EJL9	-	-
12/01/2015	18,360,000	54473EJK1	-	-
12/01/2016	3,385,000	54473EJM7	12/01/2015	100%
12/01/2016	9,360,000	54473EJN5	12/01/2015	100
12/01/2017	5,310,000	54473EJP0	12/01/2015	100
12/01/2018	5,580,000	54473EJQ8	12/01/2015	100
12/01/2019	5,860,000	54473EJR6	12/01/2015	100
12/01/2020	6,155,000	54473EJS4	12/01/2015	100
12/01/2021	6,460,000	54473EJT2	12/01/2015	100
12/01/2022	6,790,000	54473EJU9	12/01/2015	100
12/01/2023	7,130,000	54473EJV7	12/01/2015	100
12/01/2024	7,485,000	54473EJW5	12/01/2015	100
12/01/2025	7,865,000	54473EJX3	12/01/2015	100
12/01/2026	8,260,000	54473EJY1	12/01/2015	100
12/01/2027	8,670,000	54473EJZ8	12/01/2015	100
12/01/2028	9,115,000	54473EKA1	12/01/2015	100
12/01/2031	14,350,000	54473EKB9	12/01/2015	100

(1) CUSIP numbers are provided for convenience of reference only. None of the Authority, the County or the Underwriters takes any responsibility for the accuracy of such CUSIP numbers.

The Series 2005 Refunded Bonds were issued to finance certain public improvement projects, equipment and furnishings at the Calabasas Landfill, including excavation of approximately 8.1 million cubic yards of soil and the installation new landfill liners and liquids collection and removal systems.

The Series 2005A Refunded Bonds were issued to advance refund all of the Authority’s then outstanding Lease Revenue Bonds (Multiple Capital Facilities Project IV) (the “1993 Bonds”), advance refund all of the Authority’s then outstanding Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series A (the “1996 Series A Bonds, advance refund all of the Authority’s then outstanding Lease Revenue Bonds (Multiple Capital Facilities Project V) 1996 Series B (the “1996 Series B Bonds”), advance refund all of the Authority’s then outstanding Lease Revenue Bonds (Multiple Capital Facilities Project VI) 2000 Series A (the “2000 Bonds”), and finance certain public capital improvements of the County. The 1993 Bonds were issued to finance the acquisition, construction and improvement of the City of Alhambra Courthouse Expansion Facility, the City of Burbank Courthouse Addition, the Sheriff’s Department Headquarters, the Emergency Operations Center, the Harbor/UCLA Primary Care and Diagnostic Center, the Rancho Los Amigos Inpatient Care Unit, the Rancho Los Amigos Parking Structure, the Rancho Los Amigos Central Heating and Cooling Plant, the Rancho Los Amigos Master Plan for internal utility and infrastructure support of the Central Plant and Inpatient Care Unit, the Martin Luther King, Jr., Trauma and Diagnostic Center, the Martin Luther King, Jr., Central Plant Upgrade, the Biscailuz Center and the Music Center Complex. The 1996 Series A Bonds were issued to finance the acquisition, construction and improvement of the San Fernando Valley Juvenile Hall and the Marengo Street Parking Structure. The 1996 Series B Bonds were issued to finance the acquisition, construction and improvement of the Los Angeles County Superior Court — Airport Branch. The 2000 Bonds were issued to finance the acquisition, construction and improvement of the West San Fernando Valley Courthouse and the Harbor-UCLA Medical Center Emergency Power Generating Facility.

As further described in the table below, the proceeds of the Series 2015C Bonds will be used (a) to refund Series 2006B Refunded Bonds, (b) to fund a portion of the Common Reserve Account established under the Indenture for the Series 2015A Bonds and the Series 2015 Refunding Bonds, and (c) to pay certain costs of issuance incurred in connection with the issuance of the Series 2015C Bonds.

Series 2006B Refunded Bonds

Maturity Date[1]	Principal Amount to be Refunded	CUSIP[2]	Redemption Date	Redemption Price
09/01/2016	$2,925,000	54473ELZ5	-	-
09/01/2017	3,055,000	54473EMA9	09/01/2016	100%
09/01/2018	3,215,000	54473EMB7	09/01/2016	100
09/01/2019	3,375,000	54473EMC5	09/01/2016	100
09/01/2020	3,545,000	54473EMD3	09/01/2016	100
09/01/2021	3,720,000	54473EME1	09/01/2016	100
09/01/2022	3,895,000	54473EMF8	09/01/2016	100
09/01/2023	4,095,000	54473EMG6	09/01/2016	100
09/01/2024	4,305,000	54473EMH4	09/01/2016	100
09/01/2025	4,525,000	54473EMJ0	09/01/2016	100
09/01/2026	4,755,000	54473EMK7	09/01/2016	100
09/01/2031	27,700,000	54473EML5	09/01/2016	100
09/01/2033	13,170,000	54473EMM3	09/01/2016	100

(1) The September 1, 2015, maturity of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds (2006 Master Refunding Project), Series B, matures and is expected to be paid prior to the issuance of the Series 2015 Refunding Bonds.
(2) CUSIP numbers are provided for convenience of reference only. None of the Authority, the County or the Underwriters takes any responsibility for the accuracy of such CUSIP numbers.

The Series 2006B Refunded Bonds were issued to advance refund all of the County's County of Los Angeles Certificates of Participation (Antelope Valley Courthouse Project) Series 2000 A (the "2000 COPs"), which were executed and delivered to finance the acquisition, construction and improvement of the Michael Antonovich Antelope Valley Courthouse located at the intersection of 4th Street West and Avenue M in the City of Lancaster in Los Angeles County.

The Authority and U.S. Bank National Association, as escrow bank (the "Escrow Bank") will enter into an Escrow Agreement, dated as of September 1, 2015 (the "Escrow Agreement"), with respect to the Refunded Bonds, pursuant to which the Authority will deposit a portion of the proceeds from the sale of the Series 2015 Refunding Bonds into special funds to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Refunded Bonds will be used to purchase certain United States governmental obligations and/or other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the principal of, if any, and interest due through and including their respective first optional redemption date (September 2, 2015 with respect to the Series 2005 Refunded Bonds, December 1, 2015, with respect to the Series 2005A Refunded Bonds, and September 1, 2016 with respect to the Series 2006B Refunded Bonds), and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Bonds being refunded on the applicable redemption date in accordance with the schedule set forth in the Escrow Agreement. See "ESCROW VERIFICATION" herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Refunding Bonds.

DESCRIPTION OF THE PROPERTY

The Property consists of the Los Angeles County Civic Center Heating and Refrigeration Plant, the Internal Services Department Headquarters, the Manhattan Beach Library, the Zev Yaroslavsky Family Support Center, the Michael Antonovich Antelope Valley Courthouse, the Los Angeles County Superior Court – Airport Branch, the West San Fernando Valley Courthouse and the Lost Hills Sheriff Station.

Los Angeles County Civic Center Heating and Refrigeration Plant. The Los Angeles County Civic Center Heating and Refrigeration Plant (the "Refrigeration Plant") is located on a 2.28 acre property in the City of Los Angeles situated on the north side of Temple Street, and extending between Hill Street and North Broadway. The site also has frontage on the south side of the Hollywood/Santa Ana (101) Freeway right-of-way. The Refrigeration Plant was originally constructed in 1959, and was modified as new systems and upgrades were implemented. It supplies electrical steam and chilled water to the Los Angeles County Civic Center and other nearby County buildings. The Refrigeration Plant's main building is a special-purpose industrial structure designed for a cogeneration facility that is divided into a boiler or heating plant that occupies the north section and a refrigeration plant that occupies the south portion.

Internal Services Department Headquarters. The Internal Services Department Headquarters (the "ISD Headquarters") is located on a 32.8-acre property at 1100 North Eastern Avenue in the City of Los Angeles and consists of two one-story industrial buildings, one administrative office building, a metal industrial building, and one office/communications building. The combined gross building area is 455,383 square feet. The ISD Headquarters is occupied by the Internal Services Department of the County of Los Angeles ("ISD") and used as a maintenance, storage and service facility. ISD provides computer, telecommunications, building maintenance and repair, purchasing and contracts, vehicle repair, mail messenger and printing services to County departments.

Manhattan Beach Library. The Manhattan Beach Library consists of a two-story 21,500 square foot library completed in January 2015, and located on County-owned property within the Manhattan Beach City Civic Center. The library includes a homework center, group study/tutoring rooms, 100-seat community meeting room, express-service checkout machines, automated materials handling system, information service desks, public access computers, and associated site improvements including landscaping, walkways and security lighting.

Zev Yaroslavsky Family Support Center. The Zev Yaroslavsky Family Support Center is located on a 6.78 acre County-owned property in Van Nuys, California. The facility includes office space and facilitates the delivery of various health and social services on behalf of the Departments of Child Support Services, Children and Family Services, Health Services, Mental Health, Public Health, Public Social Services and Probation. The facility consists of a five-story office building with 212,000 square feet of space, and a multi-story parking structure with approximately 1,350 parking spaces. The office building was substantially completed in July 2015 and is designed to provide an efficient service delivery center for families requiring access to multiple government services. The parking structure is scheduled for completion in September 2015.

Michael Antonovich Antelope Valley Courthouse. The Michael Antonovich Antelope Valley Courthouse is located on a 17-acre site at the intersection of 4th Street West and Avenue M in the City of Lancaster in Los Angeles County. The courthouse consists of a five story building of approximately 380,000 square feet, and houses 21 courtrooms, related facilities including a cafeteria and surface and underground parking.

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

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

Lost Hills Sheriff Station. The Lost Hills Sheriff Station is a 32,000 square foot sheriff station in an unincorporated area of the County near the City of Agoura. The site is located near the intersection of Agoura Road and Malibu Hills road on County-owned land. The station has a single story sheriff's building which includes thirty-one detention cells, a detox cell and a holding cell. This facility includes an emergency generator and complete heating, cooling and ventilation systems plus a fire sprinkler system. The station has a single story 5,800 square foot service building, including an auto repair shop. The station has evidence, bicycle and general storage areas and is equipped with a microwave communication tower and a helipad with refueling provisions.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS – Insurance" and "CERTAIN RISK FACTORS – Abatement."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2015 Refunding Bonds are expected to be applied approximately as set forth below:

	Series 2015B Bonds	Series 2015C Bonds	Total
Sources of Funds:			
Principal Amount of the Series 2015 Refunding Bonds	$133,330,000.00	$85,010,000.00	$218,340,000.00
Original Issue Premium	18,628,319.95	-	18,628,319.95
Released Funds with respect to Refunded Bonds	18,656,121.91	7,010,458.50	25,666,580.41
TOTAL SOURCES	$170,614,441.86	$92,020,458.50	$262,634,900.36
Uses of Funds:			
Refunding of Refunded Bonds	$159,839,282.54	$85,955,261.36	$245,794,543.90
Common Reserve Account(1)	10,082,875.29	5,640,660.07	15,723,535.36
Costs of Issuance(2)	692,284.03	424,537.07	1,116,821.10
TOTAL USES	$170,614,441.86	$92,020,458.50	$262,634,900.36

(1) Amount, together with amount on deposit in the Common Reserve Account ($5,025,891) prior to the issuance of the Series 2015 Refunding Bonds, represents the Reserve Requirement for the Common Reserve Bonds as of the date of the delivery of the Series 2015 Refunding Bonds.
(2) Includes underwriters' discount, title insurance costs, rating agency fees, bond counsel fees, financial advisor fees, trustee, escrow agent and verification agent fees, printing costs and other miscellaneous expenses.

THE SERIES 2015 REFUNDING BONDS

The following is a summary of certain provisions of the Series 2015 Refunding Bonds. Reference is made to the Series 2015 Refunding Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General

The Series 2015 Refunding Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2015 Refunding Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on December 1, 2015.

The Series 2015 Refunding Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2015 Refunding Bonds. Ownership interests in the Series 2015 Refunding Bonds may be purchased in book-entry form only. Principal of and interest and premium, if any, on the Series 2015 Refunding Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2015 Refunding Bonds. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Redemption of the Series 2015 Refunding Bonds

Optional Redemption of the Series 2015B Bonds. The Series 2015B Bonds maturing on or before December 1, 2025, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2015B Bonds maturing on or after December 1, 2026, are subject to optional redemption prior to their respective stated maturity dates, on any date on or after December 1, 2025, in whole or in part, in denominations of $5,000 or any integral multiple thereof, from prepaid Base Rental Payments paid pursuant to the Sublease or any other source of available funds, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Make-Whole Redemption of the Series 2015C Bonds. The Series 2015C Bonds maturing on and after December 1, 2016 are subject to redemption, in whole or in part and if in part, with maturities to be designated by the County (and pro rata within a maturity), on any date prior to their maturity at a redemption price equal to the greater of (i) the issue price of the Series 2015C Bonds set forth on the inside cover pages of this Official Statement to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2015C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2015C Bonds to be redeemed, discounted to the date on which the Series 2015C Bonds to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the Comparable Treasury Yield (defined below) plus the Applicable Basis Points; plus, in each case, accrued interest on the Series 2015C Bonds of such Series to be redeemed to the redemption date.

The term "Applicable Basis Points" means (i) with respect to the Series 2015C Bonds maturing on December 1 of the years 2016 and 2017, 15 basis points, (ii) with respect to the Series 2015C Bonds maturing on December 1 of the years 2018 to 2019, 20 basis points, and (iii) with respect to the Series 2015C Bonds maturing on December 1 of the years 2020 to 2024, inclusive, 25 basis points.

The term "Comparable Treasury Issue" means the Treasury Department security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2015C Bonds being redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2015C Bonds being redeemed.

The term “Comparable Treasury Price” means, with respect to any date on which a Series 2015C Bond or portion thereof is being redeemed, either (i) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (ii) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations shall be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amounts) quoted in writing to the Independent Banking Institution, at 5:00 p.m., New York City time, on the third Business Day preceding the date fixed for redemption.

The term “Comparable Treasury Yield” means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities”, or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded Treasury Department securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2015C Bond being redeemed. The Comparable Treasury Yield shall be determined as of the third Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for Treasury Department securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2015C Bond being redeemed, then the Comparable Treasury Yield shall be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield shall be calculated by interpolation on a straight-line basis, between the weekly average yields on the Treasury Department securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2015C Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2015C Bond being redeemed. Any weekly average yields calculated by interpolation shall be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for Treasury Department securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield shall be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price as of the date fixed for redemption.

The term “Independent Banking Institution” means an investment banking institution of national standing which is a primary United States government securities dealer in the United States designated by the County (which may be one of the Original Purchasers, as defined below). If the County fails to appoint an Independent Banking Institution at least 45 days prior to the date fixed for redemption, or if the Independent Banking Institution appointed by the County is unwilling or unable to determine the Comparable Treasury Yield, the Comparable Treasury Yield shall be determined by an Independent Banking Institution designated by the Trustee.

The term “Original Purchaser” means any of the underwriters identified on the cover page of this Official Statement.

The term “Reference Treasury Dealer” means a primary United States Government securities dealer in the United States appointed by the County and reasonably acceptable to the Independent Banking Institution (which may be the Original Purchaser). If the County fails to select the Reference Treasury Dealers within a reasonable period of time, the Paying Agent will select the Reference Treasury Dealers in consultation with the County.

Extraordinary Redemption of the Bonds. The Bonds shall be subject to redemption, in whole or in part, on any date, in denominations of $5,000 or any integral multiple thereof, from and to the extent of any Net Proceeds (other than Net Proceeds of rental interruption insurance) received with respect to all or a portion of the Property and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Series 2015 Refunding Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any redemption described above under the caption "– Extraordinary Redemption" among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, (b) with respect to any optional redemption of either Series of the Series 2015 Refunding Bonds, among maturities as directed by the County, and (c) with respect to either Series of Series 2015 Refunding Bonds with the same maturity, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair.

Notice of Redemption. The Trustee on behalf of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2015 Refunding Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities of the applicable Series of Series 2015 Refunding Bonds to be redeemed (except in the event of redemption of all of the Series 2015 Refunding Bonds of such maturity or maturities in whole), and shall require that such Series 2015 Refunding Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Series 2015 Refunding Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2015 Refunding Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2015 Refunding Bonds of a Series, unless at the time such notice is given the Series 2015 Refunding Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series 2015 Refunding Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2015 Refunding Bonds. In the event a notice of redemption of Series 2015 Refunding Bonds contains such a condition and such moneys are not so received, the redemption of Series 2015 Refunding Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the individuals, corporations, limited liability companies, firms, associations, partnerships, trusts, or other legal entities or groups of entities, including governmental entities or any agencies or political subdivisions thereof (each, a "Person") and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2015 Refunding Bonds pursuant to such notice of redemption.

Notice having been mailed as described above, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside, the Series 2015 Refunding Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2015 Refunding Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the Series 2015 Refunding Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as described above and not canceled, then, from and after said date, interest on said Series 2015 Refunding Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2015 Refunding Bonds shall be held in trust for the account of the Owners of the Series 2015 Refunding Bonds so to be redeemed without liability to such Owners for interest thereon.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 REFUNDING BONDS

Special Obligations; Pledge of Lease Revenues

The Series 2015 Refunding Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the repayment of the Series 2015 Refunding Bonds. "Lease Revenues" is defined in the Indenture to mean all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event. The Indenture provides that, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are pledged to the payment of the principal of and interest on the Bonds as provided in the Indenture, and that the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. The Indenture provides that said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues under the Indenture, the Authority, in the Indenture, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided that the Authority retains the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. See "– Base Rental Payments; Abatement" and "CERTAIN RISK FACTORS – Bankruptcy."

Base Rental Payments; Abatement

The County covenants under the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Sublease or the Indenture), due under the Sublease in its annual budgets and to make the necessary annual appropriations therefor. The Sublease provides that it shall be, and shall be deemed and construed to be, a "net-net-net lease" and that the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority. Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Bonds when due. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Rental Payments – Base Rental Payments."

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated, and the County waives any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Property of which there is no such substantial interference. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease; provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Rental Payments – Rental Abatement."

Subject to the abatement provisions set forth in the Sublease, the Base Rental Payments are equal to the principal of and interest on the Bonds when due. A table of the aggregate annual Base Rental Payments to be made by the County under the Sublease is set forth below.

SCHEDULE OF BASE RENTAL PAYMENTS

Fiscal Year Ending June 30	Series 2015A Bonds		Series 2015B Bonds		Series 2015C Bonds		Total Base Rental Payments[1]
	Principal	Interest[1]	Principal	Interest[1]	Principal	Interest[1]	
2016	-	$10,051,781.25	$17,970,000.00	$4,487,681.11	$7,480,000.00	$1,509,389.86	$41,498,852.22
2017	$2,455,000.00	7,549,425.00	8,120,000.00	5,565,000.00	9,520,000.00	1,971,859.96	35,181,284.96
2018	2,540,000.00	7,461,800.00	2,400,000.00	5,302,000.00	8,485,000.00	1,867,703.48	28,056,503.48
2019	2,660,000.00	7,344,500.00	2,595,000.00	5,177,125.00	8,640,000.00	1,715,813.80	28,132,438.80
2020	2,795,000.00	7,208,125.00	2,805,000.00	5,042,125.00	8,830,000.00	1,514,834.60	28,195,084.60
2021	2,935,000.00	7,064,875.00	3,025,000.00	4,896,375.00	9,070,000.00	1,269,842.10	28,261,092.10
2022	3,090,000.00	6,914,250.00	3,265,000.00	4,739,125.00	9,345,000.00	989,288.10	28,342,663.10
2023	3,245,000.00	6,755,875.00	-	4,657,500.00	9,660,000.00	674,067.60	24,992,442.60
2024	3,415,000.00	6,589,375.00	-	4,657,500.00	10,000,000.00	328,082.60	24,989,957.60
2025	3,590,000.00	6,414,250.00	6,420,000.00	4,497,000.00	3,980,000.00	74,366.30	24,975,616.30
2026	3,775,000.00	6,230,125.00	10,905,000.00	4,063,875.00	-	-	24,974,000.00
2027	3,965,000.00	6,036,625.00	11,455,000.00	3,504,875.00	-	-	24,961,500.00
2028	4,170,000.00	5,833,250.00	12,030,000.00	2,917,750.00	-	-	24,951,000.00
2029	4,385,000.00	5,619,375.00	12,645,000.00	2,300,875.00	-	-	24,950,250.00
2030	4,610,000.00	5,394,500.00	13,285,000.00	1,652,625.00	-	-	24,942,125.00
2031	4,845,000.00	5,158,125.00	7,200,000.00	1,140,500.00	-	-	18,343,625.00
2032	5,095,000.00	4,909,625.00	7,565,000.00	771,375.00	-	-	18,341,000.00
2033	5,355,000.00	4,648,375.00	5,675,000.00	440,375.00	-	-	16,118,750.00
2034	5,630,000.00	4,373,750.00	5,970,000.00	149,250.00	-	-	16,123,000.00
2035	5,920,000.00	4,085,000.00	-	-	-	-	10,005,000.00
2036	6,220,000.00	3,781,500.00	-	-	-	-	10,001,500.00
2037	6,545,000.00	3,462,375.00	-	-	-	-	10,007,375.00
2038	6,875,000.00	3,126,875.00	-	-	-	-	10,001,875.00
2039	7,230,000.00	2,774,250.00	-	-		-	10,004,250.00
2040	7,600,000.00	2,403,500.00	-	-	-	-	10,003,500.00
2041	7,990,000.00	2,013,750.00	-	-	-	-	10,003,750.00
2042	8,400,000.00	1,604,000.00	-	-	-	-	10,004,000.00
2043	8,835,000.00	1,173,125.00	-	-	-	-	10,008,125.00
2044	9,285,000.00	720,125.00	-	-	-	-	10,005,125.00
2045	9,760,000.00	244,000.00	-	-	-	-	10,004,000.00
Total[1]:	$153,215,000.00	$146,946,506.25	$133,330,000.00	$65,962,931.11	$85,010,000.00	$11,915,248.40	$596,379,685.76

[1] Amounts reflect individual rounding.

Additional Rental

The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following: (a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein; (b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees; (c) insurance premiums for all insurance required pursuant to the Sublease; (d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with the Code; and (e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Reserve Fund

Pursuant to the Indenture, the Trustee shall establish and maintain a Reserve Fund. Within the Reserve Fund, the Trustee shall establish and maintain a Common Reserve Account and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Bonds pursuant to the Indenture and to the Supplemental Indenture authorizing the issuance of such Series of Bonds. Amounts in the Common Reserve Account will secure the payment of principal of and interest on the Series 2015A Bonds, the Series 2015 Refunding Bonds and any Series of Additional Bonds issued under the Indenture secured by the Common Reserve Account as provided in the Supplemental Indenture providing for the issuance of each such Series of Additional Bonds. The Reserve Fund will be funded in an amount sufficient to satisfy the Reserve Requirement, which is defined as an amount equal to (a) with respect to the Common Reserve Bonds, as of the date of any calculation, the least of (i) 50% Maximum Annual Debt Service of such Common Reserve Bonds, (ii) 10% of the original aggregate principal amount of the Common Reserve Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), and (iii) 125% of Average Annual Debt Service of such Common Reserve Bonds, and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; provided, however, that in no event shall any Reserve Requirement exceed an amount permitted by the Code. An initial deposit to the Common Reserve Account in the amount of $5,025,890.63 was made from a portion of the proceeds of the Series 2015A Bonds and an additional deposit to the Common Reserve Account in the amount of $15,723,535.36 will be made from a portion of the proceeds of the Series 2015 Refunding Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. In connection with the issuance of Additional Bonds, there will additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Bonds, as applicable, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued. The Indenture also permits the issuance of Additional Bonds not secured by any Reserve Account.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made. "Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year). "Bond Year" means each twelve-month period beginning on July 1 in each year and extending to the next succeeding June 30, both dates inclusive, except that the first Bond Year shall begin on the date of issuance of the Series 2015A Bonds and end on June 30, 2015. "Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

The County may substitute a Reserve Facility for all or part of the moneys on deposit in any Reserve Account by depositing such Reserve Facility with the Trustee, provided that, at the time of such substitution, the amount on deposit in such Reserve Account, together with the amount available under all Reserve Facilities on deposit in such Reserve Account, shall be at least equal to the Reserve Requirement for such Reserve Account. "Reserve Facility" means any line of credit, letter of credit, insurance policy, surety bond or similar instrument, in form reasonably satisfactory to the Trustee, that (a) names the Trustee as beneficiary thereof, (b) provides for payment on demand, (c) cannot be terminated by the issuer thereof so long as any of the Bonds secured by such Reserve Facility remain Outstanding, (d) is issued by an obligor, the obligations of which under the Reserve Facility are, at the time such Reserve Facility is substituted for all or part of the moneys on deposit in the applicable Reserve Account, rated in one of the two highest rating categories (without regard to any modifier) by any one rating agency then rating the Bonds secured by such Reserve Facility, and (e) is deposited with the Trustee pursuant to the Indenture.

If the sum of the amount on deposit in any Reserve Account, plus the amount available under all available Reserve Facilities held for such Reserve Account, is less than the Reserve Fund Requirement for such Reserve Account, the first of Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used, first, to reinstate the amounts available under any Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Accounts, so that the amount available under all available Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement for each Reserve Account; provided, however, that such Base Rental Payments shall be allocated among all Reserve Accounts ratably without preference or priority of any kind, according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts.

If, as a result of the payment of principal of or interest on any Series of Bonds, the Reserve Requirement applicable to such Series of Bonds is reduced, amounts on deposit in the applicable Reserve Account in excess of such reduced Reserve Requirement shall be transferred to the related Interest Account(s) and Principal Account(s) of the Payment Fund as directed in a Written Request of the County. On any date on which Bonds of a Series are defeased in accordance with the Indenture, the Trustee shall, if so directed in a Written Request of the County, transfer any moneys in the related Reserve Account in excess of the applicable Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the County, to be applied to such defeasance. Moneys, if any, on deposit in a Reserve Account shall be withdrawn and applied by the Trustee for the final payments of principal of and interest on the Bonds secured by such Reserve Account.

See APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – Pledge and Assignment; Funds and Accounts – Reserve Fund."

Parity Obligations; Additional Bonds

The Series 2015 Refunding Bonds will be issued as Additional Bonds under the Indenture. The Authority has previously issued the Series 2015A Bonds pursuant to the Indenture payable from Lease Revenues on a parity with the Series 2015 Refunding Bonds and all other Additional Bonds hereafter issued under the Indenture. Under the Indenture, the Authority may also issue other Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but only subject to satisfaction of certain conditions precedent, including, (1) the provision to the Trustee of a Supplemental Indenture that, among other things, specifies whether such Additional Bonds shall (a) constitute Common Reserve Bonds secured by the Common Reserve Account, (b) be secured by any other Reserve Account, or (c) not be secured by any Reserve Account and (2) the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – The Bonds – Conditions for Issuance of Additional Bonds" and "– Procedure for the Issuance of Additional Bonds."

Insurance

The Sublease requires the County to maintain reasonable and customary liability insurance. The Sublease also requires the County to maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. The insurance referenced in the preceding sentence may be maintained in the form of self-insurance by the County, in compliance with the terms of the Sublease. The County intends to self-insure for workers' compensation and general liability with respect to the Property. The Sublease also requires the County to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of certain hazards in an amount not less than an amount equal to two times Maximum Annual Debt Service. The County may not self-insure for rental interruption insurance. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Insurance."

The County is also required under the Sublease to obtain title insurance on the Property, in an aggregate amount of not less than the initial aggregate principal amount of the Bonds, subject only to Permitted Encumbrances, as defined in the Sublease.

Substitution and Release of Property

Subject to the provisions described below, the Sublease provides that the County may substitute alternate real property for any portion of the Property or release a portion of the Property from the Sublease. Notwithstanding any substitution or release pursuant to the Sublease, the Sublease provides that there shall be no reduction in or abatement of the Base Rental Payments due from the County thereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to, among other things, the following conditions: (a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have certified that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof as provided under the Sublease); (b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property; (c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes; and (d) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Assignment and Subletting; Substitution or Release; Title – Substitution or Release of the Property."

Events of Default and Remedies

An Event of Default under the Sublease includes, among other events, (a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease and (b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Events of Default and Remedies."

In each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The Sublease provides that the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided in the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive hereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease. Notwithstanding anything to the contrary contained in the Sublease, the Authority in the Sublease expressly waives (i) any right to terminate the Sublease or the County's right to possession of the Property thereunder regardless of whether or not the County has abandoned the Property and (ii) any right of entry or re-entry to take possession of and/or re-let the Property. Further, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease. See "CERTAIN RISK FACTORS – Limitations on Remedies; No Acceleration Upon an Event of Default" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –SUBLEASE – Events of Default and Remedies."

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Series 2015 Refunding Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2015 Refunding Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Not a Pledge of Taxes

The Series 2015 Refunding Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the payment of the Series 2015 Refunding Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental Payments from legally available funds for the use and possession of the Property as provided therein and the County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental Payments except to the extent such payments are abated in accordance with the Sublease. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rental Payments and Additional Rental Payments.

Additional Obligations of the County

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

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

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance" and APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Property. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" and "– Abatement" below.

Abatement

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated, and the County waives any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Property of which there is no such substantial interference. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease; provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Indenture, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners of the Series 2015 Refunding Bonds in full.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The County is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County or otherwise enforcing the obligations of the County, and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of Series 2015 Refunding Bonds; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the County's debt without the consent of the Trustee or all of the Owners of Series 2015 Refunding Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. The County may also be able to obtain authorization from the bankruptcy court to sell to a third party the Property, free and clear of the Site Lease, the Sublease, and the rights of the Trustee and the Owners.

In addition, the County could either reject the Site Lease or the Sublease or assume the Site Lease or the Sublease despite any provision of the Site Lease or the Sublease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Sublease, the Trustee, on behalf of the Owners of the Series 2015 Refunding Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2015 Refunding Bonds. Moreover, such rejection would terminate the Sublease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Sublease to a third party, regardless of the terms of the transaction documents, so that the County would not be obligated to make any further payments under the Sublease. In the event the County rejects the Site Lease, the Trustee, on behalf of the Owners of the Series 2015 Refunding Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2015 Refunding Bonds. Moreover, such rejection may terminate both the Site Lease and the Sublease and the obligations of the County to make payments thereunder. The County may be able to stay in possession of the Property, notwithstanding its rejection of the Site Lease or the Sublease.

The Authority is a public agency and, like the County, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority or otherwise enforcing the obligations of the Authority, and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Series 2015 Refunding Bonds; and (iv) the possibility of the adoption of a Plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Series 2015 Refunding Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the provisions of the transaction documents that require the County to make payments directly to the Trustee, rather than to the Authority, may no longer be enforceable, and all payments may be required to be made to the Authority.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Site Lease and the Sublease could be characterized as a pledge rather than an absolute assignment. Such a characterization could result in delays or reductions in payments on the Series 2015 Refunding Bonds or other losses to the Owners. In addition, the Authority may be able to either reject the Site Lease or the Sublease or assume the Site Lease or the Sublease despite any provision of the Site Lease or the Sublease which makes the bankruptcy or insolvency of the Authority an event of default thereunder. In the event the Authority rejects the Site Lease, the Trustee, on behalf of the Owners of the Series 2015 Refunding Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2015 Refunding Bonds. Moreover, such rejection would terminate both the Site Lease and the Sublease and the obligations of the County to make payments thereunder, although the County may be able to remain in possession of the Property. In the event the Authority rejects the Sublease, the Trustee, on behalf of the Owners of the Series 2015 Refunding Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2015 Refunding Bonds. Moreover, such rejection may terminate the Sublease and the County's obligations to make payments thereunder, although the County may be able to remain in possession of the Property. The Authority may also be permitted to assign the Site Lease or the Sublease to a third party, regardless of the terms of the transaction documents. Such an assignment could result in delays or reductions in payments on the Series 2015 Refunding Bonds or other losses to the Owners.

Limitations on Remedies; No Right of Re-Entry or Re-let; No Acceleration

In accordance with the Sublease, in each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The Sublease provides that the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided in the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive hereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease. Notwithstanding anything to the contrary contained in the Sublease, the Authority in the Sublease expressly waives (i) any right to terminate the Sublease or the County's right to possession of the Property thereunder regardless of whether or not the County has abandoned the Property and (ii) any right of entry or re-entry to take possession of and/or re-let the Property. Further, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

If the County defaults on its obligations to make Rental Payments, the Trustee, as assignee of the Authority's rights under the Sublease, would be required to seek a separate judgment each year for that year's defaulted Rental Payments. Any such suit would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Rental Payments were due and against funds needed to serve the public welfare and interest.

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

The Authority in the Sublease expressly waives any right to terminate the Sublease. Thus, the Trustee may not terminate the Sublease and proceed against the County to recover damages.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The County is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Seismic Events

The County, like most regions in the State, and the Property, are located in an area of seismic activity from movements along active fault zones and, therefore, could be subject to potentially destructive earthquakes. Additionally, numerous minor faults transect the area. Seismic hazards encompass both potential surface rupture and ground shaking. The occurrence of severe seismic activity in the area of the County could result in substantial damage and interference with the County's right to use and occupy all or a portion of the Property, which could result in the Base Rental Payments being subject to abatement. See "CERTAIN RISK FACTORS – Abatement."

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2015 Refunding Bonds with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Sublease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. See APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2015B Bonds, the Authority and the County have covenanted in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2015B Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Series 2015B Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Series 2015B Bonds were issued, as a result of acts or omissions of the Authority or the County in violation of the Code. Should such an event of taxability occur, the Series 2015B Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

TAX MATTERS

Series 2015B Bonds

Tax Exemption. The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2015B Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Series 2015B Bonds. The Authority and the County have covenanted in the Indenture not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Series 2015B Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2015B Bonds is exempt from personal income taxes of the State and, assuming compliance with the covenants mentioned herein, interest on the Series 2015B Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Series 2015B Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Series 2015B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Series 2015B Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and in the Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), to be delivered by the Authority and the County in connection with the issuance of the Series 2015B Bonds, the Authority and the County will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Series 2015B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinion described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority and by the County with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015B Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Series 2015B Bonds, or the interest thereon, if any action is taken with respect to the Series 2015B Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the Series 2015B Bonds may affect the tax status of interest on the Series 2015B Bonds or the tax consequences of the ownership of the Series 2015B Bonds.

The opinion of Bond Counsel is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2015B Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer", and the bond owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2015B Bonds, the Authority may have different or conflicting interest from the bond owners. Public awareness of any future audit of the Series 2015B Bonds could adversely affect the value and liquidity of the Series 2015B Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Series 2015B Bonds from personal income taxation by the State or of the exclusion of the interest on the Series 2015B Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2015B Bonds. Prospective purchasers of the Series 2015B Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

A copy of the form of opinion of Bond Counsel relating to the Series 2015B Bonds is included in APPENDIX E.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds. To the extent that a purchaser of a Series 2015B Bond acquires that Series 2015B Bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Series 2015B Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2015B Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Series 2015B Bonds of a maturity over the initial offering price to the public of the Series 2015B Bonds of that maturity is "original issue discount." Original issue discount accruing on Series 2015B Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Series 2015B Bond. Original issue discount on any Series 2015B Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Series 2015B Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Series 2015B Bond accruing during each period is added to the adjusted basis of such Series 2015B Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Series 2015B Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Series 2015B Bonds who purchase such Series 2015B Bonds other than at the initial offering price and pursuant to the initial offering.

Persons considering the purchase of Series 2015B Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Series 2015B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Series 2015B Bonds.

Other Tax Consequences. Although interest on the Series 2015B Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Series 2015B Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2015B Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2015B Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Series 2015B Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2015B Bonds, (iii) interest on the Series 2015B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2015B Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on Series 2015B Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2015B Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

Series 2015C Bonds

State Tax Exemption. In the opinion of Bond Counsel, under existing law interest on the Series 2015C Bonds is exempt from personal income taxes of the State. Except as stated in the immediately preceding sentence, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015C Bonds. A copy of the form of opinion of Bond Counsel relating to the Series 2015C Bonds is included in APPENDIX E.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Series 2015C Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Series 2015C Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Series 2015C Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the Series 2015C Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire Series 2015C Bonds in connection with the performance of services, or persons deemed to sell Series 2015C Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the Series 2015C Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2015C Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the Series 2015C Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCE TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2015C BONDS.

Interest on the Series 2015C Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Series 2015C Bonds from gross income for federal income tax purposes. The Authority has taken no action to cause, and does not intend, interest on the Series 2015C Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Authority intends to treat the Series 2015C Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE AUTHORITY EXPECTS THAT THE INTEREST PAID ON A SERIES 2015C BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of Series 2015C Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of Series 2015C Bonds will generally recognize gain or loss on the sale or exchange of the Series 2015C Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in the Series 2015C Bonds. Generally, the owner's adjusted tax basis in the Series 2015C Bonds will be the owner's initial cost, increased by original issue discount (if any) previously included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the Series 2015C Bonds.

Under current law, a purchaser of a Series 2015C Bond who did not purchase that Series 2015C Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such Series 2015C Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such Series 2015C Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Series 2015C Bond (or, in the case of a Series 2015C Bond bearing original issue discount, is less than the "revised issue price" of that Series 2015C Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2015C Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Series 2015C Bonds could have a material effect on the market value of such Series 2015C Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the Series 2015C Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the Series 2015C Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a Series 2015C Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the Series 2015C Bonds of any stated maturity is sold (the "Issue Price") is less than the face amount of those Series 2015C Bonds, the excess of the face amount of each Series 2015C Bond of that maturity over the Issue Price of that maturity is "original issue discount". If the original issue discount on a Series 2015C Bond is less than the product of one quarter of one percent of its face amount times the number of complete years to its maturity, the original issue discount on that Series 2015C Bond will be treated as zero. Original issue discount on a Series 2015C Bond will be amortized over the life of the Series 2015C Bond using the "constant yield method" provided in the Treasury Regulations. As the original issue discount on a Series 2015C Bond accrues under the constant yield method, the owner of that Series 2015C Bond, regardless of its regular method of accounting, will be required to include such accrued amount in its gross income as interest. This can result in taxable income to the owners of the Series 2015C Bonds that exceeds actual cash distributions to the owners in a taxable year. To the extent that a Series 2015C Bond is purchased at a price that exceeds the sum of the Issue Price of that Series 2015C Bond and all original issue discount previously includible by any holder in gross income (the "revised issue price" of that Series 2015C Bond), the subsequent accrual of original issue discount to that purchaser must be reduced to reflect that premium.

The amount of the original issue discount that accrues on the Series 2015C Bonds each taxable year will be reported annually to the Service and to the owners. The portion of the original issue discount included in each owner's gross income while the owner holds the Series 2015C Bonds will increase the adjusted tax basis of the Series 2015C Bonds in the hands of such owner.

Amortizable Bond Premium. An owner that purchases a Series 2015C Bond for an amount that is greater than its stated redemption price at maturity will be considered to have purchased the Series 2015C Bond with ''amortizable bond premium'' equal in amount to such excess. The owner may elect to amortize such premium using a constant yield method over the remaining term of the Series 2015C Bond and may offset interest otherwise required to be included in respect of the Series 2015C Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2015C Bond held by an owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2015C Bond. However, if the Series 2015C Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2015C Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Owners of the Series 2015C Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the Series 2015C Bonds as well as gain on the sale of a Series 2015C Bond.

Defeasance. Persons considering the purchase of a Series 2015C Bond should be aware that the bond documents permit the Authority under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a "defeasance"). A defeasance could result in the realization of gain or loss by the owner of a Series 2015C Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners of Series 2015C Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of the Series 2015C Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" of current or accrued interest on the Series 2015C Bonds or with respect to proceeds received from a disposition of the Series 2015C Bonds. This withholding applies if such owner of Series 2015C Bonds: (i) fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the Series 2015C Bonds. Owners of the Series 2015C Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such an owner of the Series 2015C Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2015C Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the Series 2015C Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2015C Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Series 2015C Bonds, including the applicability and effect of any state, local, or foreign tax law, and of any proposed change of applicable law.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2015 Refunding Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2016, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Series 2015 Refunding Bonds in complying with the Rule. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The County's underlying rating was upgraded by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), from "A+" to "AA-" in October 2012 in connection with the issuance of its Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects II), Series 2012 (the "Series 2012 Bonds ") and disclosed in the Official Statement for the Series 2012 Bonds. The County did not file an event notice for the rating changes assigned to the County's other General Fund obligations. In addition, the County did not file notices of certain rating changes on bonds insured by a financial guaranty insurance company. The County has since filed notices setting forth the current ratings on each of its obligations.

ESCROW VERIFICATION

Concurrently with the issuance of the Bonds, Causey Demgen & Moore P.C. (the "Verification Agent"), will deliver a report with respect to the mathematical accuracy of certain computations, contained in schedules provided to them, which were prepared by the Underwriters, relative to the sufficiency of moneys and securities deposited into the escrow funds established pursuant to an escrow agreement to pay, when due the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Bonds. The report of the Verification Agent will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

CERTAIN LEGAL MATTERS

The validity of the Series 2015 Refunding Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to the Authority. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F – "FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the County and the Authority by County Counsel.

FINANCIAL STATEMENTS

The Fiscal Year 2013-14 financial statements of the County, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O'Connell LLP (the "Independent Auditor"), certified public accountants, as stated in their report appearing in Appendix B. The Independent Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Independent Auditor with respect to any event subsequent to its report dated December 16, 2014.

FINANCIAL ADVISOR

Public Resources Advisory Group has served as Financial Advisor to the County in connection with the issuance of the Series 2015 Refunding Bonds. 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 and the Authority, there is no litigation pending or threatened against the County or the Authority concerning the validity of the Series 2015 Refunding Bonds or challenging any action taken by the County or the Authority in connection with the authorization of the Indenture, the Sublease or any other document relating to the Series 2015 Refunding Bonds to which the County or the Authority is or is to become a party or the performance by the County or the Authority of any of their obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make the Rental Payments when due. See APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT – General Litigation."

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's have assigned the Series 2015 Refunding Bonds ratings of "A+" "A1" and "AA," respectively. Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Series 2015 Refunding Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796; and Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2015 Refunding Bonds.

UNDERWRITING

The Series 2015 Refunding Bonds are being purchased by Goldman, Sachs & Co., as representative of itself and the underwriters identified on the cover page of this Official Statement (collectively, the "Underwriters"). The Underwriters have agreed to purchase (a) the Series 2015B Bonds from the County and the Authority at an aggregate purchase price of $151,626,190.83 (consisting of the aggregate principal amount of the Series 2015B Bonds of $133,330,000.00, plus an original issue premium of $18,628,319.95 and less underwriters' discount of $332,129.12), and (b) the Series 2015C Bonds from the County and the Authority at an aggregate purchase price of $84,791,968.93 (consisting of the aggregate principal amount of the Series 2015C Bonds of $85,010,000.00, less underwriters' discount of $218,031.07), pursuant to the terms of the Bond Purchase Agreement, dated August 12, 2015, among the County, the Authority and the Underwriters. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2015 Refunding Bonds offered under the Bond Purchase Agreement if any of the Series 2015 Refunding Bonds offered thereunder are purchased.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2015 Refunding Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015 Refunding Bonds.

Backstrom McCarley Berry & Co., LLC ("BMcB"), one of the Underwriters for the Series 2015 Refunding Bonds, has entered into a Broker/Dealer Agreement with D.A. Davidson & Company (formally Crowell, Weedon & Co), and a non-exclusive Distribution Agreement with Wedbush Securities, to augment its institutional and retail marketing capabilities, for the distribution of certain securities offerings, including the Series 2015 Refunding Bonds, at the original issue price. Pursuant to such distribution agreements, D.A. Davidson & Company and Wedbush Securities, may purchase bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any bonds that such firm sells.

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, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Site Lease and the Sublease may be obtained upon request from the Trustee at: 550 South Hope Street, Suite 2650, Los Angeles, California 90071, Attention: Corporate Trust Services. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the Series 2015 Refunding Bonds.

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Owner of the Series 2015 Refunding Bonds may obtain a copy of any such report, as available, from the County at the address set forth below.

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

GLENN BYERS
ASSISTANT TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
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COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX A

THE COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (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 nearly 10.1 million in 2014, the County is the most populous of the 58 counties in California and has a larger population than 43 states.

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

COUNTY GOVERNMENT

The County is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts to serve four-year terms. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving a maximum of 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 direction. In May 2011, the Board of Supervisors further revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

The County has recently experienced significant changes to its elected leadership, senior management personnel and governance structure. In December 2014, the Supervisors for the First District and the Third District reached their term limits. Their successors were elected by voters in the November 2014 election, and commenced their first terms on December 1, 2014. In November 2014, voters also elected a new County Assessor and a new Sheriff. Other key management changes to County departments include a new Auditor-Controller appointed by the Board of Supervisors in October 2014, and a new Treasurer and Tax Collector appointed in January 2015. A new Chief Executive Officer and a new County Counsel are expected to be appointed sometime in 2015.

On July 7, 2015, The Board of Supervisors approved CEO recommendations to amend the County Code by repealing the 2007 Interim Governance Structure Ordinance and to establish a new governance structure. Under the new governance structure, all non-elected department heads will again report directly to the Board of Supervisors and all Deputy CEO positions will be eliminated. County departments will continue to report to the CEO for day-to-day operations, as well as for administrative and budget matters. The CEO will continue to act as the Board's agent to manage countywide policy objectives and departmental performance management. The new governance structure is designed to streamline the County bureaucracy by improving communications with County departments, which will facilitate more effective decision making and greater responsiveness to the Board of Supervisors' policy objectives,

COUNTY SERVICES

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

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

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

Health and Welfare

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

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

Disaster Services

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

Public Safety

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

General Government

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

Culture and Recreation

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

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

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 88.2% 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 56.8% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-three (23) collective bargaining units representing 23.5% of County employees; and the Independent Unions (the "Independent Unions"), which encompass thirteen (13) collective bargaining units representing 7.9% of County employees. 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.

With the exception of Physician Assistants (Unit 321), the County had previously negotiated Memoranda of Understanding ("MOUs") with all of its collective bargaining units covering wages, salaries and fringe benefits, which are currently expired or scheduled to expire by September 30, 2015. The County is currently in the process of negotiating successor agreements with all of its collective bargaining units, and employees with expired MOUs will continue to work under the terms of the expired agreements until new MOUs become effective. A summary of the current MOUs in effect for County employees is provided below.

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

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

On November 12, 2013, the Board of Supervisors approved successor agreements to five MOUs covering wages and work rules for the collective bargaining units representing Interns & Residents, Health Investigative & Support Services, Criminalists, Coroner Investigators and Supervising Coroner Investigators. All five MOUs have a two-year term expiring on September 30, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On December 17, 2013, the Board of Supervisors approved successor agreements to eight MOUs covering wages and work rules for the collective bargaining units representing Appraisers, Supervising Appraisers, Operating Engineers, Automotive & Equipment Maintenance & Repairmen, Professional Engineers, Supervising Professional Engineers, Engineering Technicians and Supervising Engineering Technicians. The eight MOUs have two-year terms expiring on September 30, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

On February 25, 2014, the Board of Supervisors approved successor agreements to twenty-four MOUs covering wages and work rules for all of SEIU Local 721 bargaining units. The MOUs all have two-year terms expiring on September 30, 2015, with each union receiving a 6% cost of living adjustment over the term of the agreements.

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

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

Non-represented employees also received the 6% cost of living adjustment that was negotiated with SEIU, CCU and the Independent Unions.

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. Law enforcement officers, firefighters, foresters and lifeguards are classified as "safety" employees, with all other positions classified 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, 2014 was 164,366, consisting of 74,465 active vested members, 18,001 active non-vested members, 59,229 retired members and 12,671 terminated vested (deferred) members. Of the 92,466 active members (vested and non-vested), 79,943 are general members in General Plans A through G, and 12,523 are safety members in Safety Plans A through C.

Of the 59,229 retired members, 47,867 are general members in General Plans A through E, and 11,362 are safety members in Safety Plans A and 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 Plan A benefits, which were considerably more generous than other plan options currently available to County employees.

As of June 30, 2014, approximately 63% of active general members were enrolled in General Plan D, and over 97% of all active safety members were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

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

2012 State Pension Reform

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

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

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. The total employer contribution rate for new employees hired January 1, 2013 and after is 15.61% for General Plan G and 20.98% for Public Safety Plan C. The new employer contribution rates are lower than the comparative rates of 19.82% for General Plan D participants and 24.95% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% cost of living adjustments during retirement , with no benefit reductions for members who retire at age 61 or older. For Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides for annual 2.0% cost of living adjustments during retirement, with 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:

- Asset Smoothing Period: 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.

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

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

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

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

UAAL and Deferred Investment Returns

For the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.1%, which compared favorably to the 7.50% assumed rate of return. The market value of Retirement Fund assets increased by $3.467 billion or 9.1% to $41.774 billion as of June 30, 2013. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $893 million or 2.3% from $39.039 billion to $39.932 billion as of June 30, 2013. The 2013 Actuarial Valuation reported that the AAL increased by $1.927 billion to $53.248 billion, and the UAAL increased by $1.034 billion to $13.315 billion from June 30, 2012 to June 30, 2013.

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

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

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

For the June 30, 2014 Actuarial Valuation (the "2014 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 16.8%, which was significantly higher than the 7.50% assumed rate of return. As a result of the strong investment performance, the market value of Retirement Fund Assets increased by $5.949 billion or 14.2% to $47.722 billion as of June 30, 2014. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $3.722 billion or 9.3% from $39.932 billion to $43.654 billion as of June 30, 2014. The 2014 Actuarial Valuation reported that the AAL increased by $1.695 billion to $54.942 billion, but the UAAL decreased by $2.027 billion to $11.288 billion from June 30, 2013 to June 30, 2014. With the strong performance of Retirement Fund assets in Fiscal Year 2013-14 and the recognition of deferred actuarial investment gains, the Funded Ratio increased from 75.0% to 79.5% as of June 30, 2014.

The 2014 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2015. The County's required contribution rate decreased from 21.34% to 19.33% of covered payroll in Fiscal Year 2015-16. The decrease in the contribution rate is comprised of a decrease in the funding requirement to finance the UAAL over 30 years from 11.90% to 10.04%, and a decrease in the normal cost contribution rate from 9.44% to 9.29%.

The 2014 Actuarial Valuation does not include $3.569 billion of net deferred investment gains that will be partially recognized and available to offset any future actuarial investment losses over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 86.0% as of June 30, 2014, and the required County contribution rate would have been 16.23% for Fiscal Year 2015-16.

For the Fiscal Year ended June 30, 2015, LACERA reported a 4.3% return on Retirement Fund assets, which is below the actuarial assumed investment rate of return of 7.5%. The asset allocation percentages for the Retirement Fund as of June 30, 2015 were 26.6% domestic equity, 24.6% international equity, 22.5% fixed income, 11.2% real estate, 8.9% private equity, 2.1% commodities, 1.1% hedge funds and 3.0% cash.

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

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual required contribution to LACERA. In Fiscal Years 2012-13 and 2013-14, the County's total contributions to the Retirement Fund were $1.119 billion and $1.263 billion, respectively. In Fiscal Year 2014-15, the County's required contribution payments increased by $168 million to $1.431 billion. For Fiscal Year 2015-16, the County is estimating retirement contribution payments to LACERA of $1.342 billion, which would represent a 6.2% or $89.0 million decrease from Fiscal Year 2014-15.

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

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") was $470.71 million as of June 30, 2012. The County Contribution Credit Reserve was never included in the actuarial valuation of Retirement Fund assets. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve to fund the establishment of an OPEB trust. As of June 30, 2014, the remaining balance in the County Contribution Credit Reserve was $21.891 million, all of which is attributable to the Los Angeles County Superior Court.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2014, $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 2014 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 have increased from 19.33% to 19.86% for Fiscal Year 2015-16, and the Funded Ratio would have decreased from 79.5% to 78.3% as of June 30, 2014. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $33.6 million in Fiscal Year 2015-16.

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 was implemented with the issuance of LACERA's Fiscal Year 2013-14 financial statements and has expanded the pension-related note disclosures and supplementary information requirements.

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

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

Postemployment Health Care Benefits

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

In Fiscal Years 2012-13 and 2013-14, total payments from the County to LACERA for postemployment health care benefits were $441.1 million, and $447.0 million, respectively. In Fiscal Year 2014-15, payments to LACERA for retiree health care increased to $450.2 million. For Fiscal Year 2015-16, the County is projecting $498.3 million in retiree health care payments to

LACERA, which would represent a 10.7% or $48.1 million increase from Fiscal Year 2014-15.

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 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.

In accordance with the requirements of GASB 43, Milliman completed an OPEB actuarial valuation report as of July 1, 2010 (the "2010 OPEB Valuation"), which was issued in March 2011. In the 2010 OPEB Valuation, Milliman reported an AAL of $24.031 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability was $22.94 billion, which represented a 9.8% increase from the 2008 OPEB Valuation. The OPEB ARC as of July 1, 2010 was estimated to be $1.938 billion, which represented 28.79% of the County's payroll costs, and an 11.4% increase from the prior OPEB Valuation.

In May 2013, Milliman released the next OPEB actuarial valuation report ("the 2012 OPEB Valuation") as of July 1, 2012. In the 2012 OPEB Valuation, Milliman reported an AAL of $26.953 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability was $25.733 billion, which represented a 12.2% increase from the 2010 OPEB Valuation. The OPEB ARC as of July 1, 2012 was estimated to be $2.126 billion, which represented 32.07% of the County's payroll costs and a 9.7% increase from the 2010 OPEB Valuation. The increase in the County's OPEB liability from 2010 to 2012 was the result of several offsetting factors, with the most significant factor being a reduction in the discount rate from 5% to 4.35%.

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

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

For the Fiscal Year ended June 30, 2014, the County reported an OPEB ARC of $2.178 billion, which represents a $16 million or 0.74% increase from June 30, 2013. The OPEB ARC was partially offset by $484.3 million in County "pay as you go" contributions, which resulted in an increase in the net OPEB obligation of $1.694 billion in Fiscal Year 2013-14. The net OPEB obligation of $9.848 billion as of June 30, 2014 represents a 20.8% increase from the $8.154 billion obligation reported as of June 30, 2013. The "pay as you go" County contribution represents 22.2% of the County's OPEB ARC, which is consistent with the funding level in Fiscal Year 2012-13.

In June 2015, Milliman released the next OPEB actuarial valuation report ("the 2014 OPEB Valuation") as of July 1, 2014. In the 2014 OPEB Valuation, Milliman reported an AAL of $28.547 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $27.288 billion, which represents a 6.0% increase from the 2012 OPEB Valuation. The OPEB ARC as of July 1, 2014 is estimated to be $2.152 billion, which represents 31.82% of the County's payroll costs and a 1.2% increase from the 2012 OPEB Valuation. The increase in the County's OPEB liability from 2012 to 2014 was the result of several offsetting factors, with the most significant factors being a reduction in the discount rate from 4.35% to 3.75% and lower than expected increases in health insurance premiums.

Funding for Other Postemployment Benefits

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve for the initial funding of the OPEB Trust. The balance of the OPEB Trust as of June 30, 2015 was $488.4 million, consisting of $388.2 million in equity securities and $100.2 million in cash.

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County's unfunded OPEB liability. The plan requires the County to begin the process to fully fund the $2.152 billion OPEB ARC by incrementally increasing the annual contribution to the OPEB Trust. In the 2015-16 Adopted Budget, the County is projecting a $24 million contribution to the OPEB Trust, which will be funded by a $10 million Net County Cost ("NCC") contribution from the General Fund and $14 million of subvention revenue received from Federal, State and other local government entities. In future fiscal years, the County expects to incrementally increase its OPEB funding by $60 million per year, including an annual $25 million increase in the NCC contribution from the General Fund and a $35 million annual increase funded by subvention revenue. Based on the 2014 OPEB Valuation, the County will need to increase its annual OPEB contribution to more than $1.7 billion from the current $500 million pay-as-you-go funding amount in order to fully fund its OPEB ARC on an annual basis. Given current projections for the funding plan, the OPEB ARC would be fully funded by Fiscal Year 2027-28.

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

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

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, July 1, 2011 (the "2011 LTD Valuation") and July 1, 2013 (the "2013 LTD Valuation"). In the 2013 LTD Valuation, the AAL for the County's long-term DBP was $946 million, which represents a 7.2% decrease from the $1.019 billion AAL reported in the 2011 LTD Valuation. Based on the 2013 LTD Valuation, the June 30, 2014 net OPEB obligation of $9.848 billion includes $231.5 million for long-term disability benefits.

In Fiscal Years 2012-13 and 2013-14, the County made total DBP payments of $37.6 million and $37.3 million, respectively. For Fiscal Years 2014-15 and 2015-16, the County is estimating DBP payments of $40.0 million and $43.8 million, respectively. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the County's OPEB obligation.

LITIGATION

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

Wage and Hour Cases

In 2007 and 2008, several collective action lawsuits were filed against the County by Deputy Sheriffs, the Association for Los Angeles Deputy Sheriffs ("ALADS") and the Los Angeles County Professional Peace Officers Association (the "PPOA"). In 2010, the County was able to successfully defeat the "class certification" in the PPOA lawsuit based on a 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.

Public Safety Cases

In 2011, the United States Department of Justice ("DOJ") commenced investigations into alleged discriminatory practices by the Los Angeles County Sheriff's Department, the Housing Authority of the County of Los Angeles, and the cities of Lancaster and Palmdale regarding Section 8 participants in the Antelope Valley area of the County. The DOJ found that all four public agencies engaged in conduct that was intentionally discriminatory. In April 2015 and July, 2015, the DOJ entered into settlements with the four public agencies. Under the terms of the settlements, the Sheriff and Housing Authority agreed to contribute a total of $2.425 million to establish a settlement fund to compensate persons claiming to have been aggrieved by the discriminatory law enforcement and Section 8 enforcement practices. In addition, all four public agencies agreed to various programmatic and policy changes, including ongoing monitoring, training and educational requirements. The settlements completely resolve all issues between the DOJ and the four public agencies. As a procedural mechanism for monitoring and enforcement of the settlements, the DOJ filed and then dismissed complaints against the public agencies in federal court.

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

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al* was a federal court class action lawsuit filed by the American Civil Liberties Union alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff Department will implement various reforms recommended by the court-appointed *Rosas* Monitors. The final Implementation Plan, which was submitted to the Courts, delineates 21 areas of proposed reforms with a total of 106 recommendations. The settlement agreement requires that the Sheriff Department comply with various recommendations by specific target dates of June 30, 2015, December 31, 2015 and December 31, 2016. Many of the recommendations mirror those of the Citizens' Commission on Jail Violence and have already been implemented or are in the process of being implemented. The County estimates the on-going costs to be approximately $51.7 million per fiscal year.

Health and Social Services Cases

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

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

Property Tax Cases

In 2008, in *Los Angeles Unified School District v. County of Los Angeles, et al.,* the school district alleged that the Auditor-Controller improperly calculated statutory pass through payments related to the Educational Revenue Augmentation Fund ("ERAF") that were payable 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 decision in favor of the County regarding calculation of the statutory payments that temporarily reduced the County's exposure. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, holding that the statutory payments to LAUSD should have included a higher share of the ERAF revenue diverted by the "Triple Flip" and Vehicle License Fee swap legislation. The California Supreme Court denied the County's petition for review in October 2013. The Court of

Appeal's decisions have resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. Three other districts, Los Angeles Community College District, Montebello Unified School District, and Long Beach Unified School District, subsequently filed lawsuits with the same allegations litigated by LAUSD. The three cases were stayed until August 14, 2014 to allow for a settlement of all litigation concerning this issue. The estimated County General Fund exposure from the lawsuits by the three districts is $18 million. The estimated County General Fund exposure from the LAUSD lawsuit is $50.8 million. The total County exposure (including separate agencies governed by the same County officials) is $72.3 million. The County has reserved $68.2 million for the expected resolution of these lawsuits.

In September 2011, a lawsuit entitled *City of Cerritos et al, v. State of California, et al* was filed against the State and other defendants, including the County. The lawsuit challenges the constitutionality of the redevelopment dissolution legislation (ABx1 26). On January 27, 2012, the trial court denied the petitioners motion for a preliminary injunction. The petitioners have filed an appeal of the trial court's decision, and as of March 2013, this case had been fully briefed in the Court of Appeal. Oral argument is scheduled for August 19, 2015, but the appellants have filed a request to postpone the hearing date. If the petitioners prevail, the court could retroactively reinstate redevelopment agencies and require the County to return any residual property tax revenue that it received from the Redevelopment Property Tax Trust Fund (RPTTF). The County estimates the potential liability of this case to be $789 million, which is based on the distribution of the entire property tax residual, due diligence review amounts and asset sale proceeds to the County since the redevelopment agency dissolution in 2011. The Auditor-Controller's administrative costs are not included as a potential County liability because the dissolution legislation requires the Auditor-Controller to perform certain duties but allows the recovery of the administrative costs of those duties before allocating funds in the RPTTF. The probability of the petitioners succeeding on the appeal is low, as all of the cases at the State level challenging the redevelopment agency dissolution have so far been unsuccessful. A detailed discussion of ABx1 26 and of the redevelopment agency dissolution is provided in the Budgetary Information section of Appendix A.

Other Litigation

In March, 2008, a lawsuit entitled Natural Resources Defense Council, Inc., et al., v. County of Los Angeles, et al., was filed against the County and the Los Angeles County Flood Control District (the "LACFCD") under the citizen suit provision of the Federal Clean Water Act. The plaintiffs sought injunctive relief, civil penalties and attorneys' fees for alleged violations of water quality standards contained in a municipal stormwater permit. The case was bifurcated to first determine liability and then remedies. The District Court found that the County and the LACFCD had violated water quality standards in the ocean near Malibu, California. A partial summary judgment was granted to the County and LACFCD on all other claims, which plaintiffs appealed to the Ninth Circuit. After multiple appellate proceedings, the Ninth Circuit partially overturned the District Court's ruling, finding the County and LACFCD liable for water quality violations on two out of four watershed claims, and remanded the case to the District Court for further proceedings on the three total claims for which the County and LACFCD have been found to be liable. The District Court has dismissed plaintiffs' prayer for injunctive relief as moot and has determined that the County is liable for 224 violations and the LACFCD for 274 violations. A November 10, 2015 trial date has been set to determine an appropriate award of civil penalties and attorneys' fees. The maximum civil penalty that can be awarded for each violation ranges from $27,500 to $37,500 depending on the date of the violation. The County estimates that the maximum award of statutory penalties to be approximately $7.5 million for the County and approximately $9 million for the LACFCD, but that penalties would likely be significantly lower due to mitigating factors. Plaintiffs will also be entitled to substantial attorneys' fees. Plaintiffs have filed a notice of appeal of the dismissal of the request for injunctive relief and intend to ask the District Court to stay further trial proceedings pending resolution of the appeal. Any award against the County will be paid from the County General Fund, and any award against the LACFCD will be paid from a separate fund attributable to the LACFCD.

Accent Builders, Inc. ("ABI"), the general contractor for the construction of the La Plaza de Cultura y Artes cultural museum project, sued the County for breach of the contract. The County cross-complained against ABI and its alter-ego and subcontractor Superior Gunite, Inc. ("SGI"), for breach of contract and violation of the False Claims Act ("FCA"). SGI was dismissed from the action on January 7, 2014, after the trial court granted ABI's and SGI's demurrer as to the FCA claim. Following a bench trial, ABI obtained a damages award of $3.738 million, plus $2.028 million in attorneys' fees, costs, and prejudgment interest, resulting in a total judgment against the County of $5.766 million. The County's earlier-filed appeal of SGI's judgment of dismissal is now pending before the Court of Appeal. As of April 2015, that appeal has been fully briefed and oral argument was heard on May 13, 2015. The Court of Appeal did not issue a tentative decision, nor did they rule on the dismissal of the FCA cause of action. The Court of Appeal issued its written opinion, which was favorable to the County. The Court of Appeal ruled that the trial court erred in sustaining SGI's demurrer, and the SGI matter was remanded to the Superior Court. The County intends to appeal the measure of damages utilized by the trial court as well as the court's dismissal of the County's FCA claims against ABI. ABI has also appealed the judgment in regards to the court's reduction, by half, of the amount of attorneys' fees, costs, and prejudgment interest sought by ABI.

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

Pending Litigation

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

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
06/30/2009	$30,498,981	$39,541,865	$44,468,636	$4,926,771	88.92%
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	51,320,699	12,281,335	76.07%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	74.99%
06/30/2014	47,722,277	43,654,462	54,942,453	11,287,991	79.45%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2014.

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
2008-09	$30,498,981	-18.3%	66.8%
2009-10	33,433,888	11.8%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%
2013-14	47,722,277	16.8%	86.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2014.

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
2008-09	$805,300	$365,424	$320,339	$1,491,063	-4.5%
2009-10	802,500	384,034	358,165	1,544,699	3.6%
2010-11	898,803	406,937	372,130	1,677,870	8.6%
2011-12	1,026,867	424,030	-	1,450,897	-13.5%
2012-13	1,118,514	441,062	-	1,559,576	7.5%
2013-14	1,262,754	446,979	-	1,709,733	9.6%
2014-15	1,430,462	450,202	-	1,880,664	10.0%
2015-16	1,341,632 *	498,292 *		1,839,924	-2.2%

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.
* Estimated

COUNTY OF LOS ANGELES

CALIFORNIA

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

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

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

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

COUNTY BUDGET OVERVIEW

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

The General County Budget accounts for approximately 78.4% of the 2015-16 Adopted Budget and appropriates funding for programs that are provided on a mostly county-wide basis *(e.g.*, health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis *(e.g.*, law enforcement, planning and engineering).

Special Revenue Funds represent approximately 9.8% of the 2015-16 Adopted Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, and specific automation projects.

Capital Project Special Funds account for approximately 1.4% of the 2015-16 Adopted Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 8.09% of the 2015-16 Adopted Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.4% of the 2015-16 Adopted Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

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

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

Article XIIIB of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2015-16 is $20,799,777,985. The 2015-16l Adopted Budget included proceeds from taxes of $7,850,480,333, which is substantially below the statutory limit.

Proposition 62

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

Proposition 218

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

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

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

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

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

Proposition 1A 2004

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

Proposition 26

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

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

Future Initiatives

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

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-XX of this Appendix A, $4.235 billion of the $21.251 billion 2015-16 Adopted General County Budget is received from the Federal government and $5.616 billion is funded by the State. The remaining $11.400 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 46% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

The overall Federal budget outlook for the County in 2015-16 is positive, primarily because the County's Medicaid revenue, which is by far the County's largest source of Federal revenue, will continue to grow due to the expansion of Medicaid under the Patient Protection and Affordable Care Act (the "Affordable Care

Act"). The County will also receive increased revenue for Title IV-E Foster Care, which is the third largest Federal revenue source under the terms and conditions of California's Title IV-E Waiver. The County's Federal revenue is expected to be stable through Fiscal Year 2015-16 in regard to funding received for other Federal entitlement programs, including the Temporary Assistance for Needy Families Program (CalWORKs in California), Child Support Enforcement, the Supplemental Nutrition Assistance Program (CalFresh in California); and federal discretionary programs through which the County receives its remaining Federal revenue.

The County expects the Republican-controlled Congress to pursue an overall reduction in Federal spending, including reductions to Medicaid, which is the third largest Federal program after Social Security and Medicare. However, Republicans lack the two-thirds majority in both houses of Congress that would be needed to override any presidential veto of legislation that significantly reduces Medicaid spending, including legislation to repeal the Affordable Care Act. In the event that legislation was enacted resulting in reductions in Federal revenue for County-administered programs, the fiscal impact of such spending cuts is unlikely to be felt until Fiscal Year 2016-17, at the earliest.

Any future legislative action in regard to Federal spending or the Affordable Care Act, and its fiscal impact to future County budgets, cannot be predicted at this time.

STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election, the State has experienced significant improvement to its budget stability and overall financial condition. The State's budgetary decisions in response to the changing economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

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

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed in further detail in the Health Services Budget section

Public Safety Realignment

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

The Fiscal Year 2015-16 State Budget Act (the "State Budget Act") estimated AB 109 funding at $1.2 billion. The California State Association of Counties (CSAC) has submitted a recommendation to the State for a long-term funding distribution formula among the counties. Based on this formula, the County would maintain its funding allocation and receive approximately $361.6 million, which would provide l funding for all County AB 109 programs. In addition, the County Board of Supervisors has authorized the use of AB 109 reserves, accumulated from prior-year unused AB 109 funding, to fund pilot programs designed to reduce recidivism and long-term incarceration costs among inmates with mental health illness and substance use disorders.

Redevelopment Agencies

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

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

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

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453 million in Fiscal Year 2009-10. In Fiscal Years 2012-13, 2013-14 and 2014-15, the County General Fund received $100.8, $118.6 million and $151.1 million of residual taxes, respectively. The 2015-16 Adopted Budget includes a conservative $140.0 million projection for residual tax receipts for the General Fund.

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.

2015-16 STATE BUDGET

On January 9, 2015, Governor Brown released his Fiscal Year 2015-16 Proposed State Budget (the "Proposed State Budget"), The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2014-15 of $1.423 billion, total revenues and transfers of $113.380 billion, total expenditures of $113.298 billion, and a year-end surplus of $1.505 billion for Fiscal Year 2015-16. Of the projected year-end surplus, $971 million will be allocated to the Reserve for Liquidation of Encumbrances and $534 million will be deposited to the Special Fund for Economic Uncertainties. In accordance with the Fiscal Year 2014-15 State Budget Act (the "2014-15 State Budget Act"), the Proposed State Budget continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $2.826 billion.

On May 14, 2015, Governor Brown released his Fiscal Year 2015-16 May Budget Revision (the "May Budget Revision"). The May Budget Revision projected a beginning fund balance surplus from Fiscal Year 2014-15 of $2.359 billion, total revenues and transfers of $115.033 billion, total expenditures of $115.308 billion, and a year-end surplus of $2.084 billion for Fiscal Year 2015-16. Of the projected year-end surplus, $971 million would be allocated to the Reserve for Liquidation of Encumbrances and $1.113 billion would be deposited to the Special Fund for Economic Uncertainties. The May Budget Revision provided for an increase in the deposit to the State's Budget Stabilization Account (Rainy Day Fund) to $3.460 billion.

On June 24, 2015, Governor Brown signed the 2015-16 State Budget Act, which projects a beginning fund balance surplus from Fiscal Year 2014-15 of $2.423 billion, total revenues and transfers of $115.033 billion, total expenditures of $115.369 billion, and a year-end surplus of $2.087 billion for Fiscal Year 2015-16. Of the projected year-end surplus, $971 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.116 billion will be deposited to the Special Fund for Economic Uncertainties. The 2015-16 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $3.460 billion, which remains unchanged from the May Budget Revision. Throughout the Fiscal Year 2015-16 State budget process from the release of the Proposed State Budget to the 2015-16 State Budget Act, total revenues and transfers increased by $1.653 billion or 1.46%, and total expenditures increased by $2.071 billion or 1.83%. The total revenues and transfers of $115.033 million in the 2015-16 State Budget Act represent a $9.545 billion, or 9.0% increase from the 2014-15 State Budget Act, and reflects the continued improvement in the financial condition of the State.

The 2015-16 State Budget Act is not expected to result in any loss of funding for County-administered programs, and includes a number of proposals that are favorable to the County. The State Budget Act includes the repayment of $765 million statewide in pre-2004 deferred State mandate payments owed to local governments, which will effectively payoff the State's remaining pre-2004 deferred mandate payments owed to local governments. The County's estimated share of this repayment in Fiscal Year 2015-16 is $134.7 million. The 2015-16 State Budget Act includes a base allocation for the AB 109/2011 Public Safety Realignment of $1.2 billion, which will provide sufficient funding for all County AB 109 programs. The County estimates that the 2015-16 State Budget Act will result in a $101.3 million redirection of 1991-92 Realignment Program funding from the County to the State, which remains unchanged from the May Budget Revision, but is a significant reduction from the $238.3 million redirection for Fiscal Year 2014-15. The 2015-16 State Budget Act appropriates $245.3 million of total statewide funding for the counties to conduct Medi-Cal enrollment, which represents an increase of $95.3 million from the May Budget Revision. The County is expected to receive a significant share of the statewide funding amount.

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. As a result of the previous economic downturn, which started to impact the budget in Fiscal Year 2008-09, the County experienced a "cyclical" budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn had a significant impact on the Net County Cost (NCC) budget gap, which reached a peak of $491.6 million in Fiscal Year 2010-11. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues).

In order to manage the budget gaps, the County used a balanced approach of curtailing departmental budgets, and using reserves and capital funding appropriations to achieve a balanced budget. To control costs, the County achieved significant savings through its efficiency initiative program, and the implementation of a hiring freeze and a freeze on non-essential services, supplies and equipment, which ended as of July 1, 2013. The County eliminated 2,735 budgeted positions from Fiscal Year 2009-10 to Fiscal Year 2011-12, and the County's employee labor groups agreed to zero cost-of-living adjustments and no salary increases for a five-year period beginning in Fiscal Year 2008-09. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The measured approach to managing budgetary challenges, including the use of one-time funding sources, has enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

The reliability of property tax revenue is due in large part to Proposition 13, which helps 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 most recent economic downturn.

To illustrate this point, average median home prices in the

County declined by 48% from their peak value in August 2007 ($562,346) to a low in January 2012 ($290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.5% and 1.9% in Fiscal Year 2009-10 and 2010-11, respectively. After the downturn and with the ongoing recovery in the real estate market, the County has experienced a steady pattern of accelerating growth in assessed valuation, with increases in the Net Local Roll of 1.4%, 2.2%, 4.7% and 5.47% in Fiscal Years 2011-12, 2012-13, 2013-14 and 2014-15, respectively. For the Fiscal Year 2014-15 tax roll, the County Assessor estimates that approximately 12.5% of all single-family residential parcels, 12.9% of all residential income parcels and 18.8% 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.

For Fiscal Year 2015-16, the Assessor is reporting a Net Local Roll of $1.264 trillion, which represents an increase of 6.13% or $73.1 billion from Fiscal Year 2014-15. The Fiscal Year 2015-16 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the fifth consecutive year of accelerated growth in assessed valuation. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2015-16 are transfers in ownership (3.09%), decline-in-value restorations (0.75%), new construction (0.39%), and an increase in the consumer price index (1.66%).

With the downturn in the real estate market that started in 2007, the County Assessor initiated Proposition 8 reviews of 791,000 parcels. As a result of the Assessor's proactive approach to Proposition 8 reviews, the valuations of 552,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations would insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. In response to the improvement in the real estate market, and beginning with the Fiscal Year 2008-09 Assessment Roll, the Assessor began to review the 552,000 parcels to evaluate whether a reduced assessed value was still warranted under Proposition 13. Based on this review, the Assessor has fully restored approximately 349,000 parcels to their Proposition 13 base year value, with 203,000 parcels still eligible for potential restorations in value.

FISCAL YEAR 2014-15 FINAL ADOPTED BUDGET

The Fiscal Year 2014-15 Final Adopted Budget (the 2014-15 Final Adopted Budget), which was approved on September 30, 2014, appropriated $27.141 billion, which reflected a $1.042 billion or 4.0% increase in total funding requirements from Fiscal Year 2013-14. The General County Budget (General Fund and Hospital Enterprise Fund) appropriated $20.948 billion, which represented a $938.6 million or 4.7% increase from Fiscal Year 2013-14. The 2014-15 Final Adopted Budget appropriated $6.193 billion for Special Funds/District, reflecting a $103.6 million or 1.7% decrease from Fiscal Year 2013-14.

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

Fiscal Year 2014-15 NCC Budget Changes

2013-14 One-Time Budget Solutions	$ (8,798,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	(30,474,000)
Pension Costs	(79,172,000)
Employee Salary Increases	(82,156,000)
Deferred Compensation Cap Increase	(8,100,000)
Various Cost Increases	(8,628,000)
Program Changes	
Sheriff Jail Violence Recommendations	(38,142,000)
Sheriff Restore Curtailments	(18,000,000)
Mental Health Inpatient Beds - COLA	(6,321,000)
Psychiatric Emergency Services	(5,438,000)
Various Assistance Cost Increases	(4,877,000)
Sheriff Unincorporated Patrol	(12,031,000)
Mental Health Services in County Jails	(10,000,000)
Enhanced Unincorporated Area Services	(9,073,000)
All Other Program Changes	(43,473,000)
Revenue Changes	
Property Taxes	254,032,000
Property Taxes - Supplemental Appointment	(19,000,000)
Property Taxes - CRA Dissolution Residual	75,000,000
Realignment Sales Tax	35,471,000
Public Safety Sales Tax	31,681,000
Registrar-Recorder Revenue Shortfall	(13,181,000)
Various Revenue Changes	680,000
Total Projected Budget Gap	$ -

Unavoidable Cost Increases

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

The increase in the County's retirement contribution expenditures was primarily due to the actuarial investment losses sustained by LACERA in Fiscal Years 2008-09 and 2011-12, and the reductions in the assumed investment rates of return. The impact of the actuarial investment losses sustained in Fiscal Year 2008-09 were fully recognized and accounted for by the end of Fiscal Year 2014-15.

On June 4, 2014, the Federal Department of Justice (DOJ) issued a report, which concluded that the County was out of compliance with the terms of a 2002 MOA regarding the provision of mental health services in County Jails. The DOJ asserted that the MOA has been ineffective in achieving compliance and that a court-enforceable settlement agreement should now be substituted for the 2002 MOA. The DOJ report identified 53 remedial measures to address deficient mental health services and suicide prevention issues. The DOJ expects the Sheriff's Department and the Department of Mental Health (DMH) to address the remedial measures through the court-enforceable agreement.

Based on preliminary estimates, the multi-year budget impact to achieve full compliance with some of the remedial measures is $48.0 million. The Fiscal Year 2014-15 Final Adopted Budget included $20.0 million to fund implementation of the remedial measures.

Revenue Increases

As a result of improving economic conditions, the County's primary revenue sources experienced continued growth in Fiscal Year 2014-15, including increases in a variety of locally generated revenue along with an increase in statewide sales tax revenue. As noted above, the Assessor reported a 5.47% increase in the total revenue-producing valuation in the Fiscal Year 2014-15 Assessment Roll. The increase in assessed valuation provided the basis for the $254.0 million projected increase in property tax revenue in the 2014-15 Final Adopted Budget. The increase in property tax revenue was partially offset by an estimated $19.0 million reduction in supplemental property taxes due to a change in the supplemental apportionment factor. In addition to the projected growth in property tax revenue, the County included an additional $75 million revenue increase from the property tax residual in Fiscal Year 2014-15 as a result of the redevelopment agency dissolution.

Based on recent trends, and a survey of local economic forecasts, the County assumed a 4.0% growth factor in its overall sales tax projection for the 2014-15 Final Adopted Budget. Based on the 4% growth rate, the County projected a $67.2 million increase in Proposition 172 Sales Tax and Realignment Sales Tax in Fiscal Year 2014-15.

The increase in property tax and sales tax revenue was partially offset by a $13.2 million reduction in recording fee revenue, as the Registrar-Recorder/County Clerk experienced a significant drop in a variety of recording filings and a $10.6 million reduction in the utility user tax.

FISCAL YEAR 2015-16 ADOPTED BUDGET

The Fiscal Year 2015-16 Adopted Budget (the "2015-16 Adopted Budget") was approved by the Board of Supervisors on June 22, 2015. The 2015-16 Adopted Budget appropriates $27.116 billion, which reflects a $193.10 million or 0.7% increase in total funding requirements from the Fiscal Year 2015-16 Recommended Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $21.251 billion, which represents a $131.8 million or 0.6% increase from the Fiscal Year 2015-16 Recommended Budget. The 2015-16 Adopted Budget appropriates $5.865 billion for Special Funds/District, reflecting a $61.3 million or 1.051.1% increase from the Fiscal Year 2015-16 Recommended Budget.

The primary changes to the NCC component of the 2015-16 Adopted Budget are outlined in the following table.

Fiscal Year 2015-16 NCC Budget Changes

Public Assistance Changes	$ (1,012,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	29,667,000
Pension Costs	(42,399,000)
Employee Salaries	160,796,000
Prefund Retiree Healthcare Benefits	10,000,000
Various Cost Changes	(183,000)
Program Changes	
Rosas Settlement	64,470,000
Mental Health Services in County Jails	23,456,000
County Jails ADA Settlement	1,208,000
Sheriff DOJ AV Settlement	2,251,000
Sheriff Special Victims Bureau	2,203,000
Diversion - Inmate Treatment Program	10,000,000
Curtailment Restoration	7,434,000
All Other Program Changes	16,753,000
Fiscal Policies	
Appropriation for Contingency	14,639,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**304,283,000**
Revenue Changes	
Property Taxes	248,281,000
Property Taxes - CRA Dissolution Residual	25,000,000
Public Safety Sales Tax	27,895,000
Fund Balance Adjustment	3,858,000
Various Revenue Changes	(751,000)
Total Locally Generated Revenues	**304,283,000**
Total Projected Budget Gap	$ -

Public Assistance Changes

With the decline in the unemployment rate in the County and the improving local economy, the number of residents seeking General Relief aid has declined, which has helped reduce the overall cost of providing public assistance by $12.9 million. The decrease will be partially offset by an $11.9 million increase in wages for In-Home Supportive Services workers.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved salaries and employee benefits increases as well as yet to be determined salary and benefit increases that are subject to negotiations with the County's collective bargaining units and would take effect in Fiscal Year 2015-16. The Board of Supervisors previously approved 6% salary increases with nearly all of its collective bargaining units, which are reflected in the higher expenditures for employee salaries in the 2015-16 Adopted Budget.

Prefund Retiree Healthcare Benefits – This expenditure adds $10.0 million in NCC, which will be supplemented by a projected $14 million of subvention revenue received from Federal, State and other local government entities. The total projected contribution of $24 million is the first step in a multi-year plan approved by the Board on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

County Jails Excessive Use of Force – This expenditure reflects $64.5 million in ongoing funding and $10.5 million in one-time funding, for a total of $75.0 million to be set aside in the

Provisional Financing Uses (PFU) budget to address allegations of excessive use of force in the jails. In January 2012, the American Civil Liberties Union (ACLU) filed the Alex Rosas Federal court class action lawsuit alleging a pattern and practice of excessive use of force in the County jails. The settlement agreement presented to the Board of Supervisors on December 16, 2014, requires the Sheriff's Department to implement various reforms recommended by the court-appointed Rosas Monitors. On October 14, 2014, the Monitors submitted to the Court their final Implementation Plan containing their recommendations for reforms in the jails. The Implementation Plan delineates 21 areas of proposed reforms with a total of 106 recommendations, many of which expand upon those of the Citizens' Commission on Jail Violence and have already been implemented The settlement agreement requires that the Sheriff's Department achieve specific compliance objectives related to the Implementation Plan by June 30, 2015, December 31, 2015 and December 31, 2016. The Chief Executive Office will continue to work with the Sheriff's Department to determine the level of resources that are required in order to achieve full compliance with the Rosas settlement.

County Jails Mental Health Needs – This expenditure adds $23.5 million in ongoing funding to the PFU budget. This amount, along with $10.0 million in ongoing funding included in the 2014-15 Final Adopted Budget, brings the total ongoing funding amount to $33.5 million for mental health issues at County jails. The Sheriff and DMH are continuing to identify priorities and develop action plans to address the 53 remedial measures outlined in the June 4, 2014 DOJ report, some of which will require additional funding and staff to address certain recommendations.

Comprehensive Diversion Inmate Treatment Program – Supplements $20.0 million in one-time funding in the PFU budget unit with $10.0 million of ongoing funding for this program. The funding is being set aside in anticipation of the District Attorney's report on a Comprehensive Criminal Justice Mental Health Plan.

Fiscal Policies

County budget policies require the establishment of a Rainy Day Fund as a hedge against future economic uncertainties, with a target funding amount equivalent to 10% of locally generated revenues. The current balance of the Rainy Day Fund is $256.0 million. On June 30, 2015, the County received $109.4 million from the State for pre-2004 deferred State mandate payments owed to local governments. An additional interest payment of approximately $25 million related to the deferred mandates is expected in Fiscal Year 2015-16. In August 2015, the CEO will recommend that the Board of Supervisors approve a supplemental deposit to the Rainy Day Fund in the amount of $50 million, which will be funded from the pre-2004 deferred mandate payment received from the State.

On September 30, 2014, the County updated its budget policies to require that between 5% to 10% of new ongoing discretionary revenues be set aside during the budget process in the Appropriation for Contingency as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2015-16 Adopted Budget, $14.6 million is being set aside in the Appropriation for Contingency, which reflects 5% of discretionary revenues. In addition, the revised budget policies required that $5.0 million be allocated for deferred maintenance needs as part of the annual Recommended Budget.

Revenue Changes

As a result of improving economic conditions, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2015-16. The County is also forecasting a $25.0 million increase in property tax residual from the dissolution of redevelopment agencies.

The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. The County Assessor is reporting a 6.13% increase in the Net Local Roll for Fiscal Year 2015-16, which provides the basis for the $248.3 million of additional property tax revenue included in the 2015-16 Adopted Budget.

Based on current trends and a survey of local economic forecasts, the County has assumed a 5% growth factor in its overall sales tax projection for the 2015-16 Adopted Budget. Based on the 5% growth rate, the County is projecting a $27.9 million increase in Proposition 172 Sales Tax in Fiscal Year 2015-16.

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 one outpatient center, one regional health center, six comprehensive health centers, eleven community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,000 physician residents on an annual basis.

As a safety net provider, the County is the medical provider of last resort for millions of indigent County residents. Historically, the cost of providing health services exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which 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 improvement in the DHS fiscal outlook from prior years is primarily due to the five-year Section 1115 Hospital Financing Waiver (the "Waiver"), which became effective in November 2010, and the implementation of the Affordable Care Act, effective as of January 1, 2014. As a result of the Affordable Care Act implementation, DHS has experienced a significant reduction in the number of uninsured patients, providing an overall fiscal benefit. Because the impact of the ACA has expanded DHS' revenue base, the budgetary pressures on DHS have been appreciably reduced. Further, as explained below, Assembly Bill (AB) 85 establishes a sum certain for the maintenance of effort ("MOE") requirement for the County's contribution to DHS, as well as providing additional revenue sources.

Section 1115 Hospital Financing Waiver

The Centers for Medicare and Medicaid Services ("CMS") approved the Waiver for public hospitals in California, effective November 1, 2010, which provides partial funding for uncompensated care and a new funding source for system improvements at public hospitals through the Delivery System Reform Incentive Pool ("DSRIP"). In addition, the Waiver permits the federal government to waive certain Medicaid (referred to as Medi-Cal in California) statutory requirements and allows California to receive Federal matching funds for Medi-Cal services that would otherwise not be eligible for Federal funding, thus further enhancing DHS revenues.

DHS has successfully implemented the structural and operational reforms necessary to achieve the DSRIP performance incentives and will continue to focus its efforts on maximizing this funding source. In Fiscal Year 2014-15, DHS expects to meet almost all of the DSRIP goals and outcomes with a net benefit of $223.4 million in DSRIP revenue. A mandated semi-annual report was submitted to the State in March 2015 for which DHS received payment in April 2015. The next semi-annual report is due to the State in September 2015 with the revenue expected to be received by the end of calendar year 2015.

Renewal of Expiring 1115 Waiver

The current Waiver will expire October 31, 2015 and efforts are currently underway to ensure its renewal, effective November 1, 2015. In consultation with the counties and other stakeholders, the State developed a Waiver renewal proposal and submitted it to CMS on March 27, 2015. Negotiations between the State and CMS are currently in progress and the State expects to complete the renewal process by the end of the current Waiver period. DHS does not anticipate large changes in the overall amount of revenue to be included in the renewal Waiver, and has included conservative estimates in the Fiscal Year 2015-16 Adopted Budget for Waiver-related revenues as a placeholder until the Waiver negotiations are complete.

Affordable Care Act

The Affordable Care Act provided the framework for the Waiver by allowing an early implementation of some of the law's coverage expansion provisions. The Affordable Care Act's Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizens or legal residents, and uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. The Waiver included the Low Income Health Program ("LIHP") that implemented the MCE program prior to January 2014. The LIHP was known as Healthy Way LA ("HWLA") in Los Angeles County and provided for early enrollment for many uninsured DHS patients. As the Affordable Care Act became effective on January 1, 2014, HWLA enrollees were automatically transitioned to coverage under the MCE program. HWLA and the MCE have significantly improved DHS' payer mix and provided additional revenues as previously uninsured patients have transitioned to Medi-Cal coverage.

Assembly Bill 85

Based on the implementation of the Affordable Care Act and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of the State's funding of health care and human services programs that have been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment revenue that will be "redirected" from the County's Realignment Revenue Health Subaccount to the County's Family Support Subaccount, which benefits social services programs. The County was able to negotiate its own agreement with the State and a formula that is different than that of the other counties in the State.
The County's unique formula takes into account the entire DHS budget and includes cost caps, revenue requirements, specific sharing ratios, and a County MOE. A mathematical formula will be used to determine whether there are "excess" funds available for "redirection" of 1991-92 Realignment Program revenue back to the State. The amount of revenue redirection will be reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds resulting from the formula calculation, the sharing ratio for the excess amount of health care realignment revenue in Fiscal Year 2013-14 is 70% State and 30% County. For Fiscal Year 2014-15 and forward, the sharing ratio will be 80% State and 20% County.

As a result of AB 85, the State redirected $87.5 million of 1991-92 Realignment Program revenue from the County for Fiscal Year 2013-14, and the 2014-15 State Budget Act redirected $238.3 million from the County for Fiscal Year 2014-15. The Governor has noted that these estimated redirections are interim calculations, with a final reconciliation of the Fiscal Year 2013-14 redirection to take place no later than January 2016. DHS believes that the State has overestimated the amount of excess funds identified for redirection. The County estimates that the 2015-16 State Budget Act will result in a $101.3 million redirection of 1991-92 Realignment Program funding from the County to the State in Fiscal Year 2015-16. In addition, AB 85 established an MOE funding requirement for the County's General Fund contribution in the amount of $323.0 million, which the County is currently meeting. The MOE funding requirement is based on Fiscal Year 2012-13 funding levels and will increase by one percent each subsequent fiscal year. The MOE is expected to provide a stable and ongoing source of funding for DHS from the County General Fund.

DHS Reserve Funds

In Fiscal Year 2013-14, DHS closed the year with a budgetary surplus of $192.0 million, which is net of the $87.5 million redirection of 1991-92 Realignment Program revenue noted above. The surplus funds are maintained in a reserve account and are available to fund DHS operations in the future, as needed.

Although the 2014-15 State Budget Act resulted in the redirection of $238.3 of 1991-92 Realignment Program revenue from the County, DHS is estimating the actual redirection amount to be approximately $155.4 million after the final reconciliation of revenues and expenditures. Before accounting for the redirection and application of the sharing formula under

AB 85, DHS is conservatively estimating a budgetary surplus of $107.4 million in Fiscal Year 2014-15.

General Fund Contributions

In Fiscal Year 2015-16, the County General Fund is expected to contribute $633.2 million of NCC to DHS in support of its health care operations. In relation to the overall DHS budget, the projected County contribution in Fiscal Year 2015-16 represents 13.1% of total DHS appropriations. The NCC contribution to DHS peaked in Fiscal Year 2007-08 at 18.2% of the total DHS budget, and has declined steadily thereafter. The decrease in the NCC contribution is a direct result of enhanced revenue streams, improved patient demographics, and more efficient hospital operations.

General Fund Advances and Cash Flow

The County maintains separate Enterprise Funds to account for hospital and ambulatory care services in various regions of the County, commonly referred to as the Hospital Funds. The County's General Fund provides cash advances to each of the Hospital Funds to provide for the net cash flow requirements of the hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in a manner designed to provide the Hospital Funds with a minimal daily cash position of approximately $10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. The Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of June 30, 2015, the balance of General Fund cash advances to the Hospital Funds was approximately $419.6 million. The timing of cash reimbursements has been impacted as both the State and the County adjust to the large population of residents entering into the ACA's expanded Medi-Cal programs. In addition, the implementation of the ACA's Hospital Presumptive Eligibility ("HPE") program allowed expedited Medi-Cal eligibility and coverage. These changes had significant impacts on processing and claiming operations at both the State and county levels. However, most of the issues that arose from the HPE implementation have now been addressed. The County expects the remaining processing issues to be resolved in Fiscal Year 2015-16, with DHS cash receipts returning to a more timely and predictable pattern.

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 last audit completed by the State was for Fiscal Year 2010-11. As of June 30, 2014, 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. The CBRC receivable balance for Fiscal Year 2014-15 will be determined during the fiscal year-end closing process.

Martin Luther King Jr. Hospital

The County-operated Martin Luther King, Jr. Hospital (the "MLK Hospital") was closed in 2007 and converted to a Multi-Service Ambulatory Care Center. Since then, the County and the University of California (the "UC") established an independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. A seven-member MLK Hospital Board of Directors was appointed by the County and the UC in August 2010 to oversee MLK-LA Healthcare, the new 501(c)(3) private, non-profit MLK Hospital. The new 131-bed 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. The MLK-LA Hospital completed licensing activities and began treating patients in July 2015. The MLK Hospital expects to provide a full range of hospital services by the end of 2015 or early 2016.

To assist with the opening of the MLK Hospital, the County has agreed to provide MLK-LA Healthcare with $50.0 million of coordination start-up funds, $39.1 million of grant funding, and $82.0 million of short-term and long-term loans. In addition, the County has committed to make an annual intergovernmental transfer of up to $50.0 million for the benefit of the new hospital. For use of the County-owned hospital facility, MLK-LA Healthcare will make annual lease payments to the County in the amount of $18.0 million. The County has initially financed the construction of the MLK Hospital with $283.8 million of short-term lease-revenue notes, which are currently outstanding. The County intends to refinance the MLK Hospital and pay-off the short-term notes through the issuance of long-term lease-revenue bonds.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities. The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206 billion through 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. In accordance with the terms of the MSA, the annual TSRs are subject to numerous adjustments, offsets and recalculation. While the County's share of the State settlement was initially expected to average approximately $100.0 million per year, the actual amount of Tobacco Settlement Revenues ("TSRs") received by the County has fluctuated significantly from year to year. Factors that 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.

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 represented 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.

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, previous 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 were withheld or made under protest. In March 2013, an arbitrated settlement among certain MSA participants (including California), which included a new method for calculating future payment adjustments, resolved the status of the disputed payments from 2003 to 2012. However, given the terms of the MSA, the fiscal impact to the County of future protests and payment adjustments to the MSA cannot be predicted at this time.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. In Fiscal Year 2014-15, the County received $63.4 million in TSRs from the participating manufacturers. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds. As of June 30, 2014, the County has received approximately $1.536 billion in TSRs and accrued interest, with approximately $1.486 billion of the collected proceeds disbursed, and $49.9 million remaining in reserves and available for future appropriations. While DHS has identified programmatic uses for projected ongoing TSRs, it continues to develop plans to use the funds currently in reserve, primarily for one-time uses that will help improve the operational efficiency of the health system.

BUDGET TABLES

The 2015-16 Adopted Budget is supported by $4.740 billion in property taxes, $4.235 billion in Federal funding, $5.616 billion in State funding, $0.204 billion in cancelled obligated fund balance, $1.336 billion in Fund Balance and $5.120 billion from other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2015-16 Recommended Budget with the 2015-16 Adopted Budget.

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

Fund	Final 2011-12	Final 2012-13	Final 2013-14	Final 2014-15	Recommended 2015-16	Adopted 2015-16
General Fund	$ 16,229,826	$ 16,750,817	$ 17,206,258	$ 17,782,636	$ 17,967,946	$ 18,080,416
Hospital Enterprise Fund	2,268,712	2,592,117	2,803,170	3,165,359	3,151,363	3,170,726
Total General County Budget	$ 18,498,538	$ 19,342,934	$ 20,009,428	$ 20,947,995	$ 21,119,309	$ 21,251,142

County of Los Angeles: General County Budget
Historical Funding Requirements and Revenue Sources

	Final 2011-12	Final 2012-13	Final 2013-14	Final 2014-15	Recommended 2015-16	Adopted 2015-16
Requirements						
Social Services	$ 5,539,798	$ 5,572,820	$ 5,846,911	$ 6,206,407	$ 6,346,178	$ 6,411,551
Health	5,600,822	5,952,459	6,208,232	6,373,399	6,501,410	6,552,210
Justice	4,697,762	4,985,441	5,146,062	5,442,540	5,502,991	5,538,126
Other	2,660,156	2,832,214	2,808,223	2,925,649	2,768,730	2,749,255
Total	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,119,309**	**$ 21,251,142**
Revenue Sources						
Property Taxes	$ 3,750,746	$ 3,814,906	$ 4,177,683	$ 4,467,240	$ 4,679,006	$ 4,739,985
State Assistance	4,670,351	5,168,427	5,024,219	5,366,757	5,608,584	5,615,855
Federal Assistance	4,712,400	5,008,928	4,342,123	4,184,128	4,225,733	4,235,091
Other	5,365,041	5,350,673	6,465,403	6,929,870	6,605,986	6,660,211
Total	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,119,309**	**$ 21,251,142**

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

	Final 2011-12	Final 2012-13	Final 2013-14	Final 2014-15	Recommended 2015-16	Adopted 2015-16
Financing Requirements						
Salaries & Employee Benefits	$ 8,895,017	$ 9,322,969	$ 9,671,291	$ 10,353,404	$ 10,822,231	$ 10,933,677
Services & Supplies	6,706,121	6,869,576	7,138,148	7,362,617	7,418,228	7,374,009
Other Charges	3,621,050	3,734,605	3,901,664	4,082,120	3,888,469	3,936,149
Capital Assets	890,217	1,025,119	982,969	946,383	816,553	836,995
Other Financing Uses	640,310	615,357	619,569	263,903	544,456	543,679
Appropriations for Contingencies	-	-	-	5,000	11,594	14,639
Interbudget Transfers[1]	(1,419,532)	(1,476,794)	(1,417,786)	(1,054,758)	(1,387,140)	(1,384,084)
Gross Appropriation	$ 19,333,183	$ 20,090,832	$ 20,895,855	$ 21,958,669	$ 22,114,391	$ 22,255,064
Less: Intrafund Transfers	975,236	942,276	944,775	990,638	995,082	1,003,922
Net Appropriation	$ 18,357,947	$ 19,148,556	$ 19,951,080	$ 20,968,031	$ 21,119,309	$ 21,251,142
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Assigned for Rainy Day Funds	-	10,000	35,033	24,274	-	-
Committed Fund Balance	140,591	184,378	23,315	(44,310)	-	-
Total Financing Requirements	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,119,309**	**$ 21,251,142**
Available Financing						
Fund Balance	$ 1,601,571	$ 1,565,502	$ 1,497,581	$ 1,566,263	$ 1,319,284	$ 1,335,990
Cancel Provision for Obligated Fund Balance	271,027	208,484	239,852	143,419	197,071	204,320
Property Taxes: Regular Roll	3,709,801	3,778,085	4,123,069	4,414,842	4,626,417	4,687,363
Supplemental Roll	40,945	36,821	54,614	52,398	52,589	52,622
Revenue	12,875,194	13,754,042	14,094,312	14,771,073	14,923,948	14,970,847
Total Available Financing	**$ 18,498,538**	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,119,309**	**$ 21,251,142**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $1.4 billion in 2015-16, from the above table would give the impression that there are more resources than are actually

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2015-16 RECOMMENDED TO ADOPTED BUDGET
Net Appropriation: By Function
(In thousands)

Function	2015-16 Recommended [1]	2015-16 Adopted [2]	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 1,033,106.0	$ 1,065,514.0	$ 32,408.0	3.14%
General Services	906,359.0	770,954.0	(135,405.0)	-14.94%
Public Buildings	772,056.0	778,551.0	6,495.0	0.84%
Total General	$ 2,711,521.0	$ 2,615,019.0	$ (96,502.0)	-3.56%
Public Protection				
Justice	$ 5,092,924.0	$ 5,193,632.0	$ 100,708.0	1.98%
Other Public Protection	206,623.0	209,984.0	3,361.0	1.63%
Total Public Protection	$ 5,299,547.0	$ 5,403,616.0	$ 104,069.0	1.96%
Health and Sanitation	6,473,193.0	6,523,993.0	50,800.0	0.78%
Public Assistance	6,253,762.0	6,320,259.0	66,497.0	1.06%
Recreation and Cultural Services	302,332.0	306,256.0	3,924.0	1.30%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	-	-	-	0.00%
Appropriations for Contingencies	11,594.0	14,639.0	3,045.0	26.26%
Total Requirements	**$ 21,119,309.0**	**$ 21,251,142.0**	**$ 131,833.0**	**0.62%**
AVAILABLE FUNDS				
Property Taxes	$ 4,679,006.0	$ 4,739,985.0	$ 60,979.0	1.30%
Fund Balance	1,319,284.0	1,335,990.0	16,706.0	1.27%
Cancelled Prior-Year Reserves	197,071.0	204,320.0	7,249.0	3.68%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 336,372.0	$ 336,356.0	$ (16.0)	0.00%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	1,048,367.0	1,085,464.0	37,097.0	3.54%
Other Public Assistance	1,836,970.0	1,806,607.0	(30,363.0)	-1.65%
Public Protection	1,217,569.0	1,204,111.0	(13,458.0)	-1.11%
Health and Mental Health	1,018,136.0	1,032,698.0	14,562.0	1.43%
Capital Projects	102,940.0	102,840.0	(100.0)	-0.10%
Other State Revenues	29,230.0	28,779.0	(451.0)	-1.54%
Total State Revenues	$ 5,608,584.0	$ 5,615,855.0	$ 7,271.0	0.13%
Federal Revenues				
Public Assistance Subventions	$ 2,579,752.0	$ 2,613,375.0	$ 33,623.0	1.30%
Other Public Assistance	214,410.0	195,468.0	(18,942.0)	-8.83%
Public Protection	147,459.0	147,459.0	-	0.00%
Health and Mental Health	1,242,624.0	1,237,251.0	(5,373.0)	-0.43%
Capital Projects	1,149.0	1,149.0	-	0.00%
Other Federal Revenues	40,339.0	40,389.0	50.0	0.12%
Total Federal Revenues	$ 4,225,733.0	$ 4,235,091.0	$ 9,358.0	0.22%
Other Governmental Agencies	22,150.0	36,508.0	14,358.0	64.82%
Total Intergovenmental Revenues	$ 9,856,467.0	$ 9,887,454.0	$ 30,987.0	
Fines, Forfeitures and Penalties	216,285.0	216,285.0	-	0.00%
Licenses, Permits and Franchises	53,753.0	53,753.0	-	0.00%
Charges for Services	3,534,619.0	3,566,019.0	31,400.0	0.89%
Other Taxes	209,479.0	209,479.0	-	0.00%
Use of Money and Property	133,776.0	133,613.0	(163.0)	-0.12%
Miscellaneous Revenues	615,239.0	600,485.0	(14,754.0)	-2.40%
Operating Contribution from General Fund	304,330.0	303,759.0	(571.0)	-0.19%
Total Available Funds	**$ 21,119,309.0**	**$ 21,251,142.0**	**$ 131,833.0**	**0.62%**

(1) Reflects the 2015-16 Recommended General County Budget approved by the Board of Supervisors on April 14, 2015
(2) Reflects the 2015-16 Adopted General County Budget approved by the Board of Supervisors on June 22, 2015

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2015-16 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	$ 1,033,106.0	$ -	$ 1,033,106.0
General Services	906,359.0	-	906,359.0
Public Buildings	772,056.0	-	772,056.0
Total General	$ 2,711,521.0	$ -	$ 2,711,521.0
Public Protection			
Justice	$ 5,092,924.0	$ -	$ 5,092,924.0
Other Public Protection	206,623.0	-	206,623.0
Total Public Protection	$ 5,299,547.0	$ -	$ 5,299,547.0
Health and Sanitation	$ 3,321,830.0	$ 3,151,363.0	$ 6,473,193.0
Public Assistance	6,253,762.0	-	6,253,762.0
Recreation and Cultural Services	302,332.0	-	302,332.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	-	-	-
Appropriation for Contingency	11,594.0	-	11,594.0
Total Requirements	**$ 17,967,946.0**	**$ 3,151,363.0**	**$ 21,119,309.0**
AVAILABLE FUNDS			
Property Taxes	$ 4,679,006.0	$ -	$ 4,679,006.0
Fund Balance	1,319,284.0	-	1,319,284.0
Cancel Provision for Obligated Fund Balance	12,131.0	184,940.0	197,071.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 336,372.0	$ -	$ 336,372.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	1,048,367.0	-	1,048,367.0
Other Public Assistance	1,836,970.0	-	1,836,970.0
Public Protection	1,217,569.0	-	1,217,569.0
Health and Mental Health	974,299.0	43,837.0	1,018,136.0
Capital Projects	102,940.0	-	102,940.0
Other State Revenues	29,230.0	-	29,230.0
Total State Revenues	5,564,747.0	43,837.0	5,608,584.0
Federal Revenues			
Public Assistance Subventions	$ 2,555,379.0	$ 24,373.0	$ 2,579,752.0
Other Public Assistance	214,410.0	-	214,410.0
Public Protection	147,459.0	-	147,459.0
Health and Mental Health	929,866.0	312,758.0	1,242,624.0
Capital Projects	1,149.0	-	1,149.0
Other Federal Revenues	40,339.0	-	40,339.0
Total Federal Revenues	$ 3,888,602.0	$ 337,131.0	$ 4,225,733.0
Other Governmental Agencies	22,150.0	-	22,150.0
Total Intergovenmental Revenues	$ 9,475,499.0	$ 380,968.0	$ 9,856,467.0
Fines, Forfeitures and Penalties	216,010.0	275.0	216,285.0
Licenses, Permits and Franchises	53,627.0	126.0	53,753.0
Charges for Services	1,667,557.0	1,867,062.0	3,534,619.0
Other Taxes	209,479.0	-	209,479.0
Use of Money and Property	133,699.0	77.0	133,776.0
Miscellaneous Revenues	201,654.0	413,585.0	615,239.0
Operating Contribution from General Fund	-	304,330.0	304,330.0
Total Available Funds	**$ 17,967,946.0**	**$ 3,151,363.0**	**$ 21,119,309.0**

(1) Reflects the 2015-16 Recommended Budget General County Budget approved by the Board of Supervisors on April 14, 2015

COUNTY OF LOS ANGELES
ADOPTED BUDGET 2015-16 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	$ 1,065,514.0	$ -	$ 1,065,514.0
General Services	770,954.0	-	770,954.0
Public Buildings	778,551.0	-	778,551.0
Total General	$ 2,615,019.0	$ -	$ 2,615,019.0
Public Protection			
Justice	$ 5,193,632.0	$ -	$ 5,193,632.0
Other Public Protection	209,984.0	-	209,984.0
Total Public Protection	$ 5,403,616.0	$ -	$ 5,403,616.0
Health and Sanitation	$ 3,353,267.0	$ 3,170,726.0	$ 6,523,993.0
Public Assistance	6,320,259.0	-	6,320,259.0
Recreation and Cultural Services	306,256.0	-	306,256.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	-	-	-
Appropriation for Contingency	14,639.0	-	14,639.0
Total Requirements	**$ 18,080,416.0**	**$ 3,170,726.0**	**$ 21,251,142.0**
AVAILABLE FUNDS			
Property Taxes	$ 4,739,985.0	$ -	$ 4,739,985.0
Fund Balance	1,335,990.0	-	1,335,990.0
Cancel Provision for Obligated Fund Balance	19,380.0	184,940.0	204,320.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 336,356.0	$ -	$ 336,356.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	1,085,464.0	-	1,085,464.0
Other Public Assistance	1,806,607.0	-	1,806,607.0
Public Protection	1,204,111.0	-	1,204,111.0
Health and Mental Health	989,120.0	43,578.0	1,032,698.0
Capital Projects	102,840.0	-	102,840.0
Other State Revenues	28,779.0	-	28,779.0
Total State Revenues	5,572,277.0	43,578.0	5,615,855.0
Federal Revenues			
Public Assistance Subventions	$ 2,589,002.0	$ 24,373.0	$ 2,613,375.0
Other Public Assistance	195,468.0	-	195,468.0
Public Protection	147,459.0	-	147,459.0
Health and Mental Health	924,512.0	312,739.0	1,237,251.0
Capital Projects	1,149.0	-	1,149.0
Other Federal Revenues	40,389.0	-	40,389.0
Total Federal Revenues	$ 3,897,979.0	$ 337,112.0	$ 4,235,091.0
Other Governmental Agencies	36,508.0	-	36,508.0
Total Intergovenmental Revenues	$ 9,506,764.0	$ 380,690.0	$ 9,887,454.0
Fines, Forfeitures and Penalties	216,010.0	275.0	216,285.0
Licenses, Permits and Franchises	53,627.0	126.0	53,753.0
Charges for Services	1,679,303.0	1,886,716.0	3,566,019.0
Other Taxes	209,479.0	-	209,479.0
Use of Money and Property	133,536.0	77.0	133,613.0
Miscellaneous Revenues	186,342.0	414,143.0	600,485.0
Operating Contribution from General Fund	-	303,759.0	303,759.0
Total Available Funds	**$ 18,080,416.0**	**$ 3,170,726.0**	**$ 21,251,142.0**

(1) Reflects the 2015-16 Adopted General County Budget approved by the Board of Supervisors on June 22, 2015

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. 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. Any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property taxes may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2014-15 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 $37,114,020,795 which constitutes only 3.24% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2014-15
Southern California Edison Co.	$71,292,071
Douglas Emmett Residential	42,169,431
Tesoro Refining and Marketing Co.	30,865,127
Participants in Long Beach Unit	25,169,150
Universal Studios LLC	25,023,715
ASN Pasadena LLC	21,838,594
Chevron USA Inc./Texaco/Unocal	21,821,952
Southern California Gas Co.	21,729,934
AT&T/Pacific Bell Telephone Co.	20,880,492
EQR/ERP Limited	20,254,696
Verizon/MCI Communications Serv. Inc.	19,509,417
EXXON/Mobil Oil Corp.	17,602,415
Phillips 66	16,628,041
Prologis/AMB	15,552,713
Maguire Properties	15,265,810
Freeport-McMoran Oil & Gas LLC	13,964,406
OXY/Tidelands Oil/Vintage Production	12,926,878
Beacon Oil Co./Ultramar/Valero Energy Corp.	11,287,796
CBS Inc./Paramount Pictures Corp.	10,794,155
Boeing/Hughes Aircraft/McDonnell Douglas Corp.	10,739,130
	$445,315,923

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 2010-11 through 2014-15.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2010-11 THROUGH 2014-15

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 %
2010-11	$997,502,481,662	$2,423,866,268	$2,369,935,057	97.77%
2011-12	1,013,260,968,402	2,471,700,694	2,423,125,703	98.03%
2012-13	1,035,518,346,306	2,534,711,363	2,495,317,019	98.45%
2013-14	1,085,743,685,894	2,662,214,197	2,623,480,895	98.55%
2014-15	1,146,946,428,176	2,814,475,757	2,773,527,158 (3)	98.55%

(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 2014-15 collections.

REDEVELOPMENT AGENCIES

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2010-11 through 2014-15.

PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2010-11 THROUGH 2014-15

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2010-11	$136,964,953,487	$1,208,208,191
2011-12	137,243,985,288	1,187,749,842
2012-13	141,074,221,344	1,189,455,554
2013-14	149,910,987,097	1,282,940,191
2014-15	159,180,996,812	1,022,618,631 (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 former community redevelopment agencies and their successor agencies created under ABX1 26.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid-year changes and Supplemental Roll.
(3) Total CRA Tax Allocations from November 2014 through April 2015.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenue follow an uneven pattern, primarily as a result of unpredictable delays in payments from other governmental agencies and the significant amount of secured property tax revenue received close to the December and April due dates for the first and second installments, 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.

2015-16 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 12, 2015, the County issued the 2015-16 TRANs with an aggregate principal amount of $900,000,000 due on June 30, 2016. The 2015-16 TRANs are general obligations of the County attributable to Fiscal Year 2015-16 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 Treasurer and Tax Collector, the County pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2015-16 for the purpose of repaying the 2015-16 TRANs on the June 30, 2016 maturity date. The deposits to the Repayment Fund will be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2015-16 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2015	$315,000,000
January, 2016	315,000,000
April, 2016	314,875,000
Total	$944,875,000

* Includes $900,000,000 of 2015-16 TRANs principal and 5.00% 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 2010-11.

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Property Taxes	$3,733,822	$3,725,324	$4,276,875	$4,337,915	$4,581,797
Other Taxes	137,907	172,703	167,054	203,396	204,173
Licenses, Permits and Franchises	56,799	58,642	61,268	65,260	58,488
Fines, Forfeitures and Penalties	242,904	218,380	226,737	212,676	197,663
Investment and Rental Income	123,582	111,506	107,105	104,422	131,053
State In-Lieu Taxes	401,679	366,352	335,310	344,971	407,316
State Homeowner Exemptions	21,616	21,505	21,101	19,715	20,277
Charges for Current Services	1,574,709	1,678,238	1,546,370	1,582,791	1,577,165
Other Revenue*	465,163	392,137	552,414	525,570	610,250
TOTAL UNRESTRICTED RECEIPTS	$6,758,181	$6,744,787	$7,294,234	$7,396,716	$7,788,182

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

Intrafund and Interfund Borrowing

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

Funds Available for Intrafund Borrowing

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

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

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

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

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

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

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2013-14 and Fiscal Year 2014-15.

General Fund Cash Flow Statements

The Fiscal Year 2013-14 and Fiscal Year 2014-15 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2013-14, the County had an ending General Fund cash balance of $1.025 billion. In Fiscal Year 2014-15, the County is estimating an ending cash balance in the General Fund of $1.653 billion.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of May 31, 2015, 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	$10.886
Schools and Community Colleges	12.413
Independent Public Agencies	2.363
Total	$25.662

Of these entities, the discretionary participants accounted for 9.96% 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 31, 2015, 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 June 30, 2015, the book value of the Treasury Pool as of May 31, 2015 was approximately $25.662 billion and the corresponding market value was approximately $25.652 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Internal Controls Branch (ICB) operates independently from the Investment Office, and reconciles cash and investments to fund balances on a daily basis. ICB staff also reviews each investment trade for accuracy and compliance with the Board of Supervisor's adopted Investment Policy. On a quarterly basis, the County's external independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy, and reviews investment transactions to ensure compliance with the Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of May 31, 2015:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	55.85
Certificates of Deposit	11.89
Commercial Paper	31.20
Bankers Acceptances	0.00
Municipal Obligations	0.14
Corporate Notes & Deposit Notes	0.92
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of May 31, 2015, approximately 41.02% of the investments mature within 60 days, with an average of 559 days to maturity for the entire portfolio.

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

FINANCIAL STATEMENTS-GAAP BASIS

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

The basic financial statements for the Fiscal Year ended June 30, 2014, and the unmodified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2014-15 Final Adopted Budget included an available General Fund balance of $1,566,263,000 as of June 30, 2014.

The 2014-15 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

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

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

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary 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 and amounts are collected within the County's availability period.

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

- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future rights to tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis, the bond proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is discussed in further detail in Note 11 to the 2013-14 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 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 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 modified accrual basis, such expenditures are adjusted to recognize the OPEB Agency assets at fiscal year end.

The tables below provide a reconciliation of the General Fund's June 30, 2014 fund balance on a budgetary and GAAP basis, and a summary of the audited Balance Sheets and Statements of Revenues and Expenditures and Changes in Fund Balance from Fiscal Year 2009-10 to Fiscal Year 2013-14.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2014 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,566,263
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	139,124
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	149,159
Accrual of liabilities for accrued compensated absences not required by GAAP	57,602
Change in revenue accruals related to encumbrances	(47,611)
Deferral of property tax receivables	(71,312)
Unamortized balance of sale of tobacco settlement revenue	(241,498)
Change in fair value of Investments	(14,366)
Reserve for "Rainy Day" Fund	232,045
Unassigned Fund Balance - GAAP Basis	$1,769,406

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2010, 2011 2012, 2013 and 2014
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2010	June 30, 2011*	June 30, 2012*	June 30, 2013*	June 30, 2014*
ASSETS					
Pooled Cash and Investments	$1,689,490	$2,151,267	$2,010,858	$1,637,765	$1,933,794
Other Investments	5,839	16,589	11,109	5,676	4,810
Taxes Receivable	246,288	210,914	186,830	171,919	169,141
Other Receivables	1,808,478	1,763,649	1,586,097	1,777,034	1,996,683
Due from Other Funds	436,441	356,860	407,604	391,605	283,255
Advances to Other Funds	1,018,161	1,063,061	703,512	754,376	885,314
Inventories	44,279	54,145	51,616	47,375	56,790
Total Assets	$5,248,976	$5,616,485	$4,957,626	$4,785,750	$5,329,787
LIABILITIES					
Accounts Payable	$266,916	$286,597	$354,119	$321,509	$516,410
Accrued Payroll	286,407	289,546	303,615	309,926	331,045
Other Payables	454,244	1,039,126	525,438	89,852	111,019
Due to Other Funds	501,705	464,170	390,153	461,480	158,626
Deferred Revenue**	346,829	382,897	346,488	302,656	0
Advances Payable	382,476	411,508	379,847	404,975	575,567
Third-Party Payor Liability	14,588	20,198	16,015	15,702	26,207
Total Liabilities	$2,253,165	$2,894,042	$2,315,675	$1,906,100	$1,718,874
DEFERRED INFLOWS OF RESOURCES**					$508,105
FUND BALANCES					
Fund Balance (Deficit)					
Reserved	$784,428				
Unreserved					
Designated	618,899				
Undesignated	1,592,484				
Total Unreserved	2,211,383				
Nonspendable		259,127	$259,597	$253,836	$272,007
Restricted		35,377	55,115	59,786	40,577
Committed			332,255	528,865	482,740
Assigned		763,038	405,285	376,181	538,078
Unassigned		1,664,901	1,589,699	1,660,982	1,769,406
Total Fund Balances	2,995,811	2,722,443	2,641,951	2,879,650	3,102,808
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$5,248,976	$5,616,485	$4,957,626	$4,785,750	$5,329,787

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014.
*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.
**The County implemented GASB Statement 65 "Items Previously Reported as Assets and Liabilities" in FY 2013-14. As of June 30, 2014, deferred inflows and outflows of resources are reported in the new required GASB 65 format.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2009-10 THROUGH 2013-14 (in thousands of $)

	2009-10	2010-11	2011-12	2012-13	2013-14
REVENUES:					
Taxes	$3,864,654	$3,843,366	$3,980,409	$4,267,858	$4,520,755
Licenses, Permits & Franchises	49,079	56,656	57,144	61,412	59,886
Fines, Forfeitures and Penalties	258,842	244,787	217,972	222,226	207,094
Use of Money and Property	124,049	130,140	103,029	89,841	128,501
Aid from Other Government	7,337,716	7,506,492	7,632,814	8,182,687	8,395,672
Charges for Services	1,659,224	1,641,399	1,700,540	1,565,937	1,743,447
Miscellaneous Revenues	191,878	145,414	134,071	216,977	152,663
TOTAL	$13,485,442	$13,568,254	$13,825,979	$14,606,938	$15,208,018
EXPENDITURES					
General	$859,319	$883,854	$983,077	$979,989	$998,438
Public Protection	4,412,935	4,401,985	4,538,075	4,694,982	4,843,148
Health and Sanitation	2,421,615	2,476,524	2,689,192	2,779,870	3,204,177
Public Assistance	5,025,312	5,217,560	5,108,516	5,247,031	5,430,398
Recreation and Cultural Services	247,094	263,046	255,818	272,835	282,660
Debt Service	271,378	278,477	24,602	30,816	28,928
Capital Outlay	2,115	32,598	20,106	8,065	2,398
Total	$13,239,768	$13,554,044	$13,619,386	$14,013,588	$14,790,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$245,674	$14,210	$206,593	$593,350	$417,871
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($419,756)	($340,128)	($306,002)	($359,171)	($197,219)
Sales of Capital Assets	960	9,027	3,789	740	770
Capital Leases	2,115	43,523	15,128	2,780	1,736
OTHER FINANCING SOURCES (USES)-Net	($416,681)	($287,578)	($287,085)	($355,651)	($194,713)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	(171,007)	(273,368)	(80,492)	237,699	223,158
Beginning Fund Balance	3,166,818	2,995,811	2,722,443	2,641,951	2,879,650
Ending Fund Balance	$2,995,811	$2,722,443	$2,641,951	$2,879,650	$3,102,808

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2013-14: 12 MONTHS ACTUAL
2014-15: 12 MONTHS ACTUAL

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

	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014
PROPERTY TAX GROUP							
Tax Collector Trust Fund	$ 70,645	$ 39,983	$ 40,064	$ 418,772	$ 1,416,894	$ 3,546,677	$ 764,399
Auditor Unapportioned Property Tax	227,749	89,650	125,432	178,880	785,225	753,554	1,010,774
Unsecured Property Tax	135,333	146,664	104,309	135,277	115,069	61,452	54,018
Miscellaneous Fees & Taxes	8,180	22,222	40,519	21,010	12,354	9,685	9,700
State Redemption Fund	28,427	41,374	44,302	62,015	51,378	31,378	25,862
Education Revenue Augmentation	4,964	24,866	14,130	0	3,468	352,968	337,070
State Reimbursement Fund	0	0	0	0	1,850	9,685	17,462
Sales Tax Replacement Fund	840	5,314	16,433	18,812	19,092	20,909	38,237
Vehicle License Fee Replacement Fund	5,114	32,345	100,030	114,513	116,215	127,277	295,110
Property Tax Rebate Fund	1,325	6,794	5,048	582	1,402	(693)	403
Utility User Tax Trust Fund	6,508	2,550	4,311	6,570	9,762	16,637	21,889
Subtotal	$ 489,085	$ 411,762	$ 494,578	$ 956,431	$ 2,532,709	$ 4,929,529	$ 2,574,924
VARIOUS TRUST GROUP							
Departmental Trust Fund	$ 453,037	$ 501,361	$ 486,764	$ 479,212	$ 484,387	$ 460,742	$ 476,175
Payroll Revolving Fund	50,725	48,613	58,909	51,023	46,862	63,231	51,228
Asset Development Fund	42,236	42,080	42,101	42,217	42,319	42,374	42,391
Productivity Investment Fund	3,532	3,525	3,516	4,921	6,303	6,266	6,194
Motor Vehicle Capital Outlays	910	910	1,002	1,035	1,035	1,028	971
Civic Center Parking	103	(6)	174	140	82	68	253
Reporters Salary Fund	278	488	401	462	372	524	451
Cable TV Franchise Fund	12,426	11,304	11,719	11,856	11,771	12,262	12,314
Megaflex Long-Term Disability	17,291	17,178	16,999	16,809	16,637	16,440	16,363
Megaflex Long-Term Disability & Health	7,693	7,740	7,814	7,887	7,955	8,037	8,109
Megaflex Short-Term Disability	34,493	34,798	35,165	35,366	35,658	36,109	36,325
Subtotal	$ 622,724	$ 667,991	$ 664,564	$ 650,928	$ 653,381	$ 647,081	$ 650,774
HOSPITAL GROUP							
Harbor-UCLA Medical Center	$ (437)	$ 2,473	$ 787	$ 6,595	$ (1,432)	$ 713	$ 1,149
Olive View-UCLA Medical Center	2,798	739	691	7,227	(442)	791	1,940
LAC+USC Medical Center	(19,765)	2,077	1,612	10,466	820	2,236	(3,802)
MLK Ambulatory Care Center	452	454	454	454	454	454	454
Rancho Los Amigos Rehab Center	(3,915)	(481)	472	5,292	26	1,441	333
LAC+USC Medical Center Equipment	0	0	0	0	0	0	0
Subtotal	$ (20,867)	$ 5,262	$ 4,016	$ 30,034	$ (574)	$ 5,635	$ 74
GRAND TOTAL	**$ 1,090,942**	**$ 1,085,015**	**$ 1,163,158**	**$ 1,637,393**	**$ 3,185,516**	**$ 5,582,245**	**$ 3,225,772**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

February 2014	March 2014	April 2014	May 2014	June 2014	
					PROPERTY TAX GROUP
$ 448,356	$ 619,297	$ 2,355,863	$ 977,193	$ 107,787	**Tax Collector Trust Fund**
755,277	605,574	1,006,019	390,317	130,038	**Auditor Unapportioned Property Tax**
51,531	49,196	46,604	66,836	88,531	**Unsecured Property Tax**
8,958	8,709	8,313	7,927	7,962	**Miscellaneous Fees & Taxes**
29,801	22,127	28,790	22,253	20,380	**State Redemption Fund**
102,465	90,314	337,174	75,816	160,555	**Education Revenue Augmentation**
1,180	1,180	2,259	21,018	8,563	**State Reimbursement Fund**
2,589	16,001	23,786	77,474	0	**Sales Tax Replacement Fund**
123,211	198,050	239,818	484,395	0	**Vehicle License Fee Replacement Fund**
1,354	1,030	(1,469)	5,336	4,969	**Property Tax Rebate Fund**
7,222	10,216	9,454	7,261	9,231	**Utility User Tax Trust Fund**
$ 1,531,944	$ 1,621,694	$ 4,056,611	$ 2,135,826	$ 538,016	**Subtotal**
					VARIOUS TRUST GROUP
$ 456,370	$ 559,710	$ 668,625	$ 550,281	$ 537,272	**Departmental Trust Fund**
53,760	58,033	46,438	46,414	53,454	**Payroll Revolving Fund**
42,423	42,816	42,983	43,002	43,122	**Asset Development Fund**
5,848	5,632	5,465	5,218	5,024	**Productivity Investment Fund**
958	958	929	932	933	**Motor Vehicle Capital Outlays**
239	73	319	239	143	**Civic Center Parking**
461	393	419	559	413	**Reporters Salary Fund**
12,078	12,597	12,617	12,285	12,796	**Cable TV Franchise Fund**
16,310	16,152	15,922	15,730	15,652	**Megaflex Long-Term Disability**
8,123	8,192	8,267	8,324	8,410	**Megaflex Long-Term Disability & Health**
36,663	37,097	37,542	37,841	38,302	**Megaflex Short-Term Disability**
$ 633,233	$ 741,653	$ 839,526	$ 720,825	$ 715,521	**Subtotal**
					HOSPITAL GROUP
$ (1,366)	$ (1,796)	$ 2,477	$ (6)	$ 554	**Harbor-UCLA Medical Center**
323	1,622	2,217	331	(464)	**Olive View-UCLA Medical Center**
1,479	(4,937)	1,585	4,726	6,289	**LAC + USC Medical Center**
455	456	456	454	453	**MLK Ambulatory Care Center**
(1,656)	492	962	920	1,947	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ (765)	$ (4,163)	$ 7,697	$ 6,425	$ 8,779	**Subtotal**
$ 2,164,412	**$ 2,359,184**	**$ 4,903,834**	**$ 2,863,076**	**$ 1,262,316**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2014-15
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 82,785	$ 61,674	$ 54,634	$ 522,524	$ 1,309,694	$ 2,614,653
Auditor Unapportioned Property Tax	175,528	81,191	99,379	151,115	944,396	1,724,574
Unsecured Property Tax	125,354	126,980	131,810	155,178	124,293	73,563
Miscellaneous Fees & Taxes	8,065	7,790	7,455	6,455	6,420	6,287
State Redemption Fund	37,442	70,308	49,316	55,960	43,389	23,851
Education Revenue Augmentation	162,659	168,222	142,225	142,225	159,499	555,922
State Reimbursement Fund	0	0	0	0	2,265	9,052
Sales Tax Replacement Fund	93	4,798	17,660	17,660	17,660	19,949
Vehicle License Fee Replacement Fund	501	25,739	94,741	94,741	94,741	107,019
Property Tax Rebate Fund	545	915	1,060	1,016	5,085	3,971
Utility User Tax Trust Fund	1,484	3,757	6,735	12,439	17,194	21,796
Subtotal	$ 594,456	$ 551,374	$ 605,015	$ 1,159,313	$ 2,724,636	$ 5,160,637
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 554,127	$ 514,454	$ 490,506	$ 510,278	$ 512,868	$ 518,825
Payroll Revolving Fund	48,464	49,721	49,450	47,916	46,736	49,949
Asset Development Fund	43,251	43,236	43,254	43,281	43,294	43,446
Productivity Investment Fund	4,385	4,213	4,196	5,949	6,333	6,408
Motor Vehicle Capital Outlays	1,074	6,016	6,027	5,982	5,930	5,930
Civic Center Parking	56	249	216	155	47	255
Reporters Salary Fund	437	257	604	305	125	535
Cable TV Franchise Fund	12,554	12,250	12,744	12,911	12,768	13,186
Megaflex Long-Term Disability	15,436	15,302	15,110	14,844	14,637	14,580
Megaflex Long-Term Disability & Health	8,460	8,511	8,584	8,645	8,699	8,769
Megaflex Short-Term Disability	38,580	38,909	39,176	39,466	39,884	40,313
Subtotal	$ 726,824	$ 693,118	$ 669,867	$ 689,732	$ 691,321	$ 702,196
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 482	$ 7,757	$ 978	2,416	$ 2,010	$ 653
Olive View-UCLA Medical Center	(1,026)	4,753	1,820	447	2,479	849
LAC+USC Medical Center	(13,221)	16,881	5,869	(3,066)	7,621	5,010
MLK Ambulatory Care Center	453	452	453	453	452	452
Rancho Los Amigos Rehab Center	129	(312)	742	438	293	(306)
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ (13,183)	$ 29,531	$ 9,862	$ 688	$ 12,855	$ 6,658
GRAND TOTAL	**$ 1,308,097**	**$ 1,274,023**	**$ 1,284,744**	**$ 1,849,733**	**$ 3,428,812**	**$ 5,869,491**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	
						PROPERTY TAX GROUP
$ 797,754	$ 485,268	$ 702,363	$ 2,437,989	$ 855,364	$ 159,682	**Tax Collector Trust Fund**
1,220,545	815,557	602,181	1,413,848	634,539	161,737	**Auditor Unapportioned Property Tax**
62,588	63,165	55,450	47,658	70,732	101,552	**Unsecured Property Tax**
6,295	6,249	6,278	6,336	6,222	6,312	**Miscellaneous Fees & Taxes**
27,263	26,506	22,668	24,261	22,638	18,851	**State Redemption Fund**
376,436	244,042	213,066	472,760	223,295	322,140	**Education Revenue Augmentation**
20,065	1,109	1,109	2,166	21,155	7,953	**State Reimbursement Fund**
81,132	19,768	37,033	39,454	89,460	0	**Sales Tax Replacement Fund**
455,995	105,755	204,300	218,117	506,265	0	**Vehicle License Fee Replacement Fund**
9,784	9,716	6,450	9,458	9,641	5,449	**Property Tax Rebate Fund**
26,938	33,672	14,099	2,852	8,635	13,411	**Utility User Tax Trust Fund**
$ 3,084,795	$ 1,810,807	$ 1,864,997	$ 4,674,899	$ 2,447,946	$ 797,087	**Subtotal**
						VARIOUS TRUST GROUP
$ 523,483	$ 512,255	$ 522,276	$ 540,877	$ 524,905	$ 491,619	**Departmental Trust Fund**
46,349	61,240	62,729	45,329	45,182	40,957	**Payroll Revolving Fund**
43,611	43,693	43,814	43,962	44,039	43,397	**Asset Development Fund**
6,418	6,479	6,154	5,808	5,758	5,665	**Productivity Investment Fund**
5,930	5,921	5,882	5,904	5,904	5,904	**Motor Vehicle Capital Outlays**
136	103	115	132	226	149	**Civic Center Parking**
342	345	568	533	296	470	**Reporters Salary Fund**
13,200	12,778	13,146	13,115	12,694	13,155	**Cable TV Franchise Fund**
14,494	14,466	14,320	14,277	14,151	14,058	**Megaflex Long-Term Disability**
8,851	8,894	8,948	8,999	9,075	9,159	**Megaflex Long-Term Disability & Health**
40,579	41,013	41,644	42,110	42,712	43,311	**Megaflex Short-Term Disability**
$ 703,393	$ 707,187	$ 719,596	$ 721,046	$ 704,942	$ 667,844	**Subtotal**
						HOSPITAL GROUP
$ 3,116	$ 1,924	$ (42)	$ 735	$ 1,714	$ 1,383	**Harbor-UCLA Medical Center**
4,729	2,071	869	2,224	3,047	3,151	**Olive View-UCLA Medical Center**
(2,825)	4,503	1,351	(8,347)	4,818	1,834	**LAC + USC Medical Center**
454	452	430	429	429	429	**MLK Ambulatory Care Center**
687	(147)	240	1,753	179	561	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 6,161	$ 8,803	$ 2,848	$ (3,206)	$ 10,187	$ 7,358	**Subtotal**
$ 3,794,349	**$ 2,526,797**	**$ 2,587,441**	**$ 5,392,739**	**$ 3,163,075**	**$ 1,472,289**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2013-14: 12 MONTHS ACTUAL
2014-15: 12 MONTHS ACTUAL

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

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

* The net change in the outstanding Hospital Loan Balance is an increase of $251 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014	Total 2013-14
$ (16,816)	$ 358,844	$ 797,772	$ 689,240	$ (6,076)	$ 396,747	$ 1,074,220	
$ 1,044,377	$ 1,004,008	$ 194,235	$ 11,826	$ 757,203	$ 968,390	$ 175,011	$ 4,337,915
10,198	11,049	31,542	8,054	24,030	12,675	23,744	203,396
3,951	2,632	10,112	5,885	7,068	12,974	3,373	65,260
11,257	11,177	27,640	16,801	13,462	29,970	12,242	212,676
6,492	10,207	8,205	6,617	7,441	9,268	8,743	104,422
24,809	25,311	27,297	30,629	30,979	29,853	21,206	344,971
51,498	50,915	73,037	48,393	46,845	65,344	52,481	669,333
55,879	45,938	66,923	37,739	36,190	56,222	42,231	648,887
266,245	225,840	189,730	170,266	223,370	170,651	142,362	2,264,210
129,125	142,290	121,664	124,423	104,106	132,634	198,802	1,582,791
24,191	36,672	36,434	29,574	88,157	37,837	53,129	541,460
43,363	3,475	9,465	8,533	8,702	11,840	17,981	158,433
139,496	333,068	137,663	0	414,664	289,015	266,275	2,390,981
421,891	366,885	362,837	274,824	458,467	301,394	422,479	4,419,309
1,579	38,430	45,916	-	60,026	22,301	22,191	337,447
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,000,000
$ 2,234,351	$ 2,307,897	$ 1,342,700	$ 773,564	$ 2,280,710	$ 2,150,368	$ 1,462,250	$ 19,281,491
$ 213,680	$ 215,706	$ 212,626	$ 219,445	$ 221,001	$ 216,836	$ 250,233	$ 2,600,668
398,620	410,549	404,087	402,616	404,295	395,784	400,887	4,763,333
230,595	258,833	252,651	273,150	218,947	253,365	224,036	2,872,537
434,934	357,425	294,949	359,942	366,767	368,371	390,532	4,433,606
274,611	247,142	182,493	158,827	367,382	160,345	235,298	2,642,392
(68,627)	(92)	0	0	21,700	0	(2,811)	351,020
8,988	79,406	2,405	4,900	77,795	78,194	12,310	466,814
365,890	300,000	102,021	50,000	200,000	0	0	1,017,911
0	0	0	0	0	0	0	0
$ 1,858,691	$ 1,868,969	$ 1,451,232	$ 1,468,880	$ 1,877,887	$ 1,472,895	$ 1,510,485	$ 19,148,281
$ 358,844	**$ 797,772**	**$ 689,240**	**$ (6,076)**	**$ 396,747**	**$ 1,074,220**	**$ 1,025,985**	
5,582,245	$ 3,225,772	$ 2,164,412	$ 2,359,184	$ 4,903,834	$ 2,863,076	$ 1,262,316	
$ 5,941,089	$ 4,023,544	$ 2,853,652	$ 2,353,108	$ 5,300,581	$ 3,937,296	$ 2,288,301	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2014-15
(in thousands of $)

	July 2014	August 2014	September 2014	October 2014	November 2014
BEGINNING BALANCE	$ 1,025,985	$ 1,301,521	$ 994,697	$ 563,608	$ 215,745
RECEIPTS					
Property Taxes	$ 27,651	$ 103,162	0	$ 96	$ 45,898
Other Taxes	10,069	18,381	12,868	10,718	13,517
Licenses, Permits & Franchises	2,610	3,285	4,185	3,182	2,532
Fines, Forfeitures & Penalties	20,663	21,395	10,623	12,645	18,196
Investment and Rental Income	14,624	9,613	8,670	11,970	7,458
Motor Vehicle (VLF) Realignment	0	34,418	55,791	25,789	38,077
Sales Taxes - Proposition 172	66,705	55,919	45,254	61,560	78,022
1991 Program Realignment	72,036	23,628	9,198	47,389	58,241
Other Intergovernmental Revenue	152,891	294,683	133,741	205,981	174,871
Charges for Current Services	144,728	134,476	91,504	115,466	99,988
Other Revenue & Tobacco Settlement	66,681	52,802	73,283	39,172	31,624
Transfers & Reimbursements	25,849	517	736	36,993	11,247
Hospital Loan Repayment*	45,993	260,499	145,337	203,511	187,282
Welfare Advances	370,897	222,153	350,312	489,894	447,018
Other Financing Sources/MHSA	54,602	48,165	0	19,590	30,068
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	900,000	0	0	0	0
Total Receipts	$ 1,975,999	$ 1,283,096	$ 941,502	$ 1,283,956	$ 1,244,039
DISBURSEMENTS					
Welfare Warrants	$ 193,200	$ 196,633	$ 246,948	$ 192,696	$ 243,472
Salaries	412,315	408,609	404,933	406,654	413,009
Employee Benefits	264,126	255,478	226,942	261,634	264,174
Vendor Payments	616,481	401,673	320,690	366,879	382,576
Loans to Hospitals*	88,526	136,561	170,272	313,388	166,165
Hospital Subsidy Payments	104,899	130,865	340	9,309	0
Transfer Payments	20,916	60,101	2,466	81,259	10,945
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,700,463	$ 1,589,920	$ 1,372,591	$ 1,631,819	$ 1,480,341
ENDING BALANCE	**$ 1,301,521**	**$ 994,697**	**$ 563,608**	**$ 215,745**	**$ (20,557)**
Borrowable Resources (Avg. Balance)	$ 1,308,097	$ 1,274,023	$ 1,284,744	$ 1,849,733	$ 3,428,812
Total Cash Available	$ 2,609,618	$ 2,268,720	$ 1,848,352	$ 2,065,478	$ 3,408,255

* The net change in the outstanding Hospital Loan Balance is a decrease of $451.1 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	Total 2014-15
$ (20,557)	$ 231,055	$ 600,670	$ 552,198	$ 335,074	$ 426,895	$ 1,079,020	
$ 1,103,659	$ 1,049,118	$ 202,036	$ 18,856	$ 799,010	$ 1,015,133	$ 217,178	$ 4,581,797
11,837	12,687	10,797	35,097	28,217	12,251	27,734	204,173
3,204	4,090	2,552	5,638	12,773	11,167	3,270	58,488
10,228	10,587	21,116	16,671	12,468	31,493	11,578	197,663
13,001	9,123	8,777	9,413	10,016	16,657	11,731	131,053
31,482	29,730	28,025	28,541	63,863	32,288	39,312	407,316
53,006	53,274	77,158	43,484	48,613	67,895	52,135	703,025
30,331	30,892	55,410	26,973	26,850	46,988	30,509	458,445
184,144	238,352	111,392	205,291	177,227	244,408	318,379	2,441,360
155,869	170,027	85,530	107,062	121,405	98,565	252,545	1,577,165
72,220	7,120	(8,961)	46,750	105,092	26,387	110,159	622,329
48,295	7,449	6,824	11,400	10,403	(171)	21,647	181,189
75,489	143,308	359,454	202,662	254,788	237,733	513,560	2,629,616
280,807	490,283	326,534	439,770	317,828	322,406	483,862	4,541,764
31,413	12,239	14,472	23,191	20,531	34,607	-	288,878
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	900,000
$ 2,104,985	$ 2,268,279	$ 1,301,116	$ 1,220,799	$ 2,009,084	$ 2,197,807	$ 2,093,599	$ 19,924,261
$ 217,958	$ 214,960	$ 215,406	$ 217,895	$ 247,656	$ 226,717	$ 270,443	$ 2,683,984
422,307	436,989	429,261	417,606	429,981	422,434	427,783	5,031,881
240,428	283,219	277,427	242,609	279,313	275,827	237,331	3,108,508
410,662	349,375	308,645	370,823	338,291	340,739	363,153	4,569,987
236,986	210,184	110,505	167,570	202,608	184,249	191,493	2,178,507
0	0	0	(2,163)	0	(200)	8,940	251,990
10,032	88,937	8,344	23,583	135,951	95,916	20,310	558,760
315,000	315,000	0	0	283,463	0	0	913,463
0	0	0	0	0	0	0	0
$ 1,853,373	$ 1,898,664	$ 1,349,588	$ 1,437,923	$ 1,917,263	$ 1,545,682	$ 1,519,453	$ 19,297,080
$ 231,055	**$ 600,670**	**$ 552,198**	**$ 335,074**	**$ 426,895**	**$ 1,079,020**	**$ 1,653,166**	
$ 5,869,491	$ 3,794,349	$ 2,526,797	$ 2,587,441	$ 5,392,739	$ 3,163,075	$ 1,472,289	
$ 6,100,546	$ 4,395,019	$ 3,078,995	$ 2,922,515	$ 5,819,634	$ 4,242,095	$ 3,125,455	

COUNTY OF LOS ANGELES

CALIFORNIA

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, 2015, approximately $1.634 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $585 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining $1.049 billion of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2015-16.

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

2015-16 Payments

Funding Source	2015-16 Payment
Total 2015-16 Payment Obligations	$172,833,552
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	72,107,436
Courthouse Construction Funds	25,635,249
Special Districts/Special Funds	2,775,617
Net 2015-16 General Fund Obligations	$72,315,250

Source: Los Angeles County Auditor-Controller

As of July 1, 2015, the County had $1.289 billion of outstanding short-term obligations, which include $900 million in TRANs, $47.0 million in Bond Anticipation Notes, and $341.8 million in Lease Revenue Tax-exempt Commercial Paper and Direct Placement Revolving Notes. The following table summarizes the outstanding General County debt and note obligations.

SUMMARY OF OUTSTANDING PRINCIPAL

As of July 1, 2015 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$900,000
Bond Anticipation Notes	47,000
Lease Revenue Notes	341,860
Intermediate & Long-Term Obligations	1,633,835
Total Outstanding Principal	$2,922,695

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 12, 2015, the County issued $900 million of 2015-16 TRANs on July 1, 2015. The 2015-16 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2015-16, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2015-16 Tax and Revenue Anticipation Notes" of this Appendix A.

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 July 1, 2015, $47.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2016.

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 is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of twenty-five County-owned properties pledged as collateral to secure the credit facilities. The four credit agreements, which are scheduled to terminate on April 18, 2016, provide credit enhancement and liquidity facilities to support the issuance of tax-exempt, taxable and 501c(3) eligible commercial paper and short-term direct placement revolving notes. As of July 1, 2015, $341.86 million of tax-exempt commercial paper and direct placement revolving notes are outstanding. The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2015, approximately $1.634 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 Fiscal Year 2015-16 Adopted Budget contains sufficient appropriations to fund the County’s lease payment obligations in Fiscal Year 2015-16. 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 0.144% in Fiscal Year 2013-14 to 0.132% in Fiscal Year 2014-15. 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
2005-06	$2,387,949,433	$823,746,755,234	0.290%
2006-07	1,786,504,365	913,572,838,291	0.196%
2007-08	1,441,826,104	997,789,741,224	0.145%
2008-09	1,180,113,183	1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%
2014-15	1,576,510,029	1,191,806,972,618	0.132%

Source: Los Angeles County Assessor and Auditor-Controller

OTHER DEBT OBLIGATIONS

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 Lease Obligations

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 is $209.9 million as of July 1, 2015.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2015

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 JULY 1, 2015

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, 2015

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2015-16	72,315,251	72,107,436	25,635,249	2,775,617	172,833,552
2016-17	61,264,107	60,406,931	21,865,780	2,773,553	146,310,370
2017-18	56,151,811	52,205,857	16,975,475	2,771,892	128,105,035
2018-19	54,348,579	50,467,524	16,976,475	2,772,901	124,565,479
2019-20	55,256,836	50,471,921	16,965,725	2,772,114	125,466,595
2020-21	55,266,453	50,429,239	16,957,350	2,770,155	125,423,196
2021-22	56,251,172	50,423,184	16,954,300	2,772,727	126,401,383
2022-23	53,263,521	50,420,052	16,951,625	2,770,179	123,405,377
2023-24	30,534,101	50,410,165	16,943,875	2,771,524	100,659,665
2024-25	30,525,496	50,403,888	16,933,500	2,772,880	100,635,764
2025-26	30,521,622	50,395,048	16,929,000	2,772,804	100,618,474
2026-27	30,513,982	50,391,691	16,918,875	2,772,537	100,597,085
2027-28	30,428,517	50,383,353	16,906,750	2,771,073	100,489,692
2028-29	30,122,362	50,371,753	16,905,750	2,773,632	100,173,497
2029-30	29,905,736	50,364,260	16,893,613	2,770,541	99,934,149
2030-31	29,895,916	50,345,701	9,432,600	2,770,790	92,445,007
2031-32	29,890,532	50,341,280	9,431,488	2,771,350	92,434,650
2032-33	29,884,456	50,331,926	6,918,000	2,770,272	89,904,654
2033-34	29,873,635	50,315,721	6,918,750	2,772,755	89,880,860
2034-35	29,866,297	50,309,705	-	2,774,794	82,950,796
2035-36	29,859,296	50,294,766	-	2,769,980	82,924,043
2036-37	29,852,038	50,283,745	-	2,774,430	82,910,213
2037-38	29,841,344	50,278,866	-	2,772,883	82,893,094
2038-39	29,832,619	50,259,691	-	2,773,883	82,866,194
2039-40	29,824,294	50,246,289	-	2,773,659	82,844,243
2040-41	29,817,185	50,237,761	-	2,772,601	82,827,547
2041-42	9,194,250	19,945,100	-	2,774,050	31,913,400
2042-43	9,198,250	19,948,218	-	2,774,482	31,920,950
2043-44	9,196,875	-	-	808,250	10,005,125
2044-45	9,194,250	-	-	809,750	10,004,000
Total	$ 1,041,890,782	$ 1,382,791,070	$ 300,414,180	$ 79,248,058	$ 2,804,344,089

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2015

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2015-16	584,562,610	822,959,297	183,573,679	42,739,931	1,633,835,517
2016-17	551,399,430	775,945,856	180,113,100	42,212,308	1,549,670,693
2017-18	526,141,095	741,266,802	178,385,000	41,463,167	1,487,256,064
2018-19	507,664,063	723,352,176	170,020,000	40,686,165	1,441,722,404
2019-20	491,151,443	706,347,922	161,225,000	39,872,265	1,398,596,630
2020-21	473,991,942	688,476,303	151,990,000	39,017,435	1,353,475,679
2021-22	448,814,023	669,817,455	142,290,000	38,120,777	1,299,042,255
2022-23	413,303,559	650,368,047	132,110,000	37,175,498	1,232,957,104
2023-24	379,087,302	630,069,623	121,425,000	36,184,357	1,166,766,281
2024-25	366,254,815	608,863,906	110,200,000	35,141,008	1,120,459,729
2025-26	352,841,357	586,643,269	98,410,000	34,042,763	1,071,937,389
2026-27	338,786,235	563,319,690	86,020,000	32,888,277	1,021,014,202
2027-28	324,060,089	538,830,160	73,005,000	31,674,859	967,570,108
2028-29	308,702,909	513,114,829	59,335,000	30,400,717	911,553,455
2029-30	292,901,152	486,115,239	44,965,000	29,058,609	853,040,000
2030-31	276,531,720	457,762,435	29,895,000	27,650,845	791,840,000
2031-32	259,349,828	427,999,539	21,735,000	26,170,633	735,255,000
2032-33	241,310,098	396,740,964	13,170,000	24,613,939	675,835,000
2033-34	222,370,124	363,916,356	6,750,000	22,978,519	616,015,000
2034-35	202,489,529	329,453,785	-	21,256,686	553,200,000
2035-36	181,610,780	293,295,333	-	19,448,887	494,355,000
2036-37	159,676,347	255,401,290	-	17,562,363	432,640,000
2037-38	136,632,750	215,683,273	-	15,583,977	367,900,000
2038-39	112,486,190	174,133,219	-	13,515,591	300,135,000
2039-40	48,770,222	130,747,077	-	11,346,826	190,864,125
2040-41	60,888,169	85,416,324	-	9,070,508	155,375,000
2041-42	809,750	38,047,845	-	6,682,155	45,539,750
2042-43	25,625,000	19,481,371	-	4,173,629	49,280,000
2043-44	17,505,000	-	-	1,540,000	19,045,000
2044-45	8,970,000	-	-	790,000	9,760,000

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2015

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	$ 15,230,000	$ 15,230,000			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	$ 1,055,087			$ 1,055,087	
Sheriffs Training Academy	871,000	$ 871,000			
San Fernando Court	1,458,863			1,458,863	
Total 2002 Lease Rev Bonds Ser B	$ 3,384,950	$ 871,000	$ 0	$ 2,513,950	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 751,316	$ 751,316			
Burbank Courthouse	737,573			$ 737,573	
Martin Luther King Medical Center - Trauma Center	6,059,461		$ 6,059,461		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,283,418		4,283,418		
Rancho Los Amigos Medical Center - Parking Structure	1,598,837		1,598,837		
San Fernando Valley Juvenile Hall	947,231	947,231			
LAC/USC Medical Center Marengo Street Parking Garage	2,529,417		2,529,417		
LAX Area Courthouse	6,740,982			6,740,982	
San Fernando Valley Courthouse (Chatsworth)	5,351,563			5,351,563	
Total 2005 Lease Rev Refg Bonds Ser A	$ 28,999,798	$ 1,698,547	$ 14,471,134	$ 12,830,117	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 3,486,084	$ 3,486,084			
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 844,588			$ 844,588	
Lynwood Regional Justice Center	3,136,500	$ 3,136,500			
Men's Central Jail - Twin Towers	3,009,000	3,009,000			
Van Nuys Courthouse	2,529,600			2,529,600	
Total 2006 Lease Rev Refg Bonds Ser A	$ 9,519,688	$ 6,145,500	$ 0	$ 3,374,188	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 6,916,994			$ 6,916,994	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 732,678	$ 732,678			
Patriotic Hall Renovation	1,183,143	1,183,143			
Olive View Medical Center ER/TB Unit	1,363,290		$ 1,363,290		
Olive View Medical Center Seismic	561,622		561,622		
Harbor/UCLA Surgery/ Emergency	8,543,011		8,543,011		
Harbor/UCLA Seismic Retrofit	1,317,369		1,317,369		
Hall of Justice Rehabilitation	6,107,999	6,107,999			
Total 2010 Multiple Capital Projects I, Series A	$ 19,809,112	$ 8,023,820	$ 11,785,292	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,166,023	$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Olive View Medical Center ER/TB Unit	2,169,611		$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Total 2010 Multiple Capital Projects I, Series B	$ 31,525,258	$ 12,769,528	$ 18,755,731	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 1,588,737	$ 1,588,737			
2012 Refg COPs: Disney Parking Project	$ 2,533,750	$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 8,840,156		$ 8,840,156		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,761,354		10,761,354		
Martin Luther King Jr. Data Center	341,769		341,769		
Fire Station 128	296,909				$ 296,909
Fire Station 132	480,219				480,219
Fire Station 150	744,855				744,855
Fire Station 156	442,137				442,137
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,907,400	$ 0	$ 19,943,279	$ 0	$ 1,964,121
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,240,285	$ 9,240,285			
Manhattan Beach Library	811,496				$ 811,496
Total 2015 Multiple Capital Projects, Series A	$ 10,051,781	$ 9,240,285	$ 0	$ 0	$ 811,496
Total Long-Term Obligations	$ 154,953,553	$ 61,587,251	$ 64,955,436	$ 25,635,249	$ 2,775,617
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 8,468,625	$ 5,081,175	$ 3,387,450		
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 9,411,375	$ 5,646,825	$ 3,764,550		
Total Intermediate-Term Obligations	$ 17,880,000	$ 10,728,000	$ 7,152,000	$ 0	$ 0
Total Obligations	$ 172,833,553	$ 72,315,251	$ 72,107,436	$ 25,635,249	$ 2,775,617

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, 2015

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	$ 17,095,289	$ 17,095,289			
2002 Lease Rev Bonds Ser B:					
Downey Courhouse	$ 1,988,643			$ 1,988,643	
Sheriffs Training Academy	1,641,671	$ 1,641,671			
San Fernando Court	2,749,686			2,749,686	
Total 2002 Lease Rev Bonds Ser B	$ 6,380,000	$ 1,641,671	$ 0	$ 4,738,329	$ 0
2005 Lease Rev Refg Bonds Ser A:					
Music Center Improvements	$ 1,995,523	$ 1,995,523			
Burbank Courthouse	1,963,485			$ 1,963,485	
Martin Luther King Medical Center - Trauma Center	18,191,147		$ 18,191,147		
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	11,366,685		11,366,685		
Rancho Los Amigos Medical Center - Parking Structure	4,242,763		4,242,763		
San Fernando Valley Juvenile Hall	2,849,160	2,849,160			
LAC/USC Medical Center Marengo Street Parking Garage	6,719,371		6,719,371		
LAX Area Courthouse	48,791,371			48,791,371	
San Fernando Valley Courthouse (Chatsworth)	38,640,494			38,640,494	
Total 2005 Lease Rev Refg Bonds Ser A	$ 134,760,000	$ 4,844,684	$ 40,519,967	$ 89,395,350	$ 0
2005 Lease Revenue Bonds: Calabasas Landfill Project	$ 21,550,000	$ 21,550,000			
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,860,000			$ 1,860,000	
Lynwood Regional Justice Center	3,075,000	$ 3,075,000			
Men's Central Jail - Twin Towers	2,950,000	2,950,000			
Van Nuys Courthouse	2,480,000			2,480,000	
Total 2006 Lease Rev Refg Bonds Ser A	$ 10,365,000	$ 6,025,000	$ 0	$ 4,340,000	$ 0
2006 Lease Rev Refg Bonds Ser B:					
Michael D. Antonovich Antelope Valley Courthouse	$ 85,100,000			$ 85,100,000	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 3,243,569	$ 3,243,569			
Patriotic Hall Renovation	5,237,779	5,237,779			
Olive View Medical Center ER/TB Unit	6,035,289		$ 6,035,289		
Olive View Medical Center Seismic	2,486,302		2,486,302		
Harbor/UCLA Surgery/ Emergency	37,819,937		37,819,937		
Harbor/UCLA Seismic Retrofit	5,831,995		5,831,995		
Hall of Justice Rehabilitation	27,040,128	27,040,128			
Total 2010 Multiple Capital Projects I, Series A	$ 87,695,000	$ 35,521,476	$ 52,173,524	$ 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)	$ 8,825,228	$ 8,825,228			
2012 Refg COPs: Disney Parking Project	$ 50,675,000	$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 136,689,639		$ 136,689,639		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	166,395,883		166,395,883		
Martin Luther King Jr. Data Center	5,284,548		5,284,548		
Fire Station 128	4,590,920				$ 4,590,920
Fire Station 132	7,425,313				7,425,313
Fire Station 150	11,517,220				11,517,220
Fire Station 156	6,836,478				6,836,478
Total 2012 Multiple Capital Projects II, Series 2012	$ 338,740,000	$ 0	$ 308,370,069	$ 0	$ 30,369,931
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 140,845,000	$ 140,845,000			
Manhattan Beach Library	12,370,000				$ 12,370,000
Total 2015 Multiple Capital Projects, Series A	$ 153,215,000	$ 140,845,000	$ 0	$ 0	$ 12,370,000
Total Long-Term Obligations	$ 1,602,405,517	$ 565,704,610	$ 810,387,297	$ 183,573,679	$ 42,739,931
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 10,970,000	$ 6,582,000	$ 4,388,000		
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 20,460,000	$ 12,276,000	$ 8,184,000		
Total Intermediate-Term Obligations	$ 31,430,000	$ 18,858,000	$ 12,572,000	$ 0	$ 0
Total Obligations	$ 1,633,835,517	$ 584,562,610	$ 822,959,297	$ 183,573,679	$ 42,739,931

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 JULY 1, 2015

Title	Outstanding Principal	Total Future Payments		2015-16 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 17,095,289	$ 93,495,000		$ 15,230,000
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	6,380,000	6,768,500		3,384,950
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	134,760,000	182,212,803		28,999,798
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	21,550,000	25,909,716		3,486,084
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	10,365,000	10,609,081		9,519,688
2006 Lease Rev Refg Bonds Series B - 2006 Master Refunding Project	85,100,000	131,454,684		6,916,994
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	87,695,000	98,897,706		19,809,113
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,230,550,193	(1)	31,525,258
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	8,825,228	9,365,841	(1)	1,588,737
2012 Refg COPs: Disney Parking Project	50,675,000	68,431,750		2,533,750
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	338,740,000	613,552,300		21,907,400
2015 Multiple Capital Projects, Series A	153,215,000	300,161,506		10,051,781
Total Long-Term Obligations	$ 1,602,405,517	$ 2,771,409,082		$ 154,953,552
Intermediate-Term Obligations				
Equipment				
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 10,970,000	$ 11,487,250		$ 8,468,625
2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program	20,460,000	21,376,275		9,411,375
Total Intermediate-Term Obligations	$ 31,430,000	$ 32,863,525		$ 17,880,000
Total Obligations	$ 1,633,835,517	$ 2,804,272,607		$ 172,833,552

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 JULY 1, 2015
2014-15 Assessed Valuation: $1,215,596,526,145: (includes unitary valuation)

	Applicable %		Debt as of 5/1/15	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT				
Los Angeles County Flood Control District	100.000 %	$	15,105,000	
Metropolitan Water District	48.232		53,257,774	
Los Angeles Community College District	100.000		3,882,265,000	
Other Community College Districts	Various (1)		2,630,170,559	
Arcadia Unified School District	100.000		190,078,896	
Beverly Hills Unified School District	100.000		194,220,855	
Glendale Unified School District	100.000		222,759,986	
Long Beach Unified School District	100.000		781,405,702	
Los Angeles Unified School District	100.000		9,913,670,000	
Pasadena Unified School District	100.000		336,555,000	
Pomona Unified School District	100.000		233,126,050	
Redondo Beach Unified School District	100.000		220,864,621	
Santa Monica-Malibu Unified School District	100.000		287,374,194	
Torrance Unified School District	100.000		369,992,073	
Other Unified School Districts	Various (1)		3,040,218,896	
High School and School Districts	Various (1)		1,727,848,608	
City of Los Angeles	100.000		887,735,000	
City of Industry	100.000		104,940,000	
Other Cities	100.000		59,735,000	
Palmdale Water District Water Revenue Bonds	100.000		54,289,038	(2)
Palos Verdes Library District	100.000		2,420,000	
Community Facilities Districts	100.000		704,152,172	
Los Angeles County Regional Park & Open Space Assessment District	100.000		82,880,000	
1915 Act and Benefit Assessment Bonds - Estimate	100.000		97,732,600	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	26,092,797,024	
Less: Palmdale Water District Water Revenue Bonds supported by net operating revenues			(34,744,984)	
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			26,058,052,040	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT				
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**1,885,330,518**	
Los Angeles County Office of Education Certificates of Participation	100.000		8,719,113	
Community College District Certificates of Participation	Various (3)		43,887,332	
Baldwin Park Unified School District Certificates of Participation	100.000		28,825,000	
Compton Unified School District Certificates of Participation	100.000		20,850,000	
Los Angeles Unified School District Certificates of Participation	100.000		307,180,000	
Paramount Unified School District Certificates of Participation	100.000		28,900,000	
Other Unified School District Certificates of Participation	Various (3)		157,552,740	
High School and Elementary School District General Fund Obligations	Various (3)		141,148,968	
City of Beverly Hills General Fund Obligations	100.000		162,875,000	
City of Los Angeles General Fund and Judgment Obligations	100.000		1,655,124,584	
City of Long Beach General Fund Obligations	100.000		158,875,000	
City of Long Beach Pension Obligations	100.000		40,915,000	
City of Pasadena General Fund Obligations	100.000		472,062,918	
City of Pasadena Pension Obligations	100.000		119,460,000	
Other Cities' General Fund Obligations	100.000		1,195,514,472	
Los Angeles County Sanitation Districts Financing Authority	100.000		182,240,062	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,609,460,707	
Less: **Los Angeles County Lease Revenue Bonds supported by landfill revenues**			**(4,544,894)**	
Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation			(17,090,808)	
Cities' self-supporting bonds			(491,003,258)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,096,821,747	
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$	4,894,557,755	
TOTAL GROSS DIRECT DEBT		$	1,885,330,518	
TOTAL NET DIRECT DEBT		$	1,880,785,624	
TOTAL GROSS OVERLAPPING DEBT		$	35,711,484,968	
TOTAL NET OVERLAPPING DEBT		$	35,168,645,918	
GROSS COMBINED TOTAL DEBT		$	37,596,815,486	(4)
NET COMBINED TOTAL DEBT		$	37,049,431,542	

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

RATIOS TO 2014-15 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	2.15 %
Total Net Overlapping Tax and Assessment Debt	2.14 %
Total Gross Direct Debt ($1,898,065,518)	0.16 %
Total Net Direct Debt ($1,893,030,281)	0.15 %
Gross Combined Total Debt	3.09 %
Net Combined Total Debt	3.05 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($159,451,721,798):	
Total Overlapping Tax Increment Debt	3.07 %

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2014 Gross Product of $640.7 billion, Los Angeles County's economy is larger than that of 44 states and all but 20 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. While still working through the effects of a severe recession, the County's economy experienced strong growth in 2014 with an increase in economic output of 9.9%, as measured by Gross Product, and an increase in total taxable sales of 5.9%. The strong economic recovery is expected to continue in 2015, with several sectors of the local economy experiencing growth.

The County's unemployment rate averaged 8.2% in 2014, which represents an improvement from its 2013 unemployment rate of 9.9%. In 2015 and 2016, the job market is expected to show continued improvement, with a projected decline in the average unemployment rate to 7.2% and 6.6%, respectively. The significant job losses which occurred during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects. With over $16 billion in voter-approved general obligation bond measures, historically low interest rates and cost-effective financing programs and incentives provided by the Federal government, local governments and school and community college districts have undertaken major capital construction projects.

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

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 354,400 workers employed in this sector in 2014. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked as the ninth largest among the world's port facilities. The County's vibrant technology sector known as Silicon Beach has become a large and growing source of highly compensated jobs in the local economy. According to the Los Angeles Economic Development Corporation ("LAEDC"), the County's technology sector employed 205,000 in 2014.

Quality of Life

Higher Education

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

Culture

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

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

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library. Construction on the new Broad Museum of Contemporary Art is near completion and will open in late 2015. The 3-story structure is located adjacent to the iconic Walt Disney Concert Hall, and will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

Recreation

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

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

Population

The County is the most populous county in the U.S. with over 10 million people estimated to be residing within its borders. The County's population makes it equivalent to the eighth largest state in the nation and accounts for approximately 26.2% of the total population of California. The U.S. Census Bureau's demographic profile of the County indicates that 48.3% of the population is Hispanic and 51.7% non-Hispanic. 27.2% of the County's population are White, 15% are Asian-Pacific Islander, and 9.2% are African American. The County is also home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 98 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 76.6% of the adult population has a high school diploma or higher, and 29.7% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After the recent economic downturn, which started in late 2007 and had a significant adverse impact on the local economy, the County has continued to experience a steady recovery in the job market since 2010. The average unemployment rate increased from 5.1% in 2007 to 12.6% in 2010, but gradually decreased over the last four years to 8.2% in 2014. In comparison, the average unemployment rates for the State of California and the nation in 2014 were 7.5% and 6.2%, respectively. The employment situation in the County showed further signs of improvement in 2014, with estimated total net job growth of 78,700 among the various sectors of the local economy. In 2015, total non-farm employment is projected to grow by 1.9% or (79,600 jobs), resulting in a lower unemployment rate of 7.2%. Table F details the non-agricultural employment statistics by sector for the County from 2010 through 2014.

Personal Income

Total personal income grew in the County by an estimated 4.7% in 2014. The 2014 total personal income of $487.9 billion represents an estimated 25.1% of the total personal income generated in California. The LAEDC is projecting continued robust growth in personal income of 4.6% for 2015 and 5.0% for 2016. Table C provides a summary of the personal income statistics for the County from 2010 through 2014.

Consumer Spending

As the most populous county in the nation with a vibrant and diverse economy, Los Angeles County is recognized as a national leader in consumer spending. As forecasted by LAEDC, the County experienced a 5.9% increase in total taxable sales in 2014, with continued growth of 5.2% and 5.6% projected for 2015 and 2016, respectively. The $151.2 billion of total taxable sales in the County in 2014 represents over 24% of the total taxable sales in California which underscores the significant importance of the County to the economic health of California. Table D provides a summary of total taxable sales activity in the County from 2010 through 2014.

Industry

With an estimated annual economic output of $640.7 billion in 2014, the County continues to rank among the world's largest economies. The County's 2014 Gross Product represents approximately 27.7% of the total economic output in California and 3.7% 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 2010 through 2014.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of $357.1 billion in 2008. After suffering a substantial decrease in 2009, the value of two-way trade in the LACD has experienced strong growth over the last several years. From 2009 to 2013, the value of two-way trade at LACD increased by 47% which surpassed the record level attained in 2008. LACD experienced moderate growth in 2014, handling approximately $418 billion worth of international trade, which represents a 1% increase from 2013. The decline in the rate of growth was partially the result of a labor strike that slowed loading activities at both ports during the fourth quarter of 2014. As a result of the resolution of the labor strike during the first quarter of 2015, the LACD is expected to experience moderate growth in 2015 with stronger growth returning in 2016. Based on the latest LAEDC projections, international trade is expected to grow by 1.0% in 2015 to approximately $422 billion, and by 3.0% in 2016 to nearly $435 billion. The LACD maintained its ranking as the top customs district in the nation for international trade in 2014, with China, Japan, South Korea, Taiwan and Germany being the top trading partners.

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 fifth busiest airport in the world and second in the United States for passenger traffic. In 2014, LAX served 70.7 million passengers, representing a 6.0% increase from the previous year. The 2 million tons of air cargo handled at LAX in 2014, and the corresponding value of $91.6 billion, represents an increase of 3.9% from 2013 levels. A $4.1 billion capital improvement project is currently underway at LAX, which is expected to generate approximately 40,000 local jobs. The Bob Hope Airport is currently in the planning stage to replace its passenger concourse with a new state of the art facility. Construction is scheduled to begin on the new concourse in late 2016.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been one of the fastest growing port facility in the United States, and is the busiest port complex in the U.S. and western hemisphere, and the ninth 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 2014, the port complex experienced a 3.8% increase in the volume of cargo from 2013, and is projecting moderate growth in 2015 with stronger growth returning in 2016 as the ports recover from a labor strike in late 2014.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2014, it was ranked as the busiest container port in the United States for the fourteenth consecutive year, and the nineteenth 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 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2014, the Port handled over 8.3 million TEUs, which represents a 6% decrease in container volume from 2013.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-first busiest in the world in 2013. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2014, the port handled over 6.8 million TEUs of container cargo, which represents an increase of 1.3% from 2013.

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. With over 473 million in annual boardings, the Metro System is the third largest public transportation system in the U.S. 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 2014-15 operating budget for the MTA is $5.4 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2014, the Los Angeles region hosted a record high 29.5 million overnight visitors, representing a 3.4% increase from 2013. The newly built hotels in downtown Los Angeles, Beverly Hills 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 2014, with tourists and business travelers spending in excess of $18 billion. For the third year in a row the Los Angeles region was the one ranked destination for overseas visitors from China growing by over 20% from 2013.

Real Estate and Construction

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market has experienced a steady recovery since 2012. The average median price for new and existing homes, decreased by nearly 46% from a peak of $532,281 in 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market stabilized in 2012 and began to show signs of strong growth as the average median home price increased by 44% from the first quarter of 2012 to the fourth quarter of 2013 ($301,239 to $433,131). In 2014, the real estate market experienced moderate growth, as the average median home price increased by 7% to $464,865 in the fourth quarter of 2014. After a record high of 105,433 in 2009, notices of default recorded decreased by 83% to 17,883 in 2014 equaling a rate of approximately 1,490 notices per month, which represents a slight improvement over 2013 when the rate averaged 1,748 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, decreased by over 87% from a cyclical high of 39,774 in 2008 to 5,124 in 2014. The number of trustees deeds recorded in 2014 represents a 29% decrease from the 7,248 recorded in 2013. The positive foreclosure trend continued in 2014, as the number of trustees deeds recorded was only 1,195 in the fourth quarter as compared to 1,334 in the first quarter of 2014. The County's residential real estate market is expected to show modest improvement in 2015.

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 2014-15, the County Assessor reported a Net Local Roll of $1.19 trillion, which represents a 5.5% increase from the Net Local Roll of $1.13 trillion in Fiscal Year 2013-14. The Net Local Roll in Fiscal Year 2014-15 represents a 14.3% increase from Fiscal Year 2010-11, and the fourth consecutive year of assessed valuation growth after the recent economic downturn.

The commercial real estate sector continued to experience steady improvement in 2014. Construction lending experienced a significant increase of 37% from $6.379 billion in 2013 to $8.750 billion in 2014. Office market vacancy rates improved from 2013 to 2014, with the average vacancy rate decreasing to 15.2% from 16.9%, which is still significantly higher than the 9.7% rate in 2007, prior to the severe economic downturn. Industrial market vacancy rates experienced modest improvement in 2014, decreasing from 1.9% in 2013 to 1.6% in 2014, which is slightly higher than the 1.5% vacancy rate in 2007 prior to the economic downtown. Construction continued on the new Wilshire Grand Center in Downtown Los Angeles, which will become the tallest building in the western United States when completed in 2017. The 73-story, 1,100-foot tall structure, which will include an InterContinental hotel, office space and condominiums, represents a $1 billion private investment in Downtown Los Angeles. The University of Southern California recently broke ground on a new mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The complex, which will include six residence halls for 2,700 students, a grocery store, a fitness center, a drugstore and 115,000 square feet of additional retail space is expected to cost the university approximately $1.1 billion to construct. The new complex is expected to be completed in 2018 and is projected to generate 12,000 new jobs during construction.

The County's residential housing market has continued to experience solid improvement in 2015, as the average median home price increased by 9.1% from the first quarter of 2014 to the first quarter of 2015 ($433,007 to $472,537). Notices of default recorded decreased by 12.6% in the first quarter of 2014 to the first quarter of 2015 (4,871 to 4,258) Foreclosures, as measured by the number of trustees deeds recorded, decreased by 15.2% from the first quarter of 2014 to the first quarter of 2015 (1,334 to 1,131). The County's residential real estate market is expected to show ongoing improvement for the remainder of 2015.

The commercial real estate sector continued to experience modest improvement during the first quarter of 2015. Office market vacancy rates decreased to 15% in the first quarter of 2015 from 16.2% in the first quarter of 2014. Industrial market vacancy rates have also experienced ongoing improvement in 2015, decreasing from 1.9% in first quarter of 2014 to 1.3% in first quarter of 2015. Construction lending experienced a slight decrease of 2.5% from $1.857 billion in the first quarter of 2014 to $1.812 billion in the first quarter of 2015. The County's commercial real estate sector is expected to show moderate improvement for the remainder of 2015.

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

	2010	2011	2012	2013	2014
Los Angeles County	$543,740	$557,500	$577,500	$583,100	$640,700
State of California	1,901,072	1,958,900	2,045,700	2,202,700	2,311,600
United States	14,526,500	15,094,000	15,653,370	16,768,100	17,420,700
Los Angeles County as a % of California	28.60%	28.46%	28.23%	26.47%	27.72%

Source: Los Angeles Economic Development Corporation - 2015 2016 Economic Forecast and Industry Outlook February 2015

TABLE B: POPULATION LEVELS

	2010	2011	2012	2013	2014
Los Angeles County	9,825,200	9,862,400	9,946,900	10,013,300	10,069,000
State of California	37,309,400	37,570,100	37,867,500	38,164,000	38,499,400
Los Angeles County as a % of California	26.33%	26.25%	26.27%	26.24%	26.15%

Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015

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

	2010	2011	2012	2013	2014
Los Angeles County	$404,500	$425,700	$455,800	$466,100	$487,900
Orange County	147,400	155,300	166,600	169,800	177,700
Riverside and San Bernardino Counties	126,500	134,200	140,300	144,700	151,900
Ventura County	37,100	39,400	41,700	42,400	44,300
State of California	1,578,600	1,685,600	1,805,200	1,856,600	1,943,100
Los Angeles County as a % of California	25.62%	25.26%	25.25%	25.11%	25.11%

Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015

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

	2010	2011	2012	2013	2014
Los Angeles County	$116,900	$126,400	$135,300	$142,800	$151,200
State of California	477,300	520,600	558,400	590,800	624,400
Los Angeles County as a % of California	24.49%	24.28%	24.23%	24.17%	24.22%

Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015

TABLE E: UNEMPLOYMENT RATES

	2010	2011	2012	2013	2014
Los Angeles County	12.6%	12.3%	10.9%	9.9%	8.2%
State of California	12.4%	11.8%	10.4%	8.9%	7.5%
United States	9.6%	8.9%	8.1%	7.4%	6.2%

Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2010	2011	2012	2013	2014
Wholesale & Retail Trade	589.4	598.1	612.2	623.7	632.6
Health Care & Social Assistance	526.1	528.8	558.4	594.2	617.0
Government	579.6	565.5	556.8	549.2	547.4
Leisure & Hospitality	384.8	394.6	415.3	436.7	446.4
Manufacturing	373.2	366.8	367.2	366.5	354.4
Professional, Scientific & Technical Services	245.6	255.3	268.2	276.3	285.5
Administrative & Support Services	228.7	232.4	245.1	256.3	270.6
Information	191.5	191.9	191.4	197.3	205.0
Transportation & Utilities	150.5	151.8	154.4	156.9	160.1
Finance & Insurance	137.8	136.8	138.6	137.1	135.5
Educational Services	111.1	114.2	115.7	119.2	122.6
Construction	104.5	105.0	109.1	116.5	124.7
Real Estate	71.7	71.6	72.1	74.7	76.4
Management of Enterprises	53.2	55.3	56.7	57.7	60.4
Other	140.8	140.9	145.9	150.1	152.7
Total	3,888.5	3,909.0	4,007.1	4,112.4	4,191.3

Source: Los Angeles Economic Development Corporation - 2015-2016 Economic Forecast and Industry Outlook February 2015

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

Type of Activity	2010	2011	2012	2013	2014
International Air Cargo (Tons)					
Los Angeles International Airport	1,125.2	1,080.7	1,135.8	1,119.5	1,176.3
As Percentage of Total Air Cargo	67.63%	57.80%	57.85%	58.12%	58.78%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,663.9	1,869.6	1,963.2	1,926.1	2,001.2
Long Beach Airport	26.1	25.4	24.4	24.4	25.5
Bob Hope Airport (Burbank)	44.4	43.9	47.4	52.9	56.3
Total	1,734.3	1,938.9	2,035.0	2,003.4	2,082.9
International Air Passengers					
Los Angeles International Airport	15,936.0	16,731.3	17,152.9	17,852.1	19,105.7
As Percentage of Total Passengers	26.98%	27.05%	26.93%	26.78%	27.04%
Total Air Passengers					
Los Angeles International Airport	59,070.1	61,862.5	63,688.1	66,667.6	70,662.2
Long Beach Airport	2,978.4	3,115.4	3,206.9	2,942.9	2,824.0
Bob Hope Airport (Burbank)	4,461.3	3,942.3	3,725.5	3,844.4	3,861.2
Total	66,509.8	68,920.2	70,620.5	73,454.9	77,347.4
Container Volume (TEUs)					
Port of Los Angeles	7,831.9	7,940.5	8,077.7	7,868.6	8,340.1
Port of Long Beach	6,263.5	6,061.1	6,045.7	6,730.6	6,820.8
Total	14,095.4	14,001.6	14,123.4	14,599.2	15,160.9

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

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

Customs District	2010	2011	2012	2013	2014
Los Angeles, CA	$347,900	$387,500	$403,900	$414,700	$418,000
New York, NY	$326,800	$388,400	$381,900	$379,200	$387,100
Laredo, TX	$185,700	$216,300	$239,100	$253,200	$280,000
Detroit, MI	$219,200	$245,100	$253,200	$244,900	$260,400
Houston, TX	$211,400	$268,400	$274,000	$251,900	$253,300
New Orleans, LA	$194,400	$234,500	$243,600	$235,000	$234,600
Chicago, IL	$161,400	$176,600	$187,500	$192,500	$210,500
Seattle, WA	$111,100	$128,600	$138,800	$152,700	$152,500
Savannah, GA	$109,100	$126,500	$132,400	$129,500	$141,900
Cleveland, OH	$94,600	$109,400	$118,500	$122,500	$131,500

Source: Los Angeles Economic Development Corporation - 2015-2016 International Trade Report

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

Port	2010	2011	2012	2013	2014
Los Angeles-Long Beach, CA	193,591	199,509	201,706	207,228	210,435
Tacoma, WA	27,507	28,428	30,975	31,820	34,970
Oakland, CA	29,475	30,285	30,305	30,901	30,543
Seattle, WA	31,337	29,856	25,549	18,118	14,405
Portland, OR	19,661	19,140	17,948	13,516	14,627
Kalama, WA	11,653	11,570	10,199	9,305	9,725
San Diego, CA	4,074	4,287	4,822	5,168	5,359
Port Hueneme	3,356	4,095	4,520	4,921	5,248
Vancouver, WA	6,110	6,198	4,915	2,001	2,855

Source: Los Angeles Economic Development Corporation - 2015-2016 International Trade Report

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

Port	2010	2011	2012	2013	2014
Los Angeles-Long Beach, CA	14,095	14,002	14,124	14,600	15,161
New York, NY	5,292	5,503	5,530	5,467	5,772
Savannah, GA	2,825	2,945	2,966	3,034	3,346
Oakland, CA	2,330	2,343	2,344	2,347	2,394
Norfolk, VA	1,895	1,918	2,106	2,224	2,393
Tacoma, WA	977	1,022	1,265	1,445	2,040
Houston, TX	1,812	1,866	1,922	1,950	1,951
Charleston, SC	1,280	1,381	1,515	1,601	1,792
Seattle, WA	2,126	2,017	1,853	1,564	1,388

Source: Los Angeles Economic Development Corporation - 2015-2016 International Trade Report

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

Indicator	2010	2011	2012	2013	2014
1. Construction Lending (in millions)	$ 2,128	$ 3,258	$ 4,601	$ 6,379	$ 8,750
2. Residential Purchase Lending (in millions)	$ 22,491	$ 20,469	$ 23,675	$ 27,910	$ 31,441
3. New & Existing Median Home Prices	$ 335,363	$ 316,469	$ 330,463	$ 412,795	$ 458,939
4. New & Existing Home Sales	77,313	74,216	83,686	84,229	76,201
5. Notices of Default Recorded	68,603	64,490	49,354	20,970	17,883
6. Unsold New Housing (at year-end)	1,997	1,517	845	561	552
7. Office Market Vacancy Rates	17.0%	17.0%	16.7%	16.9%	15.2%
8. Industrial Market Vacancy Rates	3.2%	2.9%	2.1%	1.9%	1.6%

Source: Real Estate Research Council of Southern California - 4th Quarter 2014

TABLE L: BUILDING PERMITS AND VALUATIONS

	2010	2011	2012	2013	2014
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	2,439	2,370	2,756	3,599	4,286
b. Multi-Family	5,029	8,033	7,950	12,631	14,595
Total Residential Building Permits	7,468	10,403	10,706	16,230	18,881
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$ 922	$ 1,032	$ 1,128	$ 1,507	$ 1,740
b. Multi-Family	811	1,222	1,416	1,921	2,310
c. Alterations and Additions	1,110	1,122	674	1,193	1,429
Residential Building Valuations Subtotal	$ 2,843	$ 3,376	$ 3,218	$ 4,621	$ 5,479
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$ 133	$ 156	$ 38	$ 246	$ 269
b. Retail Buildings	263	223	115	385	829
c. Hotels and Motels	28	24	5	145	359
d. Industrial Buildings	56	136	169	128	122
e. Alterations and Additions	1,662	1,774	1,095	2,012	3,155
f. Other	535	806	381	669	1,507
Non-Residential Building Valuations Subtotal	$ 2,677	$ 3,119	$ 1,803	$ 3,585	$ 6,241
Total Building Valuations (in millions)	$ 5,519	$ 6,495	$ 5,021	$ 8,207	$ 11,721

Source: Real Estate Research Council of Southern California - 4th Quarter 2014

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2014 Ranking)	Industry	Headquarters	No. of Employees: L.A. County	No. of Employees: Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	35,991	173,952
2	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	17,000	65,300
3	Target Corp.	Retailer	Minneapolis, MN	15,000	366,000
4	Providence Health & Services	Health Care	Renton, WA	15,000	70,357
5	University of Southern California	Education-Private University	Los Angeles, CA	14,722	14,722
6	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	13,500	233,000
7	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	375,000
8	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,600	300,000
9	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	10,500	168,693
10	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	10,243	10,243
11	Walt Disney Co.	Entertainment	Burbank, CA	10,200	175,000
12	Wells Fargo	Diversified Financial Services	San Francisco, CA	10,000	221,000
13	UPS	Transportation and Freight	Atlanta, GA	8,984	395,000
14	AT&T Inc.	Telecommunications	Dallas, TX	8,900	248,170
15	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,400	110,000
16	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,094	9,062
17	Vons	Grocery Retailer	Pleasanton, CA	7,781	25,000
18	Edison International	Electric Utility	Rosemead, CA	7,700	13,677
19	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,600	231,500
20	Warner Bros. Entertainment Inc.	Entertainment	Burbank, CA	7,400	N/A
21	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	6,117	63,000
22	Dignity Health	Hospitals	San Francisco, CA	6,100	53,000
23	American Apparel, Inc.	Apparel Manufacturer and Retailer	Los Angeles, CA	6,000	10,000
24	Amgen Inc.	Biotechnology	Thousand Oaks, CA	6,000	20,000
25	Universal Services of America	Security Systems	Santa Ana, CA	5,960	40,000

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, September 2014

APPENDIX B

THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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MGO Certified Public Accountants.

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Los Angeles, CA 90017
213.408.8700

Sacramento

Walnut Creek

Oakland

Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Discretely presented component units	100%	100%	100%
Aggregate remaining fund information	74%	75%	17%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District Fund, Flood Control District Fund, Public Library Fund, and Regional Park and Open Space District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2013, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24 and the schedules of funding progress on pages 124 and 125 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 16, 2014

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2014. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was positive $9.735 billion. However, net position is classified into three categories and the unrestricted component is negative $10.130 billion. See further discussion on page 9.

During the current year, the County's net position decreased by a total of $1.221 billion. Net position related to governmental activities decreased by $1.074 billion, while net position related to business-type activities decreased by $147 million. Growth in liabilities associated with postemployment health insurance benefits was $1.694 billion during the current year and represented the single largest factor in reducing the County's net position. See further discussion on page 8.

At the end of the current year, the County's General Fund reported a total fund balance of $3.103 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $272 million, restricted fund balance of $41 million, committed fund balance of $483 million, assigned fund balance of $538 million, and $1.769 billion of unassigned fund balance.

The County's capital asset balances were $19.093 billion at year-end and increased by $425 million during the year.

During the current year, the County's total long-term debt increased by $7 million, after restatement of prior year balances in long-term debt due to the implementation of Government Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities." Newly issued and accreted long-term debt of $472 million exceeded long-term debt maturities of $465 million.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation Fund represent the County's business activities.

- Discretely Presented Component Units - Component units are separate entities for which the County is financially accountable. The Community Development Commission and First 5 LA are displayed as discretely presented in the financial statements.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $9.735 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 8,509,325	$ 7,947,075	$ 1,302,031	$ 1,423,547	$ 9,811,356	$ 9,370,622
Capital assets	16,091,301	15,838,545	3,002,176	2,829,716	19,093,477	18,668,261
Total assets	24,600,626	23,785,620	4,304,207	4,253,263	28,904,833	28,038,883
Deferred outflows of resources (1)	20,243				20,243	
Current and other liabilities	1,732,192	1,326,042	384,084	401,345	2,116,276	1,727,387
Long-term liabilities	13,474,871	11,966,513	3,501,717	3,286,521	16,976,588	15,253,034
Total liabilities	15,207,063	13,292,555	3,885,801	3,687,866	19,092,864	16,980,421
Deferred inflows of resources	97,031	102,089			97,031	102,089
Net position:						
Net investment in capital assets	14,789,236	14,654,785	2,271,730	2,218,647	17,060,966	16,873,432
Restricted	2,727,379	2,655,717	76,908	68,169	2,804,287	2,723,886
Unrestricted (deficit)	(8,199,840)	(6,919,526)	(1,930,232)	(1,721,419)	(10,130,072)	(8,640,945)
Total net position	$ 9,316,775	$ 10,390,976	$ 418,406	$ 565,397	$ 9,735,181	$ 10,956,373

(1) Deferred outflows of resources for the previous year were not restated for GASB 65.

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

Current and Other Assets

Current and other assets increased by $562 million for governmental activities and decreased by $122 million for business-type activities. For governmental activities, there was an increase of $274 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund, which grew by $296 million over the prior year. Other receivables increased by $212 million and were primarily attributable to higher receivables associated with the administration of the managed care program. For business-type activities, current and other assets decreased by $122 million largely due to reductions in restricted assets of $123 million associated with the use of restricted bond proceeds for hospital construction projects that were completed in the current year.

Deferred Outflows of Resources

Pursuant to the County's implementation of GASB 65, a new financial statement element for deferred outflows of resources has been added to the Summary of Net Position, representing a consumption of net position that applies to future periods and is not recognized as an outflow of resources until then. The County has deferred outflows of resources of $20 million related to unamortized losses on refunding of debt, resulting from the difference in the carrying value of refunded debt and its reacquisition price. In the prior year, this amount was reported in a manner which reduced overall long-term liabilities.

Liabilities

Current and other liabilities increased by $406 million for governmental activities. The largest component of this increase is $198 million for accounts payable associated with managed care services pursuant to the County's implementation of the federal Affordable Care Act (ACA). The County organization known as Managed Care Services is the medical services organization for the Department of Health Services (DHS), and coordinates the delivery of health care in a managed care environment with the objectives of improving outcomes and reducing costs. An additional $171 million of the increase is related to advances payable from the State for public social services and children and family programs that have yet to be earned. For business-type activities, a net decrease of $17 million in current and other liabilities was primarily due to an $18 million decrease in accounts payable for intergovernmental transfer expenses associated with the hospitals.

Long-term liabilities increased by $1.508 billion for governmental activities and by $215 million for business-type activities. Liabilities for other postemployment benefits (OPEB) increased for both governmental and business-type activities by $1.408 billion and $286 million, respectively. Specific disclosures related to OPEB and other changes in long-term liabilities are discussed and referenced in Notes 9 and 11 to the basic financial statements.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and are not recognized as revenue until then. The County has deferred inflows of resources totaling $97 million. The $97 million is the present value of installment payments due to service concession arrangements with private operators of sixteen County golf courses as discussed in Note 7.

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

Net Investment in Capital Assets

The largest portion of the County's net position ($17.061 billion) represents its investment in capital assets (i.e., land, buildings and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was $2.804 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

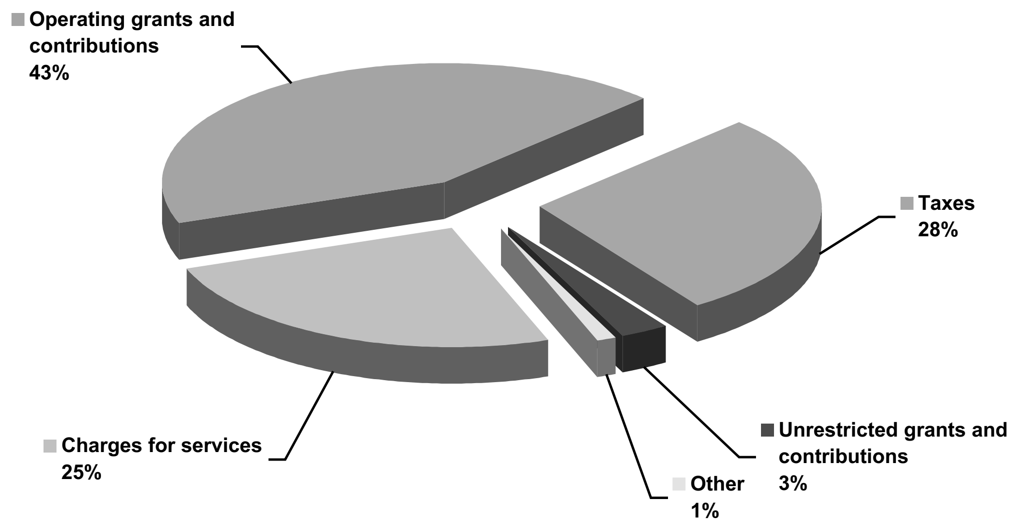
The County's total unrestricted net position is negative $10.130 billion. Both governmental and business-type activities reported deficits in this category of $8.200 billion and $1.930 billion, respectively. The deficits closely parallel the OPEB related liabilities of $8.220 billion for governmental activities and $1.627 billion for business-type activities. Other unfunded liabilities are also factors, such as workers' compensation, compensated absences, and litigation and self-insurance claims.

The following table details identifies changes in net position for governmental and business-type activities:

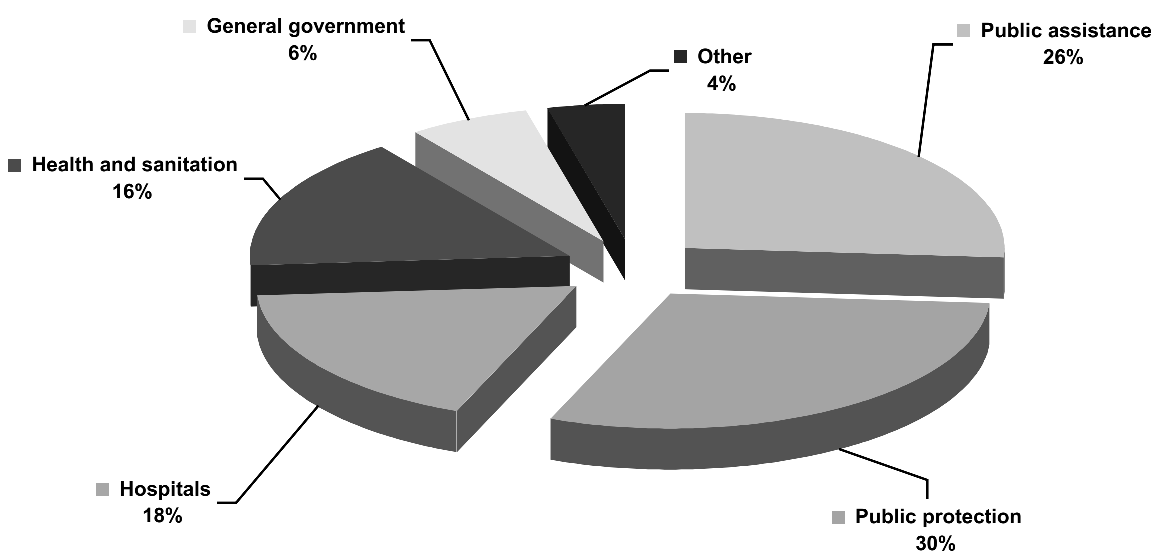
Summary of Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 2,751,505	$ 2,589,542	$ 2,534,565	$ 2,446,892	$ 5,286,070	$ 5,036,434
Operating grants and contributions	8,579,502	8,186,681	485,888	522,112	9,065,390	8,708,793
Capital grants and contributions	12,850	104,486	3,156	47	16,006	104,533
General revenues:						
Taxes	5,840,175	5,570,043	4,681	4,347	5,844,856	5,574,390
Unrestricted grants and contributions	513,458	745,406	33	37	513,491	745,443
Investment earnings (loss)	64,354	(920)	3,908	(171)	68,262	(1,091)
Miscellaneous	134,611	150,957	19,101	13,171	153,712	164,128
Total revenues	17,896,455	17,346,195	3,051,332	2,986,435	20,947,787	20,332,630
Expenses:						
General government	1,307,001	1,274,689			1,307,001	1,274,689
Public protection	6,682,960	6,309,193			6,682,960	6,309,193
Public ways and facilities	366,582	381,211			366,582	381,211
Health and sanitation	3,557,523	3,066,172			3,557,523	3,066,172
Public assistance	5,830,165	5,538,106			5,830,165	5,538,106
Education	119,037	119,680			119,037	119,680
Recreation and cultural services	278,459	316,372			278,459	316,372
Interest on long-term debt	97,777	105,491			97,777	105,491
Hospitals			3,838,574	3,889,206	3,838,574	3,889,206
Waterworks			84,499	84,824	84,499	84,824
Aviation			6,402	5,332	6,402	5,332
Total expenses	18,239,504	17,110,914	3,929,475	3,979,362	22,168,979	21,090,276
Excess (deficiency) before transfers	(343,049)	235,281	(878,143)	(992,927)	(1,221,192)	(757,646)
Transfers	(731,152)	(913,686)	731,152	913,686		
Changes in net position	(1,074,201)	(678,405)	(146,991)	(79,241)	(1,221,192)	(757,646)
Net position – beginning	10,390,976	11,069,381	565,397	644,638	10,956,373	11,714,019
Net position – ending	$ 9,316,775	$ 10,390,976	$ 418,406	$ 565,397	$ 9,735,181	$ 10,956,373

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014



Governmental Activities

Revenues from governmental activities increased by $550 million (3.2%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $393 million. Of this total, $236 million was attributable to higher reimbursable costs in public assistance programs, $59 million was from health and sanitation programs related to the implementation of managed care, $56 million was for public protection related to State Assembly Bill 109 public safety realignment, and $49 million was due to increased revenues for public ways and facilities. Revenue associated with the State Mental Health Services Act (Proposition 63) declined by $64 million, primarily because the prior year amount included a one-time distribution of excess State funds.

- Taxes, the County's largest general revenue source, were $270 million higher than the prior year due almost entirely to increased property taxes which grew by $268 million. The County's assessed property tax roll grew for the third consecutive year and was 4.66% higher in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments primarily from redevelopment dissolution were $202 million, and declined by $39 million from the prior year. Redevelopment dissolution also shifted residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was $160 million, an increase of $35 million compared to the prior year.

- Charges for services increased by a total of $162 million, primarily attributable to a $230 million increase in revenues associated with clients who were enrolled in managed care pursuant to the County's implementation of the ACA. That increase was partially offset by a $61 million reduction in revenues for Public Health's Substance Abuse Prevention and Control program, due to lower reimbursable costs.

- Unrestricted grants and contributions declined by $232 million due primarily to a $134 million reduction in one-time revenues from redevelopment agencies to the County. In the prior year, State law required former redevelopment agencies to transfer excess funds to local government agencies, including the County. In addition, the County's share of tobacco settlement revenues declined by $33 million in the current year.

Additionally, pursuant to Assembly Bill 85 (AB85), the State withheld $88 million of current year 1991 County Health Realignment Funds based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up at the end of FY 2015-16. Although the County anticipates that the final amount withheld will be less than or equal to $88 million, it is subject to the State's review and approval, and the financial impact of the potential redirection of realignment funding in future years is not yet known. Accordingly, the revenues associated with the amount withheld have not been recorded in the financial statements.

Governmental Activities-Continued

Expenses related to governmental activities increased by $1.129 billion (6.6%) during the current year. Of that increase, OPEB grew by $373 million compared to the prior year, in which the County prefunded OPEB contributions with LACERA Credit Reserves by $449 million. OPEB is discussed in more detail in Note 9 to the basic financial statements. Expenses for services and supplies costs increased by $289 million and were attributable to higher costs in the health and sanitation programs. Overall, salaries and employee benefits expense increased by $367 million. This increase was attributable to higher pension costs of $136 million, growth in employee salaries of $124 million due primarily to a negotiated 2% general cost of living increase, and other employee benefit costs which were $107 million higher.

Business-type Activities

Revenues from business-type activities saw a net increase in comparison to the prior year of $65 million (2.1%). The most significant change was in the area of charges for services, which increased by $88 million. This was partially offset by a decrease of $36 million in operating grants and contributions. As discussed in Note 14 to the basic financial statements, County Hospital revenues are derived from a wide range of federal and State funding sources. The implementation of the ACA had the effect of changing the amounts of individual program revenues in the current year. The most significant changes were primarily attributable to supplemental revenue increases of $355 million associated with the expansion of Medicaid/Medi-Cal coverage, partially offset by reductions in revenues for Seniors and Persons with Disabilities (SPD), Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Pool (DSRIP) totaling $255 million.

Expenses related to business-type activities decreased from the previous year by a net total of $50 million (1.2%), primarily related to the operation of the County's hospitals. Specifically, intergovernmental transfer expenses associated with various hospital funding sources declined by $238 million. These decreases were partially offset by increased hospital costs for salaries and employee benefits of $168 million, and services and supplies costs of $46 million. For all Hospital facilities, the average patient census during the current year was 1,213 patients per day, which was lower in comparison with 1,234 for the prior year.

Financial Analysis of the County's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $6.277 billion, an increase of $170 million in comparison with the prior year. Of the total fund balances, $284 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $2.897 billion is classified as restricted, $598 million as committed, and $729 million as assigned. The remaining balance of $1.769 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $17.868 billion, an increase of $617 million (3.6%) from the previous year. Expenditures for all governmental funds in the current year were $17.329 billion, an increase of $920 million (5.6%) from the previous year. In addition, other financing uses exceeded other financing sources by $369 million as compared to $613 million in the prior year.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $223 million (7.7%). At the end of the current fiscal year, the General Fund's total fund balance was $3.103 billion. Of this amount, $272 million is classified as nonspendable, $41 million as restricted, $483 million as committed, $538 million as assigned and the remaining $1.769 billion is classified as unassigned.

General Fund revenues during the current year were $15.208 billion, an increase of $601 million (4.1%) from the previous year. General Fund expenditures during the current year were $14.790 billion, an increase of $777 million (5.5%) from the previous year. Other financing sources/uses-net was negative $195 million in the current year as compared to negative $356 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $253 million and property taxes comprised $246 million of this increase. Property tax revenues associated with higher assessed property values and increased supplemental property taxes grew by $251 million. Residual property tax revenues, which are associated with redevelopment dissolution, were $134 million in the current year, or $30 million higher than the prior year. This growth in property taxes was offset by "pass through" property tax revenues, which were $35 million lower in current year.

- Governmental Funds-Continued

  - Intergovernmental revenues increased overall by $213 million, attributable primarily to increases in State revenues of $253 million and federal revenues of $60 million, partially offset by a decrease in "other" intergovernmental revenues of $100 million. State revenue growth of $155 million was attributable to higher levels of reimbursable program and administrative costs for public assistance and children and family services programs. There was also growth of $50 million associated with the State's Assembly Bill 109 public safety realignment initiative as the program continues to expand, especially in the Sheriff's and Probation Departments, which recognized increased revenues of $36 million and $7 million, respectively. There were also year-over-year increases in State Proposition 172 revenues of $38 million. The decrease in "other" intergovernmental revenues of $100 million is due to a decline in one-time transfers from former redevelopment agencies of excess funds associated with the State's Assembly Bill 1484 redevelopment dissolution initiative.

  - Charges for services increased by a total of $178 million. As previously mentioned, there was a $230 million increase in revenues associated with clients who were enrolled in managed care pursuant to the County's implementation of the ACA. This was partially offset by a $61 million reduction in revenues for Public Health's Substance Abuse Prevention and Control program, due to lower reimbursable costs.

  - General fund expenditures increased by a total of $777 million, or 5.5%. Within this total, current expenditures increased by $785 million, and debt service and capital outlay expenditures decreased by $2 million and $6 million, respectively. The most significant increase in current expenditures was in salaries, employee benefits and pension costs, which were higher by a total of $300 million, partially due to the negotiated salary increases as previously discussed. Health and sanitation program expenditures were higher by $273 million, consisting of $168 million in services and supplies costs associated with managed care and implementation of the ACA, $95 million related to mental health programs, and County financial assistance to the Martin Luther King (MLK) Community Hospital of $33 million. These increases were partially offset by a $33 million reduction in expenditures for public health programs. Current expenditures were also higher by $117 million in the public assistance category related to administering a variety of assistance programs. Finally, $70 million of expenditure growth was related to the County's development of a new electronic health record system known as the Online Realtime Centralized Health Information Database.

The Fire Protection District reported a year-end fund balance of $224 million, which represented a decrease of $13 million from the previous year. Revenues increased by $8 million. However, expenditures were higher by $50 million, nearly all of which was related to salaries and benefits.

Governmental Funds-Continued

The Flood Control District reported a year-end fund balance of $305 million, which was $62 million higher than the previous year. Pooled cash and investments improved by $82 million in the current year. Revenues of $256 million and expenditures of $187 million were nearly unchanged from the previous year.

The Public Library Fund reported a year-end fund balance of $61 million, which was $2 million higher than the previous year. Revenues were unchanged, at $81 million in the current and prior year. Expenditures increased in the current year by $5 million and there was a net increase of $9 million for "transfers in."

The Regional Park and Open Space District reported a year-end fund balance of $323 million, which was $7 million lower than the previous year. Current year revenues were lower by $31 million with a related decrease in "transfers out" of $35 million. In the current year, comparable revenues were recognized directly in the Regional Park and Open District Debt Service Fund and are now more appropriately aligned with their related expenditures, thereby eliminating the use of "transfers" between the two funds. Expenditures were $55 million in the current year versus $35 million in the prior year, due to an increase of $20 million in park, recreation, and open space capital projects.

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 as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from $16 million for Rancho Los Amigos National Rehabilitation Center to $227 million for the Harbor-UCLA Medical Center. The total subsidy amount was $522 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was $718 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 ($111 million), Harbor-UCLA Medical Center ($56 million), and Olive-View UCLA Medical Center ($42 million). The total amount of current year Measure B transfers ($209 million) was lower than the prior year amount of $215 million.

Proprietary Funds-Continued

Waterworks Funds reported year-end net position of $816 million, a $4 million reduction from the previous year. Current year operating revenues of $75 million were $3 million higher than the previous year's amount of $72 million. Current year operating expenses of $84 million were nearly the same as the previous year's amount of $85 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net increase of $69 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 144,756	$ 4,515,896	$ 4,518,193	$ 2,297
Intergovernmental revenues	215,296	9,114,808	8,416,611	(698,197)
Charges for services	121,917	1,882,315	1,751,008	(131,307)
All other revenues	10,767	544,171	537,831	(6,340)
Other sources and transfers in	4,229	687,475	457,580	(229,895)
Total	$ 496,965	$ 16,744,665	$ 15,681,223	$ (1,063,442)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately $497 million. The most significant changes occurred in the following areas:

Changes from Amounts Originally Budgeted-Continued

- Estimated intergovernmental revenues increased by $215 million. Of this amount, $63 million was used to augment federal and State funds budgeted for a variety of health and mental health programs. Federal revenues of $57 million were added to the budget to more accurately reflect the General Fund's share of health care reform revenues. There was also an increase of $35 million for public assistance programs due to higher levels of reimbursable costs. Net additions of $35 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution revenues. Budgeted federal revenues for emergency and disaster recovery were increased by $11 million to reflect additional grant funding. There were other net additions to budgeted intergovernmental revenues of $14 million.

- The budget for tax revenues increased by $145 million. Of this increase, $116 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. In addition, $29 million was added to the budget for unanticipated property tax revenues recognized in conjunction with redevelopment dissolution.

- The budget for charges for services increased by $122 million. This increase was associated with the General Fund's managed care program and services, which expanded in conjunction with implementing the ACA.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $15.681 billion. The amount was $1.063 billion, or 6.4%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, charges for services, and "other sources and transfers in."

- Actual intergovernmental revenues were $698 million lower than the amount budgeted. Budgeted intergovernmental revenues of $263 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Approximately $165 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Mental health programs accounted for approximately $117 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. The Probation and Sheriff's Departments under-realized revenues of $40 million due to lower than expected reimbursement of salaries, services and supplies. Public health related programs experienced budgeted revenue shortfalls of $37 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Registrar-Recorder did not realize $24 million of federal funds (Help America Vote Act) due to lower than anticipated eligible costs. The remaining variance of $52 million was related to a variety of other programs.

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

- The actual amount of "other sources and transfers in" was $230 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were $132 million lower than budgeted. In addition, "transfers in" totaling $64 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. Costs associated with Sheriff's Department programs funded by the Other Public Protection Special Revenue Funds were $19 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $15 million.

- Actual charges for services were $131 million lower than the amount budgeted, primarily due to an unanticipated reduction of $112 million in public health program revenues which were largely associated with lower reimbursement for substance abuse prevention and control services. The remaining variance of $19 million was related to a variety of other charges for services.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (168,572)	$ 1,626,295	$ 1,011,090	$ (615,205)
Public protection	72,772	5,173,234	4,911,255	(261,979)
Health and sanitation	267,730	3,713,484	3,335,840	(377,644)
Public assistance	57,417	5,835,422	5,495,558	(339,864)
All other expenditures	22,422	1,196,061	365,006	(831,055)
Transfers out	20,856	530,254	522,231	(8,023)
Contingencies	115,797	115,797		(115,797)
Fund balance changes-net	108,543	51,699	(28,439)	(80,138)
Total	$ 496,965	$ 18,242,246	$15,612,541	$ (2,629,705)

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately $497 million. The most significant increases occurred in the following areas:

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations were increased by $268 million. As previously mentioned, estimated revenues of $242 million were added to the budget to augment appropriations to implement the Medi-Cal Expansion and the Low Income Health Plan. The difference was attributable to a net increase in health and sanitation appropriations of $26 million.

- General government appropriations decreased by $169 million. Of this amount, appropriations not associated with specific County departments, such as provisional appropriations, decreased by $202 million and transferred to other functional categories to fund the financial assistance to the Martin Luther King, Jr.-Los Angeles (MLK-LA) Healthcare Corporation, various capital improvements, deferred maintenance projects, and increased salaries and employee benefits expenditures. This was offset by an increase of appropriations of $48 million for project and facility development expenditures and various decreases to general government expenditures by $15 million.

- After the original budget was established, appropriations for contingencies were increased by $116 million. As previously mentioned, there was a $116 million increase to budgeted tax revenues at the end of the fiscal year, which was accompanied by an increase in appropriations for contingencies to comply with statutory requirements.

- Net budgetary changes of $109 million had the effect of increasing various fund balance components. There was $82 million of financial assistance provided to the Martin Luther King, Jr.-Los Angeles (MLK-LA) Healthcare Corporation and $30 million was committed for programs in the incorporated areas. These changes were offset by $3 million of reductions to other fund balance categories.

- Public Protection appropriations were increased by $73 million. Of this amount, $47 million was for negotiated increases in salaries and employee benefits expenditures, and $17 million was appropriated to implement the Citizen's Commission on Jail Violence recommendations. Various increases in public protection programs appropriations comprised the remaining $9 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.630 billion lower (14.4%) than the final total budget of $15.613 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $831 million less than the budgeted amount. Of this variance, $812 million was in the capital outlay category, related to numerous 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 Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- The general government function reported actual expenditures that were $615 million less than the amount budgeted. Of this amount, $430 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 $185 million was spread across County departments comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

- Overall expenditures for the health and sanitation category were $378 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $222 million, primarily due to lower than anticipated costs for contracted services and some salary savings. The public health program recognized budgetary savings of $141 million, with $101 million due to lower than expected contract service costs and approximately $44 million in salaries and benefits savings. The remaining variance of $15 million was associated with other health programs.

- Actual public assistance expenditures were $340 million lower than the final budget. Of this amount, $282 million was concentrated in social service and 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 $32 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $26 million was related to other public assistance programs.

- Expenditures in the public protection category were $262 million less than the budgeted amount. Appropriations for Sheriff's and Probation services exceeded actual expenditures by $199 million primarily due to lower than anticipated costs for contracted services and salary savings. The balance was primarily concentrated in the area of federal and State emergency grant funded programs, where actual expenditures were $63 million less than anticipated due to delays in carrying out various projects.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2014 were $19.093 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 $425 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	$ 7,542,257	$ 7,533,653	$ 8,604
Buildings and improvements	4,649,013	3,934,494	714,519
Infrastructure	4,925,897	5,037,495	(111,598)
Equipment	524,218	510,535	13,683
Software	294,937	319,782	(24,845)
Capital assets, in progress	1,157,155	1,332,302	(175,147)
Total	$ 19,093,477	$ 18,668,261	$ 425,216

The County's major capital asset initiatives during the current year continued to focus on new medical facilities and major improvements for the Hospitals. Three significant hospital projects were completed toward the end of the current year and reclassified from construction-in-progress to buildings and improvements for the following facilities: $384 million for Harbor/UCLA Medical Center surgical facility, $174 million for the Martin Luther King, Jr. Outpatient Center, and $124 million for the High Desert Regional Health Center. As of June 30, 2014, there were $527 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by $7 million, as newly issued debt and accretions of $472 million exceeded debt maturities of $465 million. Specific changes related to governmental and business-type activities are presented in Note 11 (Long-Term Obligations) to the basic financial statements.

During the current year, significant long-term debt transactions were as follows:

- Lease revenue obligation notes of $418 million were issued for governmental and business-type activities in the amounts of $367 million and $51 million, respectively. For governmental activities, debt was issued to finance a new hospital facility that will be operated by a non-profit organization (see Note 14 to the basic financial statements) and fire department facilities. For business-type activities, debt was issued to finance hospital improvements.

- New debt of $54 million was issued to finance the acquisition of equipment. Equipment debt totaling $61 million was redeemed during the year in accordance with maturity schedules.

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 billion in tax and revenue anticipation notes, with maturities of $300 million on February 28, 2014 and $700 million on June 30, 2014. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

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

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

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

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

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2014-2015 Budget on June 23, 2014. The Budget was adopted based on estimated fund balances that would be available at the end of 2013-2014. The Board updated the Budget on September 30, 2014 to reflect final 2013-2014 fund balances and other pertinent financial information. For the County's General Fund, the 2014-2015 Budget utilized $1.566 billion of fund balance, which exceeded the previously estimated fund balance of $1.198 billion. Of the additional fund balance of $368 million, $213 million was used to carryover lapsed appropriations and the remaining $155 million was used to fund one-time projects and programs.

The County's 2014-2015 Budget anticipates the continuation of moderate growth that began in 2012-2013. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. Among the fiscal challenges facing the County are the impact that health care reform and ongoing implementation of the ACA will have on the County's health care system, the implementation of the Department of Justice recommendations on mental health issues in the County jail system, unfunded liabilities for retiree healthcare benefits, and addressing significant deferred maintenance and capital improvement needs. The County will continue to strategically address restoring previous curtailments and addressing structural deficits as locally generated revenues increase.

The County's budget outlook may also be impacted by the October 31, 2015 expiration of the Centers for Medicare and Medicaid Services Medi-Cal Demonstration Project, called "California's Bridge to Reform" (Waiver), which affects Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The waiver provides funding sources for the County to implement healthcare delivery system and quality of care reforms, and DHS has indicated that renewal is necessary to support the ongoing implementation of the ACA. The State Department of Health Care Services has begun the stakeholder process to renew the Waiver.

The County's budget outlook, while favorable, continues to depend on the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) forecasts continued moderate State revenue growth through 2019-2020. The LAO also projects that the State will begin to fund a Budget Stabilization Account and to pay down specified debts, pursuant to the November 4, 2014 passage of the Rainy Day Budget Stabilization Fund Act (Proposition 2), which may moderate the impact of future volatility in State revenues. This forecast for the State should enable the County to more reliably develop its own financial forecast and spending plans for the near future.

Obtaining Additional Information

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

COUNTY OF LOS ANGELES
CALIFORNIA

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2014 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 4,148,453	74,964	$ 4,223,417	$ 735,741
Other	991,820	38,953	1,030,773	
Total pooled cash and investments	5,140,273	113,917	5,254,190	735,741
Other investments (Note 5)	64,556		64,556	213,246
Taxes receivable	242,652	750	243,402	
Accounts receivable - net (Note 14)		1,522,648	1,522,648	35,008
Interest receivable	18,185	335	18,520	650
Other receivables	2,193,884	257,577	2,451,461	68,803
Internal balances (Note 15)	768,135	(768,135)		
Inventories	77,197	23,695	100,892	21,527
Restricted assets (Note 5)	4,443	151,244	155,687	
Net pension obligation				131
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,425,066	274,346	8,699,412	96,752
Capital assets, net of accumulated depreciation	7,666,235	2,727,830	10,394,065	92,988
Total capital assets	16,091,301	3,002,176	19,093,477	189,740
TOTAL ASSETS	24,600,626	4,304,207	28,904,833	1,264,846
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	20,243		20,243	
LIABILITIES				
Accounts payable	573,706	272,318	846,024	63,484
Accrued payroll	384,709	80,259	464,968	
Other payables	95,230	10,685	105,915	1,063
Accrued interest payable	19,554	20,192	39,746	
Unearned revenue	76,329	315	76,644	190
Advances payable	582,664	315	582,979	
Long-term liabilities: (Note 11)				
Due within one year	1,064,609	177,421	1,242,030	5,440
Due in more than one year	12,410,262	3,324,296	15,734,558	66,577
TOTAL LIABILITIES	15,207,063	3,885,801	19,092,864	136,754
DEFERRED INFLOWS OF RESOURCES (Note 20)	97,031		97,031	
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	14,789,236	2,271,730	17,060,966	149,662
Restricted for:				
Capital projects	58,218		58,218	
Debt service	59,740	4,847	64,587	
Permanent funds - nonspendable	2,195		2,195	
Permanent funds - spendable	222		222	
General government	551,800		551,800	
Public protection	604,749		604,749	
Public ways and facilities	465,933	72,061	537,994	
Health and sanitation	648,068		648,068	
Recreation	328,429		328,429	
Community development				281,516
First 5 LA				632,680
Other	8,025		8,025	
Unrestricted (deficit)	(8,199,840)	(1,930,232)	(10,130,072)	64,234
TOTAL NET POSITION	$ 9,316,775	418,406	$ 9,735,181	$ 1,128,092

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, 2014 (in thousands)

		PROGRAM REVENUES		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,307,001	488,685	40,325	7,356
Public protection	6,682,960	1,222,157	1,477,727	4,573
Public ways and facilities	366,582	37,937	234,784	812
Health and sanitation	3,557,523	784,997	2,018,269	109
Public assistance	5,830,165	13,712	4,805,553	
Education	119,037	3,378	222	
Recreation and cultural services	278,459	200,639	2,622	
Interest on long-term debt	97,777			
Total governmental activities	18,239,504	2,751,505	8,579,502	12,850
Business-type activities:				
Hospitals	3,838,574	2,455,940	485,755	
Waterworks	84,499	74,598	131	326
Aviation	6,402	4,027	2	2,830
Total business-type activities	3,929,475	2,534,565	485,888	3,156
Total primary government	$ 22,168,979	5,286,070	9,065,390	16,006
DISCRETELY PRESENTED COMPONENT UNITS	$ 648,226	63,475	498,376	

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
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET POSITION
NET POSITION, JULY 1, 2013
NET POSITION, JUNE 30, 2014

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

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION				
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (770,635)		$ (770,635)		General government
(3,978,503)		(3,978,503)		Public protection
(93,049)		(93,049)		Public ways and facilities
(754,148)		(754,148)		Health and sanitation
(1,010,900)		(1,010,900)		Public assistance
(115,437)		(115,437)		Education
(75,198)		(75,198)		Recreation and cultural services
(97,777)		(97,777)		Interest on long-term debt
(6,895,647)		(6,895,647)		Total governmental activities
				Business-type activities:
	(896,879)	(896,879)		Hospitals
	(9,444)	(9,444)		Waterworks
	457	457		Aviation
	(905,866)	(905,866)		Total business-type activities
(6,895,647)	(905,866)	(7,801,513)		Total primary government
			$ (86,375)	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
5,231,117	4,681	5,235,798		Property taxes
56,524		56,524		Utility users taxes
357,620		357,620		Voter approved taxes
71,762		71,762		Documentary transfer taxes
29,968		29,968		Other taxes
93,184		93,184		Sales and use taxes, levied by the State
513,458	33	513,491		Grants and contributions not restricted to special programs
64,354	3,908	68,262	10,690	Investment income
134,611	19,101	153,712	5,887	Miscellaneous
(731,152)	731,152			TRANSFERS - NET
5,821,446	758,875	6,580,321	16,577	Total general revenues and transfers
(1,074,201)	(146,991)	(1,221,192)	(69,798)	CHANGE IN NET POSITION
10,390,976	565,397	10,956,373	1,197,890	NET POSITION, JULY 1, 2013
$ 9,316,775	418,406	$ 9,735,181	$ 1,128,092	NET POSITION, JUNE 30, 2014

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,011,366	207,399	334,752	60,420
Other	922,428	12,690	10,229	1,191
Total pooled cash and investments	1,933,794	220,089	344,981	61,611
Other investments (Notes 4 and 5)	4,810			119
Taxes receivable	169,141	39,041	12,196	5,906
Interest receivable	10,851	470	816	169
Other receivables	1,985,832	40,094	4,103	1,505
Due from other funds (Note 15)	283,255	2,604	12,696	4,297
Advances to other funds (Note 15)	885,314		6,307	
Inventories	56,790	8,542		1,216
TOTAL ASSETS	5,329,787	310,840	381,099	74,823
DEFERRED OUTFLOWS OF RESOURCES (Note 20)				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,329,787	310,840	381,099	74,823
LIABILITIES				
Accounts payable	$ 516,410	5,351	2,502	1,174
Accrued payroll	331,045	34,328		3,518
Other payables	111,019	2,337	40,936	434
Due to other funds (Note 15)	158,626	17,294	24,116	4,573
Advances payable	575,567			
Third party payor (Notes 11 and 14)	26,207			
TOTAL LIABILITIES	1,718,874	59,310	67,554	9,699
DEFERRED INFLOWS OF RESOURCES (Note 20)	508,105	27,287	8,071	4,221
FUND BALANCES (Note 21)				
Nonspendable	272,007	8,542		1,216
Restricted	40,577	215,701	305,375	9,814
Committed	482,740			
Assigned	538,078		99	49,873
Unassigned	1,769,406			
TOTAL FUND BALANCES	3,102,808	224,243	305,474	60,903
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,329,787	310,840	381,099	74,823

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)
$ 325,905	2,176,066		$ 4,115,908	Operating
965	39,212		986,715	Other
326,870	2,215,278		5,102,623	Total pooled cash and investments
	173,242	(113,615)	64,556	Other investments (Notes 4 and 5)
2,392	13,976		242,652	Taxes receivable
903	4,846		18,055	Interest receivable
5,320	49,848		2,086,702	Other receivables
398	71,924		375,174	Due from other funds (Note 15)
	12,164		903,785	Advances to other funds (Note 15)
			66,548	Inventories
335,883	2,541,278	(113,615)	8,860,095	TOTAL ASSETS
	241,498		241,498	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
$ 335,883	2,782,776	(113,615)	$ 9,101,593	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
$ 2,453	36,708		$ 564,598	Accounts payable
	92		368,983	Accrued payroll
	14,438		169,164	Other payables
5,001	339,022		548,632	Due to other funds (Note 15)
	6,911		582,478	Advances payable
	538		26,745	Third party payor (Notes 11 and 14)
7,454	397,709		2,260,600	TOTAL LIABILITIES
5,576	11,135		564,395	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,195		283,960	Nonspendable
322,853	2,115,934	(113,615)	2,896,639	Restricted
	115,116		597,856	Committed
	140,687		728,737	Assigned
			1,769,406	Unassigned
322,853	2,373,932	(113,615)	6,276,598	TOTAL FUND BALANCES
$ 335,883	2,782,776	(113,615)	$ 9,101,593	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014 (in thousands)

Fund balances - total governmental funds (page 29)		$ 6,276,598
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	$ 7,358,289	
Construction-in-progress	1,066,777	
Buildings and improvements - net	2,758,839	
Equipment - net	299,282	
Intangible software - net	257,895	
Infrastructure - net	4,222,038	15,963,120
Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds:		
Deferred outflows from losses on refunding of debt	$ 20,243	
Deferred inflows from service concession arrangements	(97,031)	(76,788)
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues when earned in governmental activities:		
Deferred inflows from property taxes	$ 172,695	
Deferred inflows from long-term receivables	150,202	322,897
Other long-term asset transactions are not available for the current period and are not recognized in governmental funds:		
Payables and receivables related to capital assets	$ 479	
Accrued interest on long-term receivables	7	486
Installment receivables from service concession arrangements.		97,031
Accrued interest payable is not recognized in governmental funds.		(19,379)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes	$ (1,523,930)	
Unamortized premiums on bonds and notes	(27,908)	
Accreted interest on bonds and notes	(170,583)	
Capital lease obligations	(174,121)	
Accrued compensated absences	(1,190,722)	
Workers' compensation	(1,821,114)	
Litigation and self-insurance	(169,909)	
Pollution remediation obligations	(18,194)	
OPEB obligation	(7,869,209)	(12,965,690)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		(281,500)
Net position of governmental activities (page 25)		$ 9,316,775

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

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES				
Taxes	$ 4,520,755	709,298	116,408	74,776
Licenses, permits and franchises	59,886	13,710	788	
Fines, forfeitures and penalties	207,094	3,788	1,412	509
Revenue from use of money and property:				
Investment income (Note 5)	36,447	1,593	2,370	647
Rents and concessions (Note 10)	91,108	104	7,862	13
Royalties	946		1,484	
Intergovernmental revenues:				
Federal	3,227,981	8,676	281	6
State	5,104,864	12,774	5,013	645
Other	62,827	1,934	1,768	1,109
Charges for services	1,743,447	178,607	115,560	2,603
Miscellaneous	152,663	482	2,915	324
TOTAL REVENUES	15,208,018	930,966	255,861	80,632
EXPENDITURES				
Current:				
General government	998,438			
Public protection	4,843,148	933,937	186,723	
Public ways and facilities				
Health and sanitation	3,204,177			
Public assistance	5,430,398			
Education				121,124
Recreation and cultural services	282,660			
Debt service:				
Principal	10,633	802		
Interest and other charges	18,295	72		
Capital outlay	2,398			
TOTAL EXPENDITURES	14,790,147	934,811	186,723	121,124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	417,871	(3,845)	69,138	(40,492)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 15)	466,108	3,730		51,562
Transfers out (Note 15)	(663,327)	(12,617)	(6,732)	(9,167)
Issuance of debt (Note 11)				
Capital leases (Note 10)	1,736			
Sales of capital assets	770	228	87	4
TOTAL OTHER FINANCING SOURCES (USES)	(194,713)	(8,659)	(6,645)	42,399
NET CHANGE IN FUND BALANCES	223,158	(12,504)	62,493	1,907
FUND BALANCES, JULY 1, 2013	2,879,650	236,747	242,981	58,996
FUND BALANCES, JUNE 30, 2014	$ 3,102,808	224,243	305,474	60,903

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
$	351,352		$ 5,772,589	Taxes
	16,776		91,160	Licenses, permits and franchises
815	70,700		284,318	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,330	26,207	(6,497)	64,097	Investment income (Note 5)
	25,577		124,664	Rents and concessions (Note 10)
	5		2,435	Royalties
				Intergovernmental revenues:
	22,829		3,259,773	Federal
	577,083		5,700,379	State
	15,949		83,587	Other
44,210	190,570		2,274,997	Charges for services
	53,706		210,090	Miscellaneous
48,355	1,350,754	(6,497)	17,868,089	TOTAL REVENUES
				EXPENDITURES
				Current:
	28,523		1,026,961	General government
	66,580		6,030,388	Public protection
	338,953		338,953	Public ways and facilities
	155,253		3,359,430	Health and sanitation
	7,330		5,437,728	Public assistance
	113		121,237	Education
55,342	8,688		346,690	Recreation and cultural services
				Debt service:
	368,213	(29,255)	350,393	Principal
	87,168	(6,497)	99,038	Interest and other charges
	216,100		218,498	Capital outlay
55,342	1,276,921	(35,752)	17,329,316	TOTAL EXPENDITURES
(6,987)	73,833	29,255	538,773	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	143,419		664,819	Transfers in (Note 15)
	(712,468)		(1,404,311)	Transfers out (Note 15)
	366,957		366,957	Issuance of debt (Note 11)
			1,736	Capital leases (Note 10)
	497		1,586	Sales of capital assets
	(201,595)		(369,213)	TOTAL OTHER FINANCING SOURCES (USES)
(6,987)	(127,762)	29,255	169,560	NET CHANGE IN FUND BALANCES
329,840	2,501,694	(142,870)	6,107,038	FUND BALANCES, JULY 1, 2013
$ 322,853	2,373,932	(113,615)	$ 6,276,598	FUND BALANCES, JUNE 30, 2014

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, 2014 (in thousands)

Net change in fund balances - total governmental funds (page 33)		$ 169,560
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	$ 631,200	
Less - current year depreciation expense	(374,632)	256,568
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(2,922)
Contribution of capital assets is not recognized in the governmental funds.		4,905
Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds.		(2,922)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		(25,904)
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	$ 7	
Change in unamortized premiums	4,199	4,206
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(368,693)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Certificates of participation and bonds	$ 53,754	
Notes, loans, and lease revenue obligation notes	255,949	
Assessment bonds	29,255	
Other long-term notes, loans and capital leases	11,435	350,393
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	$ (28,233)	
Change in litigation and self-insurance	7,169	
Change in pollution remediation obligations	(2,308)	
Change in accrued compensated absences	(44,406)	
Change in OPEB obligation	(1,348,782)	
Change in accrued interest payable	1,134	
Change in accretion of bonds and notes	4,189	
Change in accretion of tobacco settlement bonds	(2,630)	
Transfer of capital assets from governmental fund to enterprise fund	(1,106)	(1,414,973)
The portion of internal service funds that is reported with governmental activities.		(44,419)
Change in net position of governmental activities (page 27)		$ (1,074,201)

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, 2014 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	$ 4,371,140	4,515,896	4,518,193	2,297
Licenses, permits and franchises	43,614	43,655	59,886	16,231
Fines, forfeitures and penalties	214,088	214,088	207,094	(6,994)
Revenue from use of money and property:				
Investment income	28,755	29,186	28,796	(390)
Rents and concessions	96,908	101,109	91,108	(10,001)
Royalties	225	225	946	721
Intergovernmental revenues:				
Federal	3,867,609	4,007,397	3,251,164	(756,233)
State	4,974,708	5,014,375	5,113,078	98,703
Other	57,195	93,036	52,369	(40,667)
Charges for services	1,760,398	1,882,315	1,751,008	(131,307)
Miscellaneous	149,814	155,908	150,001	(5,907)
TOTAL REVENUES	15,564,454	16,057,190	15,223,643	(833,547)
EXPENDITURES				
Current:				
General government	1,794,867	1,626,295	1,011,090	(615,205)
Public protection	5,100,462	5,173,234	4,911,255	(261,979)
Health and sanitation	3,445,754	3,713,484	3,335,840	(377,644)
Public assistance	5,778,005	5,835,422	5,495,558	(339,864)
Recreation and cultural services	294,336	300,947	287,630	(13,317)
Debt service-				
Interest	2,801	2,801	2,801	
Capital outlay	876,502	892,313	74,575	(817,738)
TOTAL EXPENDITURES	17,292,727	17,544,496	15,118,749	(2,425,747)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,728,273)	(1,487,306)	104,894	1,592,200
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	304	304	770	466
Transfers in	682,942	687,171	456,810	(230,361)
Transfers out	(509,398)	(530,254)	(522,231)	8,023
Appropriations for contingencies		(115,797)		115,797
Changes in fund balance	56,844	(51,699)	28,439	80,138
OTHER FINANCING SOURCES (USES) - NET	230,692	(10,275)	(36,212)	(25,937)
NET CHANGE IN FUND BALANCE	(1,497,581)	(1,497,581)	68,682	1,566,263
FUND BALANCE, JULY 1, 2013 (Note 16)	1,497,581	1,497,581	1,497,581	
FUND BALANCE, JUNE 30, 2014 (Note 16)	$		1,566,263	1,566,263

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, 2014 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	$ 691,385	704,635	707,000	2,365
Licenses, permits and franchises	13,473	13,473	13,710	237
Fines, forfeitures and penalties	4,013	4,013	3,788	(225)
Revenue from use of money and property:				
Investment income	901	901	841	(60)
Rents and concessions	85	85	104	19
Intergovernmental revenues:				
Federal	13,773	14,413	8,676	(5,737)
State	20,831	20,831	12,774	(8,057)
Other			1,934	1,934
Charges for services	172,119	172,282	178,607	6,325
Miscellaneous	1,043	1,043	482	(561)
TOTAL REVENUES	917,623	931,676	927,916	(3,760)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	804,316	828,354	810,433	(17,921)
Services and supplies	137,141	131,027	114,595	(16,432)
Other charges	11,971	11,971	5,055	(6,916)
Capital assets	22,556	16,825	9,744	(7,081)
TOTAL EXPENDITURES	975,984	988,177	939,827	(48,350)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(58,361)	(56,501)	(11,911)	44,590
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	228	(69)
Transfers in	3,731	3,731	3,730	(1)
Transfers out	(7,835)	(10,645)	(10,645)	
Changes in fund balance	(42,208)	(41,258)	(36,991)	4,267
OTHER FINANCING SOURCES (USES) - NET	(46,015)	(47,875)	(43,678)	4,197
NET CHANGE IN FUND BALANCE	(104,376)	(104,376)	(55,589)	48,787
FUND BALANCE, JULY 1, 2013 (Note 16)	104,376	104,376	104,376	
FUND BALANCE, JUNE 30, 2014 (Note 16)	$		48,787	48,787

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, 2014 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	$ 98,590	113,839	117,197	3,358
Licenses, permits and franchises	707	707	788	81
Fines, forfeitures and penalties	1,503	1,503	1,412	(91)
Revenue from use of money and property:				
Investment income	1,417	1,537	1,828	291
Rents and concessions	7,180	7,180	7,862	682
Royalties	600	600	1,484	884
Intergovernmental revenues:				
Federal			281	281
State	5,833	5,833	5,013	(820)
Other	4,155	4,155	1,768	(2,387)
Charges for services	125,642	125,642	115,045	(10,597)
Miscellaneous	1,128	1,128	2,915	1,787
TOTAL REVENUES	246,755	262,124	255,593	(6,531)
EXPENDITURES				
Current-Public protection:				
Services and supplies	230,039	228,139	171,129	(57,010)
Other charges	5,910	5,910	4,204	(1,706)
Capital assets	469	709	316	(393)
Capital outlay	75,368	77,028	22,425	(54,603)
TOTAL EXPENDITURES	311,786	311,786	198,074	(113,712)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(65,031)	(49,662)	57,519	107,181
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	68	68	87	19
Transfers out	(5,836)	(5,836)	(3,642)	2,194
Appropriations for contingencies		(15,369)		15,369
Changes in fund balance	(5,775)	(5,775)	(1,121)	4,654
OTHER FINANCING SOURCES (USES) - NET	(11,543)	(26,912)	(4,676)	22,236
NET CHANGE IN FUND BALANCE	(76,574)	(76,574)	52,843	129,417
FUND BALANCE, JULY 1, 2013 (Note 16)	76,574	76,574	76,574	
FUND BALANCE, JUNE 30, 2014 (Note 16)	$		129,417	129,417

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, 2014 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES				
Taxes	$ 73,497	73,497	74,928	1,431
Fines, forfeitures and penalties			509	509
Revenue from use of money and property:				
Investment income	400	400	437	37
Rents and concessions	15	15	13	(2)
Intergovernmental revenues:				
Federal			6	6
State	531	531	645	114
Other	988	988	1,109	121
Charges for services	2,880	2,880	2,603	(277)
Miscellaneous	927	957	324	(633)
TOTAL REVENUES	79,238	79,268	80,574	1,306
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	84,708	84,708	76,334	(8,374)
Services and supplies	66,598	79,062	46,062	(33,000)
Other charges	114	114	83	(31)
Capital assets	600	833	361	(472)
TOTAL EXPENDITURES	152,020	164,717	122,840	(41,877)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(72,782)	(85,449)	(42,266)	43,183
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	4	(9)
Transfers in	46,102	57,606	51,562	(6,044)
Transfers out	(4,939)	(9,581)	(9,167)	414
Changes in fund balance	(5,682)	123	3,754	3,631
OTHER FINANCING SOURCES (USES) - NET	35,494	48,161	46,153	(2,008)
NET CHANGE IN FUND BALANCE	(37,288)	(37,288)	3,887	41,175
FUND BALANCE, JULY 1, 2013 (Note 16)	37,288	37,288	37,288	
FUND BALANCE, JUNE 30, 2014 (Note 16)	$		41,175	41,175

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, 2014 (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	$ 823	823	815	(8)
Revenue from use of money and property-				
Investment income	2,007	2,007	2,072	65
Charges for services	80,248	80,248	80,167	(81)
TOTAL REVENUES	83,078	83,078	83,054	(24)
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	5,857	7,427	6,105	(1,322)
Other charges	288,531	289,217	63,238	(225,979)
TOTAL EXPENDITURES	294,388	296,644	69,343	(227,301)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211,310)	(213,566)	13,711	227,277
OTHER FINANCING SOURCES (USES)				
Transfers in	82,667	85,027	83,140	(1,887)
Transfers out	(118,712)	(121,072)	(119,385)	1,687
Appropriations for contingencies	(4,359)	(2,103)		2,103
Changes in fund balance	59,027	59,027	65,949	6,922
OTHER FINANCING SOURCES (USES) - NET	18,623	20,879	29,704	8,825
NET CHANGE IN FUND BALANCE	(192,687)	(192,687)	43,415	236,102
FUND BALANCE, JULY 1, 2013 (Note 16)	192,857	192,857	192,857	
FUND BALANCE, JUNE 30, 2014 (Note 16)	$ 170	170	236,272	236,102

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,596	650	1,537	268
Other	10,588	7,734	16,978	2,180
Total pooled cash and investments	12,184	8,384	18,515	2,448
Taxes receivable				
Accounts receivable - net (Note 14)	468,090	246,979	613,414	179,336
Interest receivable	83	35	19	9
Other receivables	15,377	13,000	26,801	5,758
Due from other funds (Note 15)	63,115	37,907	122,161	6,129
Advances to other funds (Note 15)				
Inventories	8,058	4,544	9,866	1,224
Total current assets	566,907	310,849	790,776	194,904
Noncurrent assets:				
Restricted assets (Note 5)	98,889	41,623	4,832	4,257
Other receivables (Note 14 and 15)	51,123	36,696	76,605	32,217
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	831,716	332,727	1,080,000	187,179
Equipment	87,392	55,399	90,579	18,329
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	41,390	7,685		16,665
Less accumulated depreciation	(229,146)	(135,006)	(292,342)	(118,964)
Total capital assets - net	751,549	291,590	917,124	109,042
Total noncurrent assets	901,561	369,909	998,561	145,516
TOTAL ASSETS	1,468,468	680,758	1,789,337	340,420
LIABILITIES				
Current liabilities:				
Accounts payable	102,147	40,199	99,334	26,322
Accrued payroll	24,675	15,197	33,843	6,544
Other payables	4,073	1,947	3,459	1,077
Accrued interest payable	14,989	4,969	51	118
Due to other funds (Note 15)	34,305	38,243	26,884	12,222
Advances from other funds (Note 15)	264,115	150,820	344,676	123,492
Advances payable			315	
Unearned revenue			222	23
Current portion of long-term liabilities (Note 11)	49,715	12,666	88,229	22,957
Total current liabilities	494,019	264,041	597,013	192,755
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	56,156	30,606	71,102	13,861
Bonds and notes (Note 11)	561,691	212,337	2,005	4,662
Premiums on bonds and notes payable (Note 11)	18,793	14,917	143	333
Workers' compensation (Notes 11 and 18)	63,586	22,732	103,532	20,445
Litigation and self-insurance (Notes 11 and 18)	29,445	2,503	43,887	62
OPEB obligation (Notes 9 and 11)	455,536	320,799	700,140	150,750
Third party payor (Notes 11 and 14)	81,456	49,943	237,083	36,103
Total noncurrent liabilities	1,266,663	653,837	1,157,892	226,216
TOTAL LIABILITIES	1,760,682	917,878	1,754,905	418,971
NET POSITION				
Net investment in capital assets (Notes 6 and 11)	275,243	119,398	874,972	91,092
Restricted:				
Debt service			4,832	
Public ways and facilities				
Unrestricted (deficit)	(567,457)	(356,518)	(845,372)	(169,643)
TOTAL NET POSITION (Note 3)	$ (292,214)	(237,120)	34,432	(78,551)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 62,177	8,522	$ 74,750	$ 32,759	Operating
1,458	10	38,948	5,110	Other
63,635	8,532	113,698	37,869	Total pooled cash and investments
750		750		Taxes receivable
13,290	1,539	1,522,648		Accounts receivable - net (Note 14)
157	23	326	132	Interest receivable
		60,936	9,486	Other receivables
1,087	1	230,400	84,545	Due from other funds (Note 15)
1,318		1,318		Advances to other funds (Note 15)
3		23,695	10,649	Inventories
80,240	10,095	1,953,771	142,681	Total current assets
				Noncurrent assets:
		149,601	6,086	Restricted assets (Note 5)
		196,641		Other receivables (Note 14 and 15)
				Capital assets: (Notes 6 and 10)
11,654	134,212	183,968		Land and easements
119,091	34,437	2,585,150		Buildings and improvements
1,086	1,308	254,093	276,107	Equipment
1,322		58,922		Intangible - software
1,184,429	53,771	1,238,200		Infrastructure
23,514	1,124	90,378		Construction in progress
(589,199)	(60,841)	(1,425,498)	(130,963)	Less accumulated depreciation
751,897	164,011	2,985,213	145,144	Total capital assets - net
751,897	164,011	3,331,455	151,230	Total noncurrent assets
832,137	174,106	5,285,226	293,911	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
3,187	111	271,300	10,126	Accounts payable
		80,259	15,726	Accrued payroll
	129	10,685	2,055	Other payables
		20,127	240	Accrued interest payable
4,789	431	116,874	24,613	Due to other funds (Note 15)
		883,103	22,000	Advances from other funds (Note 15)
		315		Advances payable
70		315	340	Unearned revenue
219		173,786	28,123	Current portion of long-term liabilities (Note 11)
8,265	671	1,556,764	103,223	Total current liabilities
				Noncurrent liabilities:
		171,725	45,600	Accrued compensated absences (Note 11)
7,787		788,482	38,430	Bonds and notes (Note 11)
		34,186		Premiums on bonds and notes payable (Note 11)
		210,295	34,258	Workers' compensation (Notes 11 and 18)
133		76,030	250	Litigation and self-insurance (Notes 11 and 18)
		1,627,225	351,178	OPEB obligation (Notes 9 and 11)
		404,585		Third party payor (Notes 11 and 14)
7,920		3,312,528	469,716	Total noncurrent liabilities
16,185	671	4,869,292	572,939	TOTAL LIABILITIES
				NET POSITION
743,891	164,011	2,268,607	93,885	Net investment in capital assets (Notes 6 and 11)
				Restricted:
		4,832	55	Debt service
72,061		72,061		Public ways and facilities
	9,424	(1,929,566)	(372,968)	Unrestricted (deficit)
$ 815,952	173,435	415,934	$ (279,028)	TOTAL NET POSITION (Note 3)
		2,472		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 418,406		NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	$ 749,955	488,328	1,051,217	165,009
Rentals				
Charges for services				
Other (Note 14)	164,045	73,151	204,354	64,305
TOTAL OPERATING REVENUES	914,000	561,479	1,255,571	229,314
OPERATING EXPENSES:				
Salaries and employee benefits	634,712	401,028	887,365	175,075
Services and supplies	150,251	79,424	232,395	28,580
Other professional services	188,927	123,203	348,865	38,042
Depreciation and amortization (Note 6)	10,431	6,798	24,740	3,138
Medical malpractice	5,796	1,572	9,040	
Rent	10,040	5,109	4,538	1,766
TOTAL OPERATING EXPENSES	1,000,157	617,134	1,506,943	246,601
OPERATING LOSS	(86,157)	(55,655)	(251,372)	(17,287)
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	3,168	4	68	20
Interest expense	(7,211)	(8,195)	(1,684)	(1,544)
Intergovernmental transfers expense (Note 14)	(167,128)	(88,795)	(165,716)	(28,623)
Intergovernmental revenues:				
State				
Federal				
TOTAL NONOPERATING REVENUES (EXPENSES)	(171,171)	(96,986)	(167,332)	(30,147)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(257,328)	(152,641)	(418,704)	(47,434)
Capital contributions	1,106			
Transfers in (Note 15)	284,310	128,619	316,472	16,390
Transfers out (Note 15)	(6,542)	(5,314)		(2,925)
CHANGE IN NET POSITION	21,546	(29,336)	(102,232)	(33,969)
NET POSITION, JULY 1, 2013	(313,760)	(207,784)	136,664	(44,582)
NET POSITION, JUNE 30, 2014	$ (292,214)	(237,120)	34,432	(78,551)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 2,454,509	$	Net patient service revenues (Note 14)
	3,657	3,657	24,677	Rentals
74,597	370	74,967	457,805	Charges for services
432	1	506,288		Other (Note 14)
75,029	4,028	3,039,421	482,482	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		2,098,180	418,195	Salaries and employee benefits
59,570	3,753	553,973	45,693	Services and supplies
2,645	790	702,472	38,627	Other professional services
22,099	1,859	69,065	32,043	Depreciation and amortization (Note 6)
		16,408		Medical malpractice
		21,453		Rent
84,314	6,402	3,461,551	534,558	TOTAL OPERATING EXPENSES
(9,285)	(2,374)	(422,130)	(52,076)	OPERATING LOSS
				NONOPERATING REVENUES (EXPENSES):
4,681		4,681		Taxes
535	83	3,878	281	Investment income
(185)		(18,819)	(883)	Interest expense
		(450,262)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
55	2	57		State
109		109		Federal
5,195	85	(460,356)	(602)	TOTAL NONOPERATING REVENUES (EXPENSES)
(4,090)	(2,289)	(882,486)	(52,678)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
326	2,830	4,262		Capital contributions
		745,791	13,123	Transfers in (Note 15)
(531)		(15,312)	(4,110)	Transfers out (Note 15)
(4,295)	541	(147,745)	(43,665)	CHANGE IN NET POSITION
820,247	172,894		(235,363)	NET POSITION, JULY 1, 2013
$ 815,952	173,435		$ (279,028)	NET POSITION, JUNE 30, 2014
		754		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (146,991)		CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (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	$ 716,055	503,510	940,826	125,475
Rentals received				
Rentals received from other funds				
Cash received from (returned for) charges for services				
Other operating revenues	164,050	73,151	204,357	64,334
Cash received for services provided to other funds	20,654	18,347	32,011	971
Cash paid for salaries and employee benefits	(551,991)	(342,096)	(752,052)	(148,473)
Cash paid for services and supplies	(24,227)	(20,980)	(131,694)	(28,064)
Other operating expenses	(203,910)	(127,219)	(375,752)	(43,065)
Cash paid for services from other funds	(134,586)	(67,235)	(172,629)	(21,400)
Net cash provided by (required for) operating activities	(13,955)	37,478	(254,933)	(50,222)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received/returned from other funds	725,487	453,113	1,252,475	214,409
Cash advances paid/returned to other funds	(742,914)	(497,079)	(1,136,144)	(138,693)
Interest paid on advances	(523)	(385)	(639)	(158)
Intergovernmental transfers	(167,128)	(88,795)	(165,716)	(28,623)
Intergovernmental receipts				
Transfers in	284,310	128,619	316,472	16,390
Transfers out	(6,542)	(5,314)		(2,925)
Net cash provided by (required for) noncapital financing activities	92,690	(9,841)	266,448	60,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes			38,147	12,896
Interest paid on capital borrowing	(9,377)	(9,659)	(1,190)	(1,776)
Principal payments on bonds and notes	(6,019)		(40,149)	(12,984)
Acquisition and construction of capital assets	(150,336)	(51,737)	(4,780)	(6,802)
Net cash required for capital and related financing activities	(165,732)	(61,396)	(7,972)	(8,666)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	3,182	50	74	19
Net increase (decrease) in cash and cash equivalents	(83,815)	(33,709)	3,617	1,531
Cash and cash equivalents, July 1, 2013	194,888	83,716	19,730	5,174
Cash and cash equivalents, June 30, 2014	$ 111,073	50,007	23,347	6,705

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
$		$ 2,285,866	$	Cash received from patient services
	3,657	3,657	7	Rentals received
			24,229	Rentals received from other funds
74,981	(867)	74,114	38,517	Cash received from (returned for) charges for services
432	1	506,325		Other operating revenues
		71,983	409,433	Cash received for services provided to other funds
		(1,794,612)	(359,969)	Cash paid for salaries and employee benefits
(60,385)	(1,393)	(266,743)	(44,047)	Cash paid for services and supplies
(2,783)	(790)	(753,519)	(38,627)	Other operating expenses
		(395,850)		Cash paid for services from other funds
12,245	608	(268,779)	29,543	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
94		2,645,578		Cash advances received/returned from other funds
(61)		(2,514,891)		Cash advances paid/returned to other funds
		(1,705)		Interest paid on advances
		(450,262)		Intergovernmental transfers
164	2	166		Intergovernmental receipts
		745,791	13,123	Transfers in
(531)		(15,312)	(4,110)	Transfers out
(334)	2	409,365	9,013	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
4,718		4,718		Proceeds from taxes
	2,830	2,830		Capital contributions
		51,043	53,800	Proceeds from bonds and notes
(185)		(22,187)	(840)	Interest paid on capital borrowing
(105)		(59,257)	(60,810)	Principal payments on bonds and notes
(7,361)	(3,102)	(224,118)	(36,525)	Acquisition and construction of capital assets
(2,933)	(272)	(246,971)	(44,375)	Net cash required for capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
533	84	3,942	274	Investment income
9,511	422	(102,443)	(5,545)	Net increase (decrease) in cash and cash equivalents
54,124	8,110	365,742	49,500	Cash and cash equivalents, July 1, 2013
$ 63,635	8,532	$ 263,299	$ 43,955	Cash and cash equivalents, June 30, 2014

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (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	$ (86,157)	(55,655)	(251,372)	(17,287)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	10,431	6,798	24,740	3,138
Other revenues (expenses) - net	(4,318)	(7,794)	1,663	96
(Increase) decrease in:				
Accounts receivable - net	(14,062)	36,159	(24,449)	(60,476)
Other receivables	(1,241)	(2,543)	2,196	8,615
Due from other funds	6,930	1,390	(7,340)	24,666
Inventories	(1,558)	(382)	(1,558)	(79)
Increase (decrease) in:				
Accounts payable	6,582	(3,011)	(21,443)	128
Accrued payroll	1,870	1,148	2,356	302
Other payables	(163)	(70)	(117)	
Accrued compensated absences	2,679	1,425	3,539	452
Due to other funds	(9,263)	2,396	(50,587)	(21,000)
Unearned revenue			14	(22)
Workers' compensation	(2,550)	2,330	(3,925)	251
Litigation and self-insurance	5,185	1,463	(3,212)	(3,257)
OPEB obligation	77,899	56,279	125,555	26,049
Third party payor	(6,219)	(2,455)	(50,993)	(11,798)
TOTAL ADJUSTMENTS	72,202	93,133	(3,561)	(32,935)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ (13,955)	37,478	(254,933)	(50,222)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Capital contributions	$ 1,106			
TOTAL	$ 1,106			
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 12,184	8,384	18,515	2,448
Restricted assets	98,889	41,623	4,832	4,257
TOTAL	$ 111,073	50,007	23,347	6,705

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (9,285)	(2,374)	$ (422,130)	$ (52,076)	Operating loss
				Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:
22,099	1,859	69,065	32,043	Depreciation and amortization
28	2,327	(7,998)	1,006	Other revenues (expenses) - net
				(Increase) decrease in:
360	(1,243)	(63,711)		Accounts receivable - net
		7,027	578	Other receivables
21	6	25,673	(10,678)	Due from other funds
		(3,577)	(745)	Inventories
				Increase (decrease) in:
(848)	44	(18,548)	503	Accounts payable
		5,676	733	Accrued payroll
	(231)	(581)	10	Other payables
		8,095	1,144	Accrued compensated absences
5	220	(78,229)	882	Due to other funds
3		(5)	(1,219)	Unearned revenue
		(3,894)	(2,191)	Workers' compensation
(138)		41	250	Litigation and self-insurance
		285,782	59,303	OPEB obligation
		(71,465)		Third party payor
21,530	2,982	153,351	81,619	TOTAL ADJUSTMENTS
$ 12,245	608	$ (268,779)	$ 29,543	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$ 326		$ 1,432	$	Capital contributions
$ 326		$ 1,432	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 63,635	8,532	$ 113,698	$ 37,869	Pooled cash and investments
		149,601	6,086	Restricted assets
$ 63,635	8,532	$ 263,299	$ 43,955	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 77,972	$ 13,362,313	$ 1,608,397
Other investments: (Note 5)		96,551	30,810
Stocks	25,796,587		
Bonds	10,261,720		
Short-term investments	1,877,033		
Commodities	2,169,289		
Real estate	4,995,446		
Mortgages	82,601		
Alternative assets	4,562,066		
Cash collateral on loaned securities	998,216		
Taxes receivable			272,899
Interest receivable	120,442	35,301	45,590
Other receivables	610,719		
TOTAL ASSETS	51,552,091	13,494,165	1,957,696
LIABILITIES			
Accounts payable	2,284,914		
Other payables (Note 5)	1,061,076		
Due to other governments			1,957,696
TOTAL LIABILITIES	3,345,990		1,957,696
NET POSITION			
Net position held in trust for pension benefits and other purposes	$ 48,206,101	$ 13,494,165	$

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 1,767,421	$
Member	439,001	
Contributions to investment trust funds		42,115,048
Total contributions	2,206,422	42,115,048
Investment earnings:		
Investment income	2,305,467	167,104
Net increase in the fair value of investments	4,734,961	
Securities lending income (Note 5)	4,447	
Total investment earnings	7,044,875	167,104
Less - Investment expenses-		
Expense from investing activities	101,350	
Net investment earnings	6,943,525	167,104
Miscellaneous	2,256	
TOTAL ADDITIONS	9,152,203	42,282,152
DEDUCTIONS		
Salaries and employee benefits	42,848	
Services and supplies	16,019	
Benefit payments	3,085,852	
Distributions from investment trust funds		44,151,964
Miscellaneous	23,757	
TOTAL DEDUCTIONS	3,168,476	44,151,964
CHANGE IN NET POSITION	5,983,727	(1,869,812)
NET POSITION, JULY 1, 2013	42,222,374	15,363,977
NET POSITION, JUNE 30, 2014	$ 48,206,101	$ 13,494,165

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2014 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments- (Notes 1 and 5)			
Operating	$ 123,971	611,770	$ 735,741
Total pooled cash and investments	123,971	611,770	735,741
Other investments (Note 5)	213,246		213,246
Accounts receivable - net	35,008		35,008
Interest receivable		650	650
Other receivables	9,229	59,574	68,803
Inventories	21,527		21,527
Net pension obligation	131		131
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	94,713	2,039	96,752
Capital assets, net of accumulated depreciation	82,945	10,043	92,988
Total capital assets	177,658	12,082	189,740
TOTAL ASSETS	580,770	684,076	1,264,846
LIABILITIES			
Accounts payable	24,755	38,729	63,484
Other payables	1,047	16	1,063
Unearned revenue	190		190
Long-term liabilities: (Note 11)			
Due within one year	5,370	70	5,440
Due in more than one year	66,079	498	66,577
TOTAL LIABILITIES	97,441	39,313	136,754
NET POSITION			
Net investment in capital assets	137,579	12,083	149,662
Restricted for:			
Community development	281,516		281,516
First 5 LA		632,680	632,680
Unrestricted	64,234		64,234
TOTAL NET POSITION	$ 483,329	644,763	$ 1,128,092

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expense	$ (442,389)	(205,837)	$ (648,226)
Program revenues:			
Charges for services	63,475		63,475
Operating grants and contributions	389,853	108,523	498,376
Net program (expenses) revenues	10,939	(97,314)	(86,375)
GENERAL REVENUES:			
Investment income	4,321	6,369	10,690
Miscellaneous	5,787	100	5,887
Total general revenues	10,108	6,469	16,577
CHANGE IN NET POSITION	21,047	(90,845)	(69,798)
NET POSITION, JULY 1, 2013	462,282	735,608	1,197,890
NET POSITION, JUNE 30, 2014	$ 483,329	644,763	$ 1,128,092

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

COUNTY OF LOS ANGELES
CALIFORNIA

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Blended Component Units

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

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

Discretely Presented Component Units

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

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

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

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

Los Angeles County Children and Families First – Proposition 10 Commission

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Children and Families First – Proposition 10 Commission-Continued

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

Related Organization

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

Component Units Financial Statements

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

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) 34, the basic financial statements consist of the following:

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

Government-wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the restricted net position balances were $2.727 billion and $76.91 million for governmental activities and business-type activities, respectively. For governmental activities, $704.72 million was restricted by enabling legislation.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

General Fund

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

Fire Protection District Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Flood Control District Fund

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

Public Library Fund

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

Regional Park and Open Space District Fund

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

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

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

Aviation Funds

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

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension and Other Postemployment Benefit Trust Funds

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

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

Investment Trust Funds

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types-Continued

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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

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

Budgetary Data

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

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $28.271 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, 2014. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at http://ceo.lacounty.gov/budget.htm, or can be obtained from the Auditor-Controller's office.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data-Continued

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2013-2014 assessed valuation of the County of Los Angeles approximated $1.145 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.

The County is divided into 12,728 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x126, also referred to as the "Redevelopment Dissolution Act" was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes," are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2014, the County's share of residual property tax revenues was $159.88 million, of which $134.10 million was recognized in the County's General Fund.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2014 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

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

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 LACCAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

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

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in GASB 62. The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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 from tax-exempt debt over the same period. For taxable debt, interest is capitalized and not netted with interest earnings.

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

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

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB 65 "Items Previously Reported as Assets and Liabilities," the County recognized deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position and governmental fund balance sheets.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources-Continued

Previous financial reporting standards do not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. Refer to Note 20 for a detailed listing of the deferred outflows and inflows of resources the County has recognized.

Advances Payable

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

Compensated Absences

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

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

Long-term Debt

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 21.

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. Authorization to assign fund balance rests with the County’s Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

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

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. NEW PRONOUNCEMENTS

The County implemented GASB 65 “Items Previously Reported as Assets and Liabilities” in the current basic financial statements for the year ended June 30, 2014. GASB 65 provides additional financial reporting guidance for deferred outflows of resources and deferred inflows of resources (Notes 1 and 20).

In addition, LACERA implemented GASB 67 “Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25.” Implementation of GASB 67 required changes and additions in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information in LACERA’s financial report (Note 8).

3. DEFICIT NET POSITION

The following funds had a deficit net position at June 30, 2014 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 292,214
Olive View-UCLA Medical Center	237,120
Rancho Los Amigos National Rehab Center	78,551
Internal Service Fund-	
Public Works	288,920

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

4. ELIMINATIONS

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

Fund Financial Statements

At June 30, 2014, the governmental fund financial statements reflect an investment asset (referred to as “Other Investments”) held by the JPAs of $113,615,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable ($113,615,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the Nonmajor Governmental Funds.

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($113,615,000) and investment income and interest expense ($6,497,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $113,615,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned “Assessment Bonds.”

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2014 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 5,102,623	$ 64,556	$	$	$ 5,167,179
Proprietary Funds	151,567		153,039	2,648	307,254
Fiduciary Funds (excluding Pension and OPEB)	14,970,710	127,361			15,098,071
Pension and OPEB Trust Funds	77,972	50,742,958			50,820,930
Discretely Presented Component Units	735,741	213,246			948,987
Total	$ 21,038,613	$ 51,148,121	$ 153,039	$ 2,648	$ 72,342,421

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, 2014, the carrying amount of the County's deposits was $219,549,000 and the balance per various financial institutions was $214,774,000. 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, 2014, the carrying amount of Pension and OPEB Trust Funds’ deposits was $232,979,000. Pension and OPEB Trust Funds’ deposits are held in the custodial bank and, therefore, are not exposed to custodial credit risk since its deposits are eligible for and covered by “pass through insurance” in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers’ acceptances, commercial paper rated A-1 by Standard & Poor’s Ratings Services or P-1 by Moody’s Investors Service, 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, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	$750 million*
Commercial Paper	270 days	40%	$1.5 billion*
Certificates of Deposit	3 years*	30%	$750 million*
Corporate Medium-Term Notes	3 years*	30%	$750 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%	$750 million*

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

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

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

At June 30, 2014, the County had no open trade commitments with various brokers to purchase investments with settlement dates subsequent to year-end.

5. CASH AND INVESTMENTS-Continued

Investments-Continued

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

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G and Note I of LACERA’s Report on Audited Financial Statements for the year ended June 30, 2014.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-five percent (85%) 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 $97,044,000. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension and OPEB Trust Funds other investments) at June 30, 2014 (in thousands) are as follows:

	Fair Value
U.S. Agency securities	$ 11,187,271
U.S. Treasury securities	948,033
Negotiable certificates of deposit	3,009,313
Commercial paper	5,790,367
Corporate and deposit notes	267,493
Municipal bonds	85,696
Los Angeles County securities	7,000
Money market mutual funds	24,084
Local Agency Investment Fund	49,483
Other - Investment in JPA	11,174
Total	$ 21,379,914

5. CASH AND INVESTMENTS-Continued

Investments-Continued

Pension and OPEB Trust Funds investments are reported in the basic financial statements at fair value at June 30, 2014 (in thousands) and are as follows:

	Fair Value
Cash Collateral on Loaned Securities	$ 998,216
Domestic and international equity	25,796,587
Fixed income	11,988,375
Real estate	4,995,446
Private equity	4,015,799
Commodities	2,169,289
Hedge Funds	546,267
Total	$ 50,509,979

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Treasury Pool at June 30, 2014 totaling $77,972,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2014 to support the value of shares in the Treasurer's investment pool.

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

A summary of deposits and investments held by the Treasury Pool at June 30, 2014 is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U.S. Agency securities	$ 11,058,726	$ 11,151,284	0.13% - 6.50%	07/23/14-12/17/19	3.63
U.S. Treasury bills	599,863	599,686	0.11% - 0.13%	11/13/14-03/05/15	0.44
U.S. Treasury notes	347,772	347,634	0.63% - 2.38%	08/31/14-04/30/18	2.34
Negotiable certificates of deposit	2,996,383	2,996,584	0.11% - 1.18%	07/01/14-04/18/16	0.22
Commercial paper	5,790,367	5,790,408	0.11% - 0.22%	07/01/14-09/22/14	0.05
Corporate and deposit notes	185,056	185,057	0.21% - 2.15%	12/29/14-10/11/16	0.98
Los Angeles County securities	7,000	7,000	0.55%	06/30/16	2.00
Deposits	206,485	206,485			
	$ 21,191,652	$ 21,284,138			

5. CASH AND INVESTMENTS-Continued

Investments-Continued

A summary of other (non-pooled) deposits and investments at June 30, 2014, excluding the Pension and OPEB Trust Funds, is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 49,482	$ 49,468	0.00% - 6.00%	07/01/14-06/25/39	0.64
Corporate and deposit notes	82,437	82,427	3.75%	10/01/14-01/18/18	1.86
Municipal bonds	85,696	85,696	5.00%	08/01/14-09/02/21	2.22
U.S. Agency securities	128,546	130,056	0.07% - 3.24%	11/21/14-05/30/28	4.49
U.S. Treasury bonds	96	85	7.25%	05/15/16	1.88
U.S. Treasury bills	302	302	0.05%	12/04/14	0.43
Money market mutual funds	24,084	24,084	0.01% - 0.03%	07/01/14	0.00
Negotiable Certificates of Deposit	12,930	12,930			0.93
Other - Investment in JPA	11,174	11,174			0.00
Deposits	13,064	13,064			
	$ 407,811	$ 409,286			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than three years, with the exception of commercial paper and bankers' acceptances, which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds may have maturities beyond five years. The County Treasurer manages the Treasury Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to range between 1.0 and 2.0 years. Of the Pooled Cash and Investments and Other Investments at June 30, 2014, 46.91% have a maturity of six months or less, 2.63% have a maturity of between six and twelve months, and 50.46% have a maturity of more than one year.

As of June 30, 2014, variable-rate notes comprised 2.32% of the Treasury Pool. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Agency Investment Fund, and mortgage trust deeds, which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2014, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

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

The County's Investment Policy establishes minimum acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased in the fiscal year met the credit rating criteria in the Investment Policy, at the issuer level. While the NRSROs rated the issuer of the investments purchased, it did not in all instances rate the investment itself (e.g. commercial paper, corporate and deposit notes, bankers' acceptance, 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, 2014, a portion of the County's other investments was invested in the State of California's Local Agency Investment Fund, which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's NRSRO ratings. For bankers' acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was $750 million, approximately 3.57% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was $1.5 billion, or 7.15% of the investment pool's daily investment balance.

The Treasury Pool and SPI had the following U.S. Agency securities in a single issuer that represent 5 percent or more of total investments at June 30, 2014 (in thousands):

Issuer	Pool	SPI
Federal Farm Credit Bank	$ 2,313,376	$ 30,830
Federal Home Loan Bank	3,494,686	14,092
Federal Home Loan Mortgage Corp	2,364,580	23,414
Federal National Mortgage Association	2,886,094	8,005

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, 2014:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	Not Rated	Not Rated	27.59%
Corporate and deposit notes			
	AA-	Aa3	0.35%
	AA	Aa3	0.12%
	AA+	A1	0.41%
Los Angeles County securities	Not Rated	Not Rated	0.03%
Negotiable certificates of deposit			
	AA-	Aa3	0.48%
	Not Rated	Aa2	0.71%
	Not Rated	Not Rated	13.09%
U.S. Agency securities	AA +	Aaa	48.50%
	Not Rated	Aaa	0.24%
	AA+	Not Rated	0.62%
	Not Rated	Not Rated	3.34%
U.S. Treasury notes	Not Rated	Aaa	1.66%
U.S. Treasury bills	Not Rated	Not Rated	2.86%
			100.00%
Other Investments:			
Local Agency Investment Fund	Not Rated	Not Rated	12.53%
Corporate and deposit notes	AA+	A1	0.38%
	Not Rated	Not Rated	20.50%
Municipal bonds	Not Rated	Not Rated	21.70%
U.S. Agency securities	AA+	Aaa	13.43%
	AA+	Not Rated	5.90%
	Not Rated	Not Rated	13.22%
U.S. Treasury bonds	Not Rated	Aaa	0.02%
U.S. Treasury bills	Not Rated	Not Rated	0.08%
Negotiable Certificates of Deposit	Not Rated	Not Rated	3.28%
Non-negotiable Certificates of Deposit	Not Rated	Not Rated	0.03%
Money market mutual funds	Not Rated	Not Rated	6.10%
Other-Investment in JPA	Not Rated	Not Rated	2.83%
			100.00%

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2014 relative to the County Treasury Pool balances. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year. The unrealized loss on investments held in the Treasury Pool was $92,486,000 as of June 30, 2014. A separate financial report is issued for the Treasury Pool as of June 30, 2014.

Reverse Repurchase Agreements

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

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

Floating Rate Notes

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2014, there were approximately $487,450,000 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, 2014, forward currency contracts receivable and payable totaled $9,068,793,000 and $9,121,357,000, respectively. All investment derivative positions are included as part of investments at fair value on LACERA's statement of plan net position. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the statement of changes in plan net position.

LACERA's Investment Policy Statement and Investment Manager Guidelines allow the limited use of other investment derivatives by certain investment managers. Detailed derivative disclosures are included in Note I of LACERA's Report on Audited Financial Statements for the year ended June 30, 2014.

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions

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

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

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

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2014, 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, 2014.

As of June 30, 2014, the fair value of securities on loan was $1.665 billion. The value of the cash collateral received for those securities was $998.22 million and non-cash collateral of $706.98 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $998.22 million are recorded in the Pension and OPEB Trust Funds. Pension and OPEB Trust Funds income, net of expenses, from securities lending was $4.45 million for the year ended June 30, 2014.

For the year ended June 30, 2014, 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, 2014 (in thousands):

	County	Pension and OPEB Trust Funds	Total
Deposits	$ 219,549	$ 232,979	$ 452,528
Investments	21,379,914	50,509,979	71,889,893
	$ 21,599,463	$ 50,742,958	$ 72,342,421

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,388,257	6,965	(1,180)	$ 2,394,042
Easements	4,961,754	2,582	(89)	4,964,247
Software in progress	43,123	82,247	(8,783)	116,587
Construction in progress-buildings and improvements	435,483	288,129	(62,553)	661,059
Construction in progress-infrastructure	271,749	120,001	(102,619)	289,131
Subtotal	8,100,366	499,924	(175,224)	8,425,066
Capital assets, being depreciated:				
Buildings and improvements	4,256,114	139,858	(12,325)	4,383,647
Equipment	1,486,520	92,226	(39,334)	1,539,412
Software	529,018	40,009		569,027
Infrastructure	7,674,311	69,523	(1,724)	7,742,110
Subtotal	13,945,963	341,616	(53,383)	14,234,196
Less accumulated depreciation for:				
Buildings and improvements	(1,551,741)	(75,910)	2,843	(1,624,808)
Equipment	(1,049,400)	(100,520)	37,971	(1,111,949)
Software	(249,624)	(61,508)		(311,132)
Infrastructure	(3,357,019)	(163,514)	461	(3,520,072)
Subtotal	(6,207,784)	(401,452)	41,275	(6,567,961)
Total capital assets, being depreciated, net	7,738,179	(59,836)	(12,108)	7,666,235
Governmental activities capital assets, net	$ 15,838,545	440,088	(187,332)	$ 16,091,301
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 152,578			$ 152,578
Easements	31,064	326		31,390
Software in progress	1,467		(1,467)	
Construction in progress-buildings and improvements	558,572	121,616	(614,448)	65,740
Construction in progress-infrastructure	21,908	11,756	(9,026)	24,638
Subtotal	765,589	133,698	(624,941)	274,346

6. CAPITAL ASSETS-Continued

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type Activities-Continued				
Capital assets, being depreciated:				
Buildings and improvements	1,896,891	689,266	(1,007)	2,585,150
Equipment	256,099	45,239	(18,946)	282,392
Software	57,355	1,567		58,922
Infrastructure	1,233,652	5,234	(686)	1,238,200
Subtotal	3,443,997	741,306	(20,639)	4,164,664
Less accumulated depreciation for:				
Buildings and improvements	(666,770)	(28,438)	232	(694,976)
Equipment	(182,684)	(19,371)	16,418	(185,637)
Software	(16,967)	(4,913)		(21,880)
Infrastructure	(513,449)	(21,566)	674	(534,341)
Subtotal	(1,379,870)	(74,288)	17,324	(1,436,834)
Total capital assets, being depreciated, net	2,064,127	667,018	(3,315)	2,727,830
Business-type activities capital assets, net	$ 2,829,716	800,716	(628,256)	3,002,176
Total capital assets, net	$ 18,668,261	1,240,804	(815,588)	$ 19,093,477

Depreciation Expense

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

Governmental activities:	
General government	$ 22,328
Public protection	159,704
Public ways and facilities	92,343
Health and sanitation	19,764
Public assistance	57,426
Education	2,907
Recreation and cultural services	20,160
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	26,820
Total depreciation expense, governmental activities	$ 401,452
Business-type activities:	
Hospitals	$ 45,107
Waterworks	22,099
Aviation	1,859
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	5,223
Total depreciation expense, business-type activities	$ 74,288

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2014 was as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 93,240	584	(1,111)	$ 92,713
Construction in progress-buildings and improvements	8,148	943	(7,091)	2,000
Subtotal	101,388	1,527	(8,202)	94,713
Capital assets, being depreciated:				
Buildings and improvements	208,499	11,077	(1,159)	218,417
Equipment	9,609	334	(611)	9,332
Subtotal	218,108	11,411	(1,770)	227,749
Less accumulated depreciation for:				
Buildings and improvements	(136,571)	(3,945)	1,045	(139,471)
Equipment	(4,543)	(1,341)	551	(5,333)
Subtotal	(141,114)	(5,286)	1,596	(144,804)
Total capital assets being depreciated, net	76,994	6,125	(174)	82,945
CDC capital assets, net	$ 178,382	7,652	(8,376)	$ 177,658

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2014 was as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated-Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,509	80		2,589
Subtotal	14,585	80		14,665
Less accumulated depreciation for:				
Buildings and improvements	(1,950)	(243)		(2,193)
Equipment	(2,319)	(110)		(2,429)
Subtotal	(4,269)	(353)		(4,622)
Total capital assets being depreciated, net	10,316	(273)		10,043
First 5 LA capital assets, net	$ 12,355	(273)		$ 12,082

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

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

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

Golf Courses

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

As of June 30, 2014, the present value of the installment payments under contract is estimated to be $97.03 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using a discount rate of 5.12% for the term of the agreement for each SCA. The lease terms for the sixteen golf courses cover remaining periods ranging from three to 25 years as of June 30, 2014. The FY 2013-2014 total monthly installment payments are approximately $735,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The carrying value of the golf courses, including buildings and land, is reported at $12.38 million as of June 30, 2014.

8. PENSION PLAN

Plan Description

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

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

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

8. PENSION PLAN-Continued

Plan Description-Continued

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

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

Funding Policy

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

The following employer rates were in effect for FY 2013-2014:

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

October 1, 2013 - June 30, 2014	A	B	C	D	E	G
General Members	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%
Safety Members	34.63%	27.92%	23.18%			

The rates were determined by the actuarial valuation performed as of June 30, 2011 and June 30, 2012, respectively. The rates for plan G and Safety plan C were based on a PEPRA study completed by the actuaries since no employees were in these plans as of June 30, 2012. The preceding actuarial valuations and study were used for purposes of calculating the annual required contribution (ARC) for FY 2013-2014.

8. PENSION PLAN-Continued

Funding Policy-Continued

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

During FY 2013-2014, the County contributed the full amount of the ARC, in the form of semi-monthly cash payments in the amount of $1.320 billion.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for FY 2013-2014, computed in accordance with GASB 27, were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 1,320,318
Non-County entities	124
Total ARC/Annual pension cost	1,320,442
Contributions made:	
County cash	1,320,318
Transfer from CCCR	0
Non-County entities	124
Total contributions	1,320,442
Change in net pension obligation (asset)	0
Net pension obligation (asset), July 1, 2013	0
Net pension obligation (asset), June 30, 2014	$ 0

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2012	$ 1,078,929	100.00%	$ 0
June 30, 2013	1,172,014	100.00%	0
June 30, 2014	1,320,442	100.00%	0

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the funded ratio was determined to be 75.0%. The actuarial value of assets was $39.932 billion, and the actuarial accrued liability (AAL) was $53.248 billion, resulting in an unfunded AAL of $13.316 billion. The covered payroll was $6.596 billion and the ratio of the unfunded AAL to the covered payroll was 201.9%.

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

8. PENSION PLAN-Continued

Actuarial Methods and Assumptions

The annual required contribution was calculated using the entry age normal method. The June 30, 2013 actuarial valuation also assumed an annual investment rate of return of 7.50%, and projected salary increases ranging from 3.76% to 9.71%, with both assumptions including a 3.00% inflation factor. Additionally, the valuation assumed post-retirement benefit increases of between 2.00% and 3.00%, 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 County contribution rate to finance the unfunded AAL increased from 19.82% to 21.34% of payroll, which is a weighted average for all LACERA plans, as determined by the June 30, 2012 and 2013 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.

For the year ended June 30, 2014, LACERA implemented GASB 67 "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25." Implementation of GASB 67 required changes and additions in the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information in LACERA’s financial report. Significant changes include calculation of total and net pension liability for financial reporting, comprehensive footnote disclosure regarding pension liability, sensitivity of net pension liability to the discount rate, additional investment disclosure, expected long-term discount rate, and annual money-weighted rate of return on investment.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Plan Description-Continued

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014 into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

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 FY 2013-2014 is on a pay-as-you-go basis. During FY 2013-2014, the County made payments to LACERA totaling $446.98 million for retiree health care benefits. Included in this amount was $45.2 million for Medicare Part B reimbursements and $7.4 million in death benefits. Additionally, $40.5 million was paid by member participants. The County also made payments of $37.32 million for long-term disability benefits.

OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable Other Postemployment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2013-2014, the County did not make any contributions to the OPEB Trust. As of June 30, 2014, the Net Position of the OPEB Trust fund was $483.82 million.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

OPEB Trust-Continued

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

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2012, and the OPEB long-term disability actuarial valuation as of July 1, 2013. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	Retiree Health Care	LTD	Total
Annual OPEB required contribution (ARC)	$ 2,036,300	$ 78,321	$2,114,621
Interest on Net OPEB obligation	346,463	8,225	354,688
Adjustment to ARC	(284,392)	(6,751)	(291,143)
Annual OPEB cost (expense)	2,098,371	79,795	2,178,166
Less: Contributions made	446,979	37,320	484,299
Increase in Net OPEB obligation	1,651,392	42,475	1,693,867
Net OPEB obligation, July 1, 2013	7,964,673	189,072	8,153,745
Net OPEB obligation, June 30, 2014	$ 9,616,065	$ 231,547	$9,847,612

Retiree Health Care Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 1,915,501	19.8%	$ 6,765,519
June 30, 2013	2,089,025	42.6%	7,964,673
June 30, 2014	2,098,370	21.3%	9,616,064

LTD Trend Information (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 72,473	50.6%	$ 153,601
June 30, 2013	73,069	51.5%	189,072
June 30, 2014	79,795	46.8%	231,547

Funded Status and Funding Progress

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

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress-Continued

As of July 1, 2013, the most recent actuarial valuation date for OPEB long-term disability benefits, the funded ratio was 0%. The actuarial value of assets was zero. The AAL was $945.69 million, resulting in an unfunded AAL of $945.69 million. The covered payroll was $6.596 billion and the ratio of the unfunded AAL to the covered payroll was 14.34%.

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.

The actuarial valuations for OPEB health care and OPEB long-term disability benefits were prepared by two different firms; however, the methods and assumptions used were the same. In both valuations, the projected unit credit cost method was used. The valuation for OPEB health care and OPEB long-term disability benefits assumed an annual investment rate of return of 4.35% and projected general wage increase of 3.85% per annum. Both valuations factored in an annual inflation rate of 3.35%. 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, both the OPEB health care and the OPEB long-term disability valuation reports used the level percentage of projected payroll over a rolling (open) 30-year amortization period.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Actuarial Methods and Assumptions-Continued

The healthcare cost trend initial and ultimate rates, based on the July 1, 2012 OPEB actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	9.05%	5.10%
LACERA Medical Over 65	9.75%	5.10%
Firefighters Local 1014 (all)	9.05%	5.10%
Part B Premiums	6.85%	5.10%
Dental (all)	4.40%	3.40%

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014 (in thousands):

Year Ending June 30	Governmental Activities
2015	$ 87,765
2016	60,046
2017	46,002
2018	31,079
2019	24,405
2020-2024	63,353
2025-2029	53,984
2030-2034	36,312
2035-2039	13,655
2040-2044	13,655
2045-2049	11,606
Total	$ 441,862

Rent expenses related to operating leases were $92,049,000 for the year ended June 30, 2014.

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2014 (in thousands):

Year Ending June 30	Governmental Activities
2015	$ 23,964
2016	23,285
2017	21,222
2018	20,544
2019	20,498
2020-2024	99,805
2025-2029	77,926
2030-2034	58,670
2035-2039	27,180
Total	373,094
Less: Amount representing interest	198,973
Present value of future minimum lease payments	$ 174,121

The following is a schedule of property under capital leases by major classes at June 30, 2014 (in thousands):

	Governmental Activities
Land	$ 18,695
Buildings and improvements	141,441
Equipment	68,524
Accumulated depreciation	(45,823)
Total	$ 182,837

Future rent revenues to be received from noncancelable subleases are $1,068,000 as of June 30, 2014.

10. LEASES-Continued

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 8 to 83 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 21 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 54 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 $573,645,000. The carrying value of the capital assets associated with the regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2014 (in thousands):

Year Ending June 30	Governmental Activities
2015	$ 36,494
2016	36,414
2017	36,265
2018	36,166
2019	36,052
Thereafter	1,380,201
Total	$ 1,561,592

The following is a schedule of rental income for these operating leases for the year ended June 30, 2014 (in thousands):

	Governmental Activities
Minimum rentals	$ 36,290
Contingent rentals	16,008
Total	$ 52,298

10. LEASES-Continued

Leases of County-Owned Property-Continued

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

11. LONG-TERM OBLIGATIONS

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

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

	Original Par Amount of Debt	Balance June 30, 2014
Los Angeles County Flood Control District Refunding Bonds, 2.5% to 5.0%	$ 143,195	$ 4,390
Los Angeles County Flood Control District Revenue Bonds, 4.0% to 4.12%	20,540	13,090
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.0% to 5.25%	275,535	121,728
NPC Bond Anticipation Notes, 0.551%	2,073	2,073
NPC Bonds, 1.5% to 5.0%	70,572	39,574
Marina del Rey Loans, 4.5% to 4.7%	23,500	16,588
Public Buildings Bonds and Notes, 2.0% to 7.618%	1,152,658	798,120
Lease Revenue Obligation Notes, 0.06% to 0.66%	366,957	366,957
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	401,548
Total	$ 2,374,857	$ 1,764,068

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

	Original Par Amount of Debt	Balance June 30, 2014
NPC Bond Anticipation Notes, 0.551%	$ 4,927	$ 4,927
NPC Bonds, 1.5% to 5.0%	14,703	10,476
Public Buildings Bonds and Notes, 2.0% to 7.618%	914,292	837,410
Lease Revenue Obligation Notes, 0.06% to 0.66%	51,043	51,043
Waterworks District Loans, 2.28%	8,111	8,006
Total	$ 993,076	$ 911,862

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

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

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $127,430,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,752,000 and $80,455,000, respectively.

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2015	$ 30,735	$ 4,997
2016	32,270	3,422
2017	11,715	2,313
2018	12,320	1,692
2019	12,955	1,039
2020-2024	13,620	352
Subtotal	113,615	$ 13,815
Add: Unamortized bond premiums	8,113	
Total assessment bonds	$ 121,728	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During FY 2013-2014, the Los Angeles County Capital Asset Leasing Corporation (LACCAL) issued lease revenue bonds of $29,800,000 primarily to retire bond anticipation notes. The allocation of debt between Governmental Activities and Business-type Activities was $21,754,000 and $8,046,000, respectively.

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

The County has pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, included here in the Public Buildings COPS, issued in 2005 and maturing in 2022. To the extent that the net available revenues are insufficient to cover the debt payments in any fiscal year, the County has pledged to make the debt payments from any source of legally available funds. The County paid $2,625,000 and credit reserves of $723,000 were used to pay for the current fiscal year debt payment of $3,348,000. Total principal and interest remaining on the bonds is $29,325,000.

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

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2015	$ 71,508	$ 50,213	$ 25,266	$ 51,048
2016	55,562	48,323	29,575	49,918
2017	39,732	48,070	21,777	47,815
2018	26,280	49,065	17,271	45,413
2019	24,154	48,884	16,908	44,613
2020-2024	169,336	173,192	96,940	208,484
2025-2029	124,474	108,344	122,046	175,017
2030-2034	118,522	69,832	155,783	129,614
2035-2039	93,473	34,843	197,592	72,459
2040-2044	47,831	3,861	129,644	11,535
Subtotal	770,872	$ 634,627	812,802	$ 835,916
Add: Accretions	64,507			
Unamortized bond premiums	19,795		35,084	
Total certificates of participation and bonds	$ 855,174		$ 847,886	

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2014 were $131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2015	$	$ 19,918
2016		19,919
2017		19,919
2018		19,919
2019		19,919
2020-2024	35,925	91,246
2025-2029	46,370	82,406
2030-2034		69,311
2035-2039	62,196	55,680
2040-2044	53,157	34,810
2045-2049	97,824	10,782
Subtotal	295,472	$ 443,829
Add: Accretions	106,076	
Total tobacco settlement asset-backed bonds	$ 401,548	

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Asset Leasing Corporation (LACCAL) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2013 - 2014, LACCAL issued additional BANS in the amount of $14,483,000, as reflected in Governmental Activities and $9,517,000 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.

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of $3,410,400 and $5,472,875 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual principal and interest payments of the loans are expected to require less than 47% of the annual surcharge revenues. During FY 2013-2014, the County did not obtain any additional loans. As of June 30, 2014, total loans drawn are $2,838,000 on the Sepulveda Feeder Interconnection project and $5,273,000 on the Marina del Rey Waterline Replacement project.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by three irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON and a revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by twenty-four County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 18, 2016. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

The aggregate maximum principal amount of the three LOCs is $450,000,000, which consists of $150,000,000 of callable Series A (JP Morgan), $100,000,000 of Series B (U.S. Bank), $200,000,000 of Series C (Wells Fargo) and $150,000,000 direct placement revolving credit facility of Series D (Bank of America). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody's, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.54% of the maximum, principal amount of the LOC. For Series B and C, the letter of credit fee is equal to 0.6% of the maximum principal amount of the LOC. The commitment fee is equal to 0.3% of the $150,000,000 maximum principal amount of the revolving credit facility for Series D (Bank of America). As of June 30, 2014, $ 418,000,000 of LRON issued under the program were outstanding, including $103,000,000 of Series A, $100,000,000 of Series B, $200,000,000 of Series C, and $15,000,000 of direct placement revolving credit facility Series D.

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are reissued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2013-2014, the County redeemed and reissued $255,949,000 for Governmental Activities and $45,951,000 for Business-type Activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional $116,100,000 of new County LRON, $111,008,000 for Governmental Activities and $5,092,000 for Business-type Activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2014 is $418,000,000, which is reported as $366,957,000 for Governmental Activities and $51,043,000 for Business-type Activities. The average interest rate on LRON issued in FY 2013-2014 was 0.108%

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

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2015	$ 367,755	$ 746	$ 51,262	$ 91
2016	2,907	711	5,259	176
2017	871	673	339	168
2018	911	634	347	160
2019	952	593	355	153
2020-2024	5,441	2,282	1,900	637
2025-2029	6,781	942	2,129	408
2030-2034			2,385	152
Total notes, loans, and LRON	$ 385,618	$ 6,581	$ 63,976	$ 1,945

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
Assessment bonds	$ 113,615	$ 13,815	$	$
Certificates of participation and bonds	770,872	634,627	812,802	835,916
Tobacco settlement asset-backed bonds	295,472	443,829		
Notes, loans, and LRON	385,618	6,581	63,976	1,945
Subtotal	1,565,577	$1,098,852	876,778	$ 837,861
Add: Accretions	170,583			
Unamortized premiums on bonds payable	27,908		35,084	
Total bonds and notes	$1,764,068		$ 911,862	

Long-term liabilities recorded in the Government-wide Statement of Net position include accreted interest on zero coupon bonds and unamortized bond premiums.

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. At June 30, 2014, there were no outstanding bonds and certificates of participation considered defeased.

Changes in Long-term Liabilities

Long-term debt obligations as of July 1, 2013 include the following adjustments (in thousands) as a result of the unamortized refunding loss, now being reported as deferred outflows of resources rather than a component of long-term debt due to the implementation of GASB 65:

	Long-term Liabilities July 1, 2013, as previously reported	Effect of GASB 65	Long-term Liabilities July 1, 2013, as restated
Governmental activities:			
Bonds and notes payable	$ 1,551,146		$ 1,551,146
Add: Unamortized premium on bonds payable	32,107		32,107
Less: Unamortized amount on refunding loss	(23,165)	23,165	
Total bonds and notes payable	$ 1,560,088	23,165	$ 1,583,253

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2014 (in thousands):

	Balance July 1, 2013	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,551,146	403,194	388,763	$ 1,565,577	$ 469,998
Add: Unamortized premium on bonds payable	32,107		4,199	27,908	4,177
Total bonds and notes payable	1,583,253	403,194	392,962	1,593,485	474,175
Interest accretion on capital appreciation bonds payable	172,142	2,630	4,189	170,583	10,465
Other long-term liabilities:					
Capital lease obligations (Note 10)	183,056	1,736	10,671	174,121	8,732
Accrued compensated absences	1,192,964	123,214	77,664	1,238,514	65,433
Workers' compensation (Note 18)	1,836,641	336,223	310,181	1,862,683	342,995
Litigation and self-insurance (Note 18)	177,078	23,656	30,575	170,159	132,792
Pollution remediation obligation (Note 19)	15,886	4,292	1,984	18,194	3,272
OPEB obligation (Note 9)	6,812,302	1,408,085		8,220,387	
Third party payor	16,356	15,096	4,707	26,745	26,745
Total governmental activities	$ 11,989,678	2,318,126	832,933	$ 13,474,871	$1,064,609
Business-type activities:					
Bonds and notes payable	$ 879,198	68,606	71,026	$ 876,778	$ 76,528
Add: Unamortized premium on bonds payable	36,027		943	35,084	898
Total bonds and note payable	915,225	68,606	71,969	911,862	77,426
Other long-term liabilities:					
Accrued compensated absences	174,381	20,259	12,164	182,476	10,751
Workers' compensation (Note 18)	259,708	34,003	37,897	255,814	45,519
Litigation and self-insurance (Note 18)	104,942	16,024	15,983	104,983	28,953
OPEB obligation (Note 9)	1,341,443	285,782		1,627,225	
Third party payor (Note 14)	490,822	56,032	127,497	419,357	14,772
Total business-type activities	$ 3,286,521	480,706	265,510	$ 3,501,717	$ 177,421

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

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

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2013-2014, thereby increasing liabilities for Bonds and Notes by $1,559,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2014 was as follows (in thousands):

	July 1, 2013	Additions	Maturities	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 28,128		2,739	$ 25,389	$ 2,829
Compensated absences	711	889	903	697	627
Capital lease obligations	2,569		650	1,919	710
Claims payable	4,369	610	610	4,369	233
Total governmental activities	$ 35,777	1,499	4,902	$ 32,374	$ 4,399
Business-type activities:					
Bonds and notes payable	$ 40,208	6	1,563	$ 38,651	$ 590
Compensated absences	471	690	737	424	381
Total business-type activities	$ 40,679	696	2,300	$ 39,075	$ 971
Total long-term obligations	$ 76,456	2,195	7,202	$ 71,449	$ 5,370

12. SHORT-TERM DEBT

On July 1, 2013, the County issued $1,000,000,000 of short-term Tax and Revenue Anticipation Notes Series A and B at an effective interest rate of 0.16% and 0.18%, 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 2013. The Series A notes, $300,000,000, matured and were redeemed on February 28, 2014 and the Series B notes, $700,000,000, on June 30, 2014.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2014, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $48,618,000 and limited obligation improvement bonds totaling $6,351,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

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

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

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

As of June 30, 2014, the amount of industrial development and other conduit bonds outstanding was $164,560,000.

Redevelopment Refunding Bonds

Redevelopment refunding bonds have been issued to provide financial assistance to successor agencies to former redevelopment agencies within the County to refund tax allocation bonds in order to provide debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues deposited in the Redevelopment Property Tax Trust Fund. 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, 3014, the amount of redevelopment refunding bonds outstanding was $145,012,000.

14. HOSPITAL AND OTHER PROGRAM REVENUES

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

Medi-Cal Demonstration Project

In November 2010, the Centers for Medicare and Medicaid Services (CMS) approved, pursuant to Section 1115(a) of the Social Security Act, a Medi-Cal Demonstration Project, called the “California’s Bridge to Reform” (Bridge to Reform), which affects many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State draws down federal matching funds. The Bridge to Reform covers the period November 1, 2010 to October 31, 2015.

Revenues for the public hospitals are comprised of: 1) Fee-For-Service (FFS) cost-based reimbursement for inpatient hospital services for Medi-Cal patients who are not enrolled in managed care; 2) Medi-Cal Disproportionate Share Hospital (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 $311.00 million in FY 2013-2014. The non-federal share of these payments is provided by the public hospitals rather than the State, through certified public expenditures (CPE). For the inpatient hospital FFS cost-based payments, each hospital provides its own CPE. In addition to CPE, for DSH, Intergovernmental Transfers (IGTs) are also made whereby the hospital would utilize its local funding for services to draw down the federal financial participation (FFP).

The federal medical assistance percentage (FMAP), which establishes the matching amount (known as federal financial participation or FFP) for the FFS cost-based reimbursement for the traditional Medi-Cal population was 50% for FY 2013-2014. The FMAP for DSH remains at 50%.

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

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.

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 intergovernmental transfers or “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.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

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

The County recognizes the funding received under the Bridge to Reform by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net position. The IGT payments are reflected as nonoperating expenses by each hospital in the statement of revenues, expenses, and changes in fund net position.

The IGTs made during FY 2013-2014 are for services provided in FYs 2005-2006, 2011-2012, 2012-2013, and 2013-2014. The amounts reported below also include IGTs returned by the State for overpayment. The estimated Medi-Cal Demonstration Project net revenues for inpatient services, DSH and SNCP include amounts collected and accrued for FY 2013-2014 as adjusted for over/under-realization of revenues for FY 2005-2006 through FY 2012-2013. The amounts below are in thousands:

	Program Revenues			
	Medi-Cal FFS	DSH	SNCP	Intergovernmental Transfers Expense
Harbor-UCLA	$ 54,967	$ 99,810	$ 50,035	$ 23,161
Olive View-UCLA	27,691	73,138	16,601	28,663
LAC+USC	108,476	177,081	66,456	888
Rancho	60,415	22,448	3,680	(2,163)
Total	$ 251,549	$ 372,477	$ 136,772	$ 50,549

Besides these revenues, the Demonstration Project provides support for public hospital systems in the following areas:

Delivery System Reform Incentive Pool

The Bridge to Reform establishes the Delivery System Reform Incentive Pool (DSRIP) which ties federal funding to the achievement of milestones in care delivery improvements. To obtain funding under the DSRIP, public hospital systems submitted a five-year plan showing how they will accomplish desired results, and will be required to achieve significant milestones that were approved by the State and CMS. The amounts below, in thousands, were recorded as "other operating revenues" in FY 2013-2014:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project-Continued

Delivery System Reform Incentive Pool-Continued

	DSRIP Gross Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 132,649	$ 85,216
Olive View-UCLA	56,762	31,854
LAC+USC	149,431	88,608
Rancho	56,322	13,679
Total	$ 395,164	$ 219,357

In addition, the General Fund received $68.61 million for DSRIP. These amounts were recorded as Intergovernmental Revenue-Federal on the governmental fund statements.

Managed Care for Seniors and Persons with Disabilities (SPDs)

Under the Bridge to Reform, 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 2013-2014, an estimated $243.22 million of SPD gross revenues were recorded.

The Bridge to Reform requires the County make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population and expenses associated with such IGTs were $98.22 million in FY 2013-2014.

Coverage Expansion – Low Income Health Program or Healthy Way LA

Under the Demonstration Project, counties had the option to expand coverage by operating a Low Income Health Program (LIHP). Under this plan, the County is able to 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 expended. If a county meets certain federal requirements and has the resources available to do so, it can also cover individuals between 133% and 200% FPL, known as the Health Care Coverage Initiative (HCCI) population. The LIHP or the Healthy Way LA (HWLA) – Matched program in Los Angeles, was in effect through the end of 2013 and effective January 1, 2014, coverage under the federal health care reform or the Patient Protection and Affordable Care Act (ACA) of 2010 went into effect.

Revenues for the HWLA program in FY 2013-2014 are estimated at $157.13 million for patient care services and $10.87 million for administrative services. Estimated IGTs totaling $10.14 million were also recorded in FY 2013-2014 related to the HWLA Out-of-Network payments for FYs 2011-2012 through 2013-2014 services.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Affordable Care Act

The ACA is the new health care reform law in America. The Federal health care reform provided the framework for the Demonstration Project by allowing early implementation of some of the law's coverage expansion provisions. The Demonstration Project's Medicaid Coverage Expansion (MCE) program provided for access, prior to January 1, 2014, to federally funded healthcare for many uninsured patients. This improved the payor mix and enhanced revenues for the County. As of December 2013, there were over 300,000 patients enrolled in HWLA. On January 1, 2014, when ACA became effective, the HWLA enrollees were automatically transitioned to Medi-Cal coverage under the ACA's MCE program. The MCE program provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the FPL. Beginning January 1, 2014, the Hospital Presumptive Eligibility (PE) program also provided individuals with temporary, no cost, Medi-Cal benefits to provide coverage while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

For the MCE program services after December 31, 2013, the FMAP is 100%. In FY 2013-2014, an estimated $291.03 million in MCE revenues and $42.25 million in Medi-Cal Managed Care Rate Supplement revenues related to MCE were recorded for the period from January 1, 2014 through June 30, 2014.

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 provided by public entities 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 $22.08 million were recognized during FY 2013-2014 and included adjustments for the over/under-realization of revenues associated with FY 2005-2006 through FY 2012-2013.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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). CBRC revenues in FY 2013-2014 were $157.55 million. As of June 30, 2014, the County estimated that approximately $196.64 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital.

Medi-Cal Cost Report Settlements

All of the FY 2009-2010 CBRC audit reports during FY 2013-2014 were issued and total audit settlements of $81.19 million were paid to the County. The Department of Health Services (DHS) issued appeal letters to the State Office of Administrative Appeals regarding unresolved audit adjustment issues. The informal level appeal hearing between DHS and the Medi-Cal auditors before a hearing auditor was held during August 2014. Prior to and during that process, a number of the disputes were resolved. The hearing results, known as a Report of Findings, will be issued sometime next year. DHS has formal level appeals pending for FYs 2003-2004, 2006-2007, 2007-2008 and 2008-2009.

The State auditors are in the process of auditing the FY 2010-2011 CBRC audit findings and the anticipated issuance of the audit reports is early April 2015.

Medi-Cal Managed Care Rate Supplement

The State anticipates receiving 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, 2012 through September 30, 2013. The supplement is funded by an IGT made by the County. The County does not receive managed care payments directly from the State; rather, the State contracts with L.A. Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payment, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State Department of Health Care Services a 20% administrative fee that is assessed on the full amount of the IGT. This amount is also recorded as part of IGT.

For L.A. Care, the total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2013-2014, including prior year over/under realization, are as follows (in thousands):

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplement-Continued

	Program Revenues	Intergovernmental Transfers Expense
L.A. Care	$ 120,489	$ 72,000
Health Net	(2,375)	(6)
Totals	$ 118,114	$ 71,994

Revenues from the various Medi-Cal programs (i.e., FFS, DSH, CBRC, AB 915, SB 1732, etc.) represent approximately 71% of the hospitals' patient care revenue for the year ended June 30, 2014.

Managed Care Services-General Fund

The County organization known as Managed Care Services is the medical services organization for DHS, and coordinates the delivery of healthcare in a managed care environment with the objectives of improving outcomes and reducing costs. The General Fund recognized $266.47 million for Managed Care Services and is recorded as Charges for Services on the governmental fund statements.

Medicare Program

Inpatient services to Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Certain other services to Medicare beneficiaries are reimbursed based on a fee schedule or other rates.

Medicare audits have been ongoing at all hospitals. The initial notices of program reimbursement (NPR) have not been issued for all hospitals for recent fiscal years due to CMS Ruling No. CMS-1498-R, which required a revision to the methodology used to determine Medicare DSH payments. Before the initial NPR can be issued, CMS will revise the data matching process used to calculate the hospital's Medicare Supplemental Security Income (SSI) fraction that determines a portion of the Disproportionate Share payment adjustment for each hospital. The remaining issues, other than the Medicare DSH SSI fraction issue, have been reviewed and completed for all hospitals through FY 2006-2007.

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 MC), Harbor-UCLA Medical Center (H-UCLA MC), Rancho Los Amigos National Rehabilitation Center (RLANRC), and Olive View-UCLA Medical Center (OV-UCLA MC) only. LAC+USC Medical Center (LAC+USC MC) has not received its NPR due to the Medicare SSI fraction issue.

For FY 2004-2005, the audits have been completed and the NPRs issued for MLK/D MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2004-2005 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 MC and OV-UCLA MC only. Except for the Medicare SSI fraction issue, the FY 2005-2006 audits has been completed for LAC+USC MC, H-UCLA MC, and RLANRC.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicare Program-Continued

For FY 2006-2007, the audits for MLK/D MC, RLANRC and OV-UCLA MC have been completed and the NPRs have been issued. Except for the Medicare SSI fraction issue, the FY 2006-2007 audits have been completed for H-UCLA MC and LAC+USC MC.

For FY 2007-2008, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Except for the Medicare SSI fraction issue, the FY 2007-08 audits have been completed for LAC+USC and H-UCLA MC. Effective August 16, 2007, MLK/D MC ceased to be certified as a participant in the Medicare program and will not undergo a hospital Medicare audit for FY 2007-2008 due to low Medicare utilization.

For FY 2008-2009, the audits have been completed and NPRs have been issued for RLANRC and OV-UCLA MC. Audits for LAC+USC MC and H-UCLA MC are in progress.

For FY 2009-2010, the audit has been completed and NPR issued for OV-UCLA MC. RLANRC has been audited and is awaiting the issuance of the NPR. 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 and H-UCLA MC. The audit is in progress for RLANRC, and OV-UCLA MC received its NPR at the end of October 2014.

For FY 2011-2012 and FY 2012-2013, audits have not been scheduled for LAC+USC MC, H-UCLA MC, RLANRC, and OV-UCLA MC.

Revenues from the Medicare program represent approximately 6% of patient care revenue for the year ended June 30, 2014.

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

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2014 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$ 2,496,998	$1,044,801	$ 2,423,814	$ 306,367	$ 6,271,980
Less: Allowance for uncollectible amounts	2,028,908	797,822	1,810,400	127,031	4,764,161
Accounts receivable - net	$ 468,090	$ 246,979	$ 613,414	$ 179,336	$ 1,507,819

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies.

Inability to pay may be determined through the Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and 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, 2014 is as follows (in thousands):

Estimated cost of charity care	$ 1,212,428
Charity care at established rates	1,667,215
Charges forgone	1,364,658

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which lays out the process by which a portion of the 1991 County Health Realignment Funds will be redirected to support Social Services programs based on a formula and the assumption that the counties will decrease their net cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio for FY 2013-2014 is 70% State and 30% County. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected. In FY 2013-2014, the State withheld $87.50 million from the County's Health Realignment account.

The withheld amount is expected to be reconciled against actual revenues and expenses for FY 2013-2014 within two years, with the potential final amount being less than or equal to $87.50 million. The withheld amount will be subject to the State's review and approval. The County could potentially recoup all, or a portion, of the $87.50 million withheld amount, subsequent to FY 2015-2016. Due to uncertainties associated with such revenues, they are not reflected in the current year's financial statements.

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation, to operate a new 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 in August 2010, and is proceeding with efforts to open the new MLK Community Hospital. The new hospital facility is scheduled to open in FY 2014-2015.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr. Community Hospital-Continued

On December 27, 2013, the County established the Martin Luther King, Jr. Community Hospital Financial Assistance budget to monitor the funds allocated to the MLK-LA Healthcare Corporation for hospital opening activities provided by the County. On April 25, 2014, the County executed a lease agreement with MLK-LA Health Corporation to occupy the Inpatient Tower and related ancillary and support buildings on the MLK Medical Center campus. As part of the lease agreement, the County committed to provide MLK-LA Healthcare Corporation with loans up to the aggregate amount of $82 million for pre- and post-hospital opening activities. The General Fund balance includes the outstanding MLK-LA Health Corporation loan balance of $7.74 million in non-spendable for long-term receivables, and the remaining $74.26 million is assigned for future loans.

Medicaid Demonstration Project Renewal

The State Department of Health Care Services (DHCS) has begun the stakeholder process for the Medi-Cal Demonstration Project renewal under Section 1115(a) of the Social Security Act. The existing Bridge to Reform Demonstration Project expires on October 31, 2015, and DHCS intends to seek a renewal of the Demonstration Project. DHCS is targeting early 2015 to submit the Demonstration Project renewal request to the CMS.

A Medicaid Demonstration Project Renewal is a significant component for the County to continue successfully implementing the ACA beyond the coverage expansion. Current Demonstration Project initiatives, such as the delivery of care for Seniors and Persons with Disabilities through managed care and the State's Coordinated Care Initiative, would continue through the Demonstration Project Renewal.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2014.

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2014 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 15,886
	Flood Control District	3,260
	Public Library	4,554
	Regional Park and Open Space District	5,001
	Nonmajor Governmental Funds	172,697
	Harbor-UCLA Medical Center	29,540
	Olive View-UCLA Medical Center	17,279
	LAC+USC Medical Center	25,128
	Rancho Los Amigos Nat'l Rehab Center	3,833
	Waterworks Enterprise Funds	681
	Nonmajor Aviation Funds	27
	Internal Service Funds	5,369
		283,255
Fire Protection District	General Fund	2,079
	Nonmajor Governmental Funds	525
		2,604
Flood Control District	General Fund	1,333
	Nonmajor Governmental Funds	3,273
	Waterworks Enterprise Funds	327
	Nonmajor Aviation Funds	67
	Internal Service Funds	7,696
		12,696
Public Library	General Fund	4,181
	Fire Protection District	3
	Nonmajor Governmental Funds	113
		4,297
Regional Park and Open Space District	General Fund	398

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	$ 40,281
	Fire Protection District	1,163
	Flood Control District	855
	Public Library	19
	Nonmajor Governmental Funds	18,997
	Rancho Los Amigos Nat'l Rehab Center	139
	Internal Service Funds	10,470
		71,924
Harbor-UCLA Medical Center	General Fund	28,868
	Fire Protection District	43
	Nonmajor Governmental Funds	29,036
	Olive View-UCLA Medical Center	659
	LAC+USC Medical Center	1,530
	Rancho Los Amigos Nat'l Rehab Center	2,979
		63,115
Olive View-UCLA Medical Center	General Fund	16,911
	Fire Protection District	116
	Nonmajor Governmental Funds	20,783
	LAC+USC Medical Center	75
	Rancho Los Amigos Nat'l Rehab Center	22
		37,907
LAC+USC Medical Center	General Fund	39,174
	Fire Protection District	42
	Nonmajor Governmental Funds	55,038
	Harbor-UCLA Medical Center	4,731
	Olive View-UCLA Medical Center	19,771
	Rancho Los Amigos Nat'l Rehab Center	3,405
		122,161
Rancho Los Amigos Nat'l Rehab Center	General Fund	6,017
	Fire Protection District	34
	Harbor-UCLA Medical Center	3
	Olive View-UCLA Medical Center	27
	LAC+USC Medical Center	48
		6,129

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Waterworks Enterprise Funds	General Fund	$ 10
	Internal Service Funds	1,077
		1,087
Nonmajor Aviation Funds	Internal Service Funds	1
Internal Service Funds	General Fund	19,374
	Fire Protection District	7
	Flood Control District	20,001
	Nonmajor Governmental Funds	38,560
	Harbor-UCLA Medical Center	31
	Olive View-UCLA Medical Center	507
	LAC+USC Medical Center	103
	Rancho Los Amigos Nat'l Rehab Center	1,844
	Waterworks Enterprise Funds	3,781
	Nonmajor Aviation Funds	337
		84,545
Total Interfund Receivables/Payables		$ 690,119

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.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2014 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 40,531
	Nonmajor Governmental Funds	99,982
	Harbor-UCLA Medical Center	226,722
	Olive View-UCLA Medical Center	86,108
	LAC+USC Medical Center	193,949
	Rancho Los Amigos Nat'l Rehab Center	15,702
	Internal Service Funds	333
		663,327
Fire Protection District	Nonmajor Governmental Funds	12,617
Flood Control District	Nonmajor Governmental Funds	3,173
	Internal Service Funds	3,559
		6,732
Public Library	General Fund	6,380
	Nonmajor Governmental Funds	2,787
		9,167
Nonmajor Governmental Funds	General Fund	454,280
	Fire Protection District	3,730
	Public Library	11,031
	Nonmajor Governmental Funds	22,764
	Harbor-UCLA Medical Center	57,588
	Olive View-UCLA Medical Center	42,511
	LAC+USC Medical Center	111,176
	Rancho Los Amigos Nat'l Rehab Center	688
	Internal Service Funds	8,700
		712,468
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	1,943
	LAC+USC Medical Center	4,599
		6,542
Olive View-UCLA Medical Center	General Fund	1,347
	Nonmajor Govermental Funds	144
	LAC+USC Medical Center	3,823
		5,314

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Rancho Los Amigos Nat'l Rehab Center	LAC+USC Medical Center	$ 2,925
Waterworks Enterprise Funds	Internal Service Funds	531
Internal Service Funds	General Fund	4,101
	Nonmajor Governmental Funds	9
		4,110
Total Interfund Transfers		$ 1,423,733

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 $186.2 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2014 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 221,868	$ 42,247	$ 264,115
	Olive View-UCLA Medical Center	114,124	36,696	150,820
	LAC+USC Medical Center	269,679	74,997	344,676
	Rancho Los Amigos Nat'l Rehab Center	91,275	32,217	123,492
	Internal Service Funds	2,211		2,211
		699,157	186,157	885,314

15. INTERFUND TRANSACTIONS-Continued

Interfund Transactions-Continued

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
Flood Control District	Internal Service Funds	$ 6,307		$ 6,307
Nonmajor Governmental Funds	Internal Service Funds	12,164		12,164
Waterworks Enterprise Funds	Internal Service Funds	1,318		1,318
Total Interfund Advances		$ 718,946	$ 186,157	$ 905,103

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

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

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

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

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

- 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 6.

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

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2014.

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	$ 1,566,263	$ 48,787	$ 129,417	$ 41,175	$ 236,272
Budgetary fund balances	1,565,448	182,704	179,107	19,896	88,380
Subtotal	3,131,711	231,491	308,524	61,071	324,652
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	139,124	(298)	2,697	876	
Accrual of compensated absences	57,602				
Unamortized balance of sale of tobacco settlement revenue	(241,498)				
Change in revenue accruals	(133,290)	(15,792)	(5,747)	(2,497)	(1,799)
Change in OPEB	149,159	8,842		1,453	
Subtotal	(28,903)	(7,248)	(3,050)	(168)	(1,799)
Fund balance - GAAP basis	$ 3,102,808	$ 224,243	$ 305,474	$ 60,903	$ 322,853

17. OTHER COMMITMENTS

Constructions and Other Significant Commitments

At June 30, 2014, there were contractual commitments of approximately $478.75 million for various general government construction and software and approximately $48.36 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2014, LACERA had outstanding capital commitments to various investment managers, approximating $3.610 billion. Subsequent to June 30, 2014, LACERA funded $394 million 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, 2014, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 453,700	$ 453,700
Fire Protection District	20,995			20,995
Flood Control District	47,895			47,895
Public Library			8,946	8,946
Regional Park and Open Space District	75,084			75,084
Nonmajor Governmental Funds	145,163	7,817	7,023	160,003
Total Encumbrances	$ 289,137	$ 7,817	$ 469,669	$ 766,623

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in FY 2011-2012, FY 2012-2013 or FY 2013-2014.

18. RISK MANAGEMENT-Continued

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

As indicated in the following table, the County's workers' compensation balance as of June 30, 2014 was approximately $2.118 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2014. Approximately $88,906,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2014, the County's best estimate of these liabilities is $2.394 billion. Changes in the reported liability since July 1, 2012 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
2012-2013				
Workers' Compensation	$ 2,119,566	$ 340,249	$(363,466)	$ 2,096,349
Other	261,518	93,260	(72,758)	282,020
Total 2012-2013	$ 2,381,084	$ 433,509	$(436,224)	$ 2,378,369
2013-2014				
Workers' Compensation	$ 2,096,349	$ 370,226	$(348,078)	$ 2,118,497
Other	282,020	39,680	(46,558)	275,142
Total 2013-2014	$ 2,378,369	$ 409,906	$(394,636)	$ 2,393,639

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $180.4 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

19. POLLUTION REMEDIATION

GASB 49 establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligation (liabilities).

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or cleanup activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

As of June 30, 2014, the County's estimated pollution remediation obligation totaled $18,194,000. These obligations were all associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liabilities were determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust estimated obligations when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligations.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide financial statements as of June 30, 2014 are described as follows:

- The deferred outflows of resources, included on the government-wide statement of net position, relates to the unamortized losses on refunding of debt, which was previously reported under bonds payable. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

- The deferred inflows of resources, included on the government-wide statement of net position, relates to the future installment payments of service concession arrangements as discussed in Note 7.

Statement of Net Position (in thousands):

Deferred outflows of resources -	
Unamortized losses on refunding of debt	$ 20,243
Deferred inflows of resources -	
Service concession arrangements	$ 97,031

Deferred outflows and inflows of resources balances in the governmental fund financial statements as of June 30, 2014 are described as follows:

- The intra-entity sales of future tobacco settlement revenues, which were previously reported as interfund receivables and payables in the governmental fund financial statements, have been reclassified and are now reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.

- Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. These were previously reported as deferred revenues. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Balance Sheet (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources -							
Tobacco settlement revenues	$					241,498	$241,498
Deferred inflows of resources:							
Tobacco settlement revenues	$ 241,498						$241,498
Property tax revenues	117,844	26,472	8,071	4,221	5,576	10,511	172,695
Other long-term receivables	148,763	815				624	150,202
Total governmental funds deferred inflows of resources	$ 508,105	27,287	8,071	4,221	5,576	11,135	$564,395

21. 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, 2014 (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	$ 56,790	8,542		1,216		
Long-term receivables	215,217					
Permanent fund principal						2,195
Total Nonspendable	272,007	8,542		1,216		2,195
Restricted for:						
Purpose of fund		215,701	305,375	9,814	322,853	1,404,246
Purpose of utility user tax	30,771					
Grand Avenue project	4,600					
Sheriff Pitchess landfill	3,206					
La Alameda project	2,000					
Capital projects						174,581
Debt service						536,885
Endowments and annuities						222
Total Restricted	40,577	215,701	305,375	9,814	322,853	2,115,934
Committed to:						
Purpose of fund						36,148
Capital projects and extraordinary maintenance	146,056					78,968
Health services-tobacco settlement	49,900					
Budget uncertainties	86,698					
Low to moderate income housing	50,072					
Sheriff budget restoration	31,174					
Assessor tax system	22,062					
Health services operations	16,000					
Interoperable and countywide communication	8,765					
Services to unincorporated areas	14,254					
Financial system	16,487					
Reopening jail beds	12,147					
Department of children and family services	8,840					
Health services future financial requirements	6,513					
Public works-permit tracking system	5,855					

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
TTC remittance processing and mailroom equipment	2,800					
Information technology enhancements	2,564					
Live scan	2,000					
TTC unsecured property tax system	463					
Sheriff unincorporated patrol	90					
Total Committed	482,740					115,116
Assigned to:						
Purpose of fund			99	49,873		116,480
Future purchases	453,700					
Future loans	82,354					
Capital projects						24,207
Imprest cash	2,024					
Total Assigned	538,078		99	49,873		140,687
Unassigned	1,769,406					
Total Fund Balances	$ 3,102,808	224,243	305,474	60,903	322,853	2,373,932

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 $232,045,000 is reported as unassigned fund balance in the General Fund.

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2014, the County issued $900,000,000 in 2014-2015 TRANS which will mature on June 30, 2015. The TRANS are collateralized by taxes and other revenues attributable to the 2014-2015 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rates of 0.12%.

Capital Asset Leasing Corporation Lease Revenue Bond Anticipation Notes

On September 12, 2014, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.535%. Also, on December 10, 2014, the Corporation issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.596%. 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, 2017. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

Lease Revenue Obligation Notes

On September 15, 2014, the Los Angeles County Capital Asset Leasing Corporation issued an additional $15,000,000 in lease revenue obligation notes (LRON) with an initial average interest rate of 0.08%. Also, on November 7, 2014, the Corporation issued an additional $17,000,000 in LRON with an initial average interest rate of 0.07%. The proceeds are being used to fund capital requirements of various capital projects. The LRON is secured by a long-term lease of County real estate and letters of credit.

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, 2011	$ 39,193,627	$ 48,598,166	$ 9,404,539	80.6%	$ 6,650,674	141.4%
June 30, 2012	39,039,364	50,809,425	11,770,061	76.8%	6,619,816	177.8%
June 30, 2013	39,932,416	53,247,776	13,315,360	75.0%	6,595,902	201.9%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Funding Progress-Other Postemployment Benefits
(Dollar amounts in thousands)

Retiree Health Care

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	$ 0	$ 20,901,600	$ 20,901,600	0%	$ 6,123,888	341.31%
July 1, 2010	0	22,939,800	22,939,800	0%	6,695,439	342.62%
July 1, 2012	0	25,733,300	25,733,300	0%	6,619,816	388.73%

Long-Term Disability

July 1, 2009	$ 0	$ 951,797	$ 951,797	0%	$ 6,547,616	14.54%
July 1, 2011	0	1,018,898	1,018,898	0%	6,650,674	15.32%
July 1, 2013	0	945,687	945,687	0%	6,595,902	14.34%

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Sublease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2015 Refunding Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Definitions

"Act" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code.

"Additional Bonds" means Bonds other than Series 2015 Bonds issued under the Indenture in accordance with the provisions thereof.

"Additional Rental Payments" means all amounts payable by the County as Additional Rental Payments pursuant to the Sublease.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

"Authority" means the Los Angeles County Public Works Financing Authority, a joint powers authority organized and existing under the laws of the State of California.

"Authority Event of Default" means an event described as such in the Sublease.

"Authorized Authority Representative" means any member of the Board of Directors of the Authority or the Treasurer of the Authority, and any other Person authorized by the Board of Directors of the Authority or the Treasurer of the Authority to act on behalf of the Authority under or with respect to the Indenture.

"Authorized County Representative" means the Treasurer and Tax Collector of the County or any authorized deputy or designee thereof, and any other Person authorized by the Board of Supervisors of the County or the Treasurer and Tax Collector of the County to act on behalf of the County under or with respect to the Indenture.

"Authorized Denominations" means, with respect to the Bonds, $5,000 and any integral multiple thereof.

"Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Deposit Date" means the fifth Business Day next preceding each Interest Payment Date.

"Base Rental Payments" means all amounts payable to the Authority by the County as Base Rental Payments pursuant to the Sublease.

"Beneficial Owners" means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

"Bond Year" means each twelve-month period beginning on July 1 in each year and extending to the next succeeding June 30, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on June 30, 2015.

"Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds issued under the Indenture, and includes the Series 2015 Bonds and any Additional Bonds.

"Book-Entry Bonds" means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Book-Entry Bonds.

"Closing Date" means, as appropriate to the context, the date upon which the Series 2015 Bonds, the Series 2015B Bonds, the Series 2015C Bonds or any Additional Bonds are delivered to the Original Purchaser.

"Code" means the Internal Revenue Code of 1986.

"Common Reserve Account" means the account of that name established in the Reserve Fund pursuant to the Indenture to secure the Common Reserve Bonds.

"Common Reserve Bonds" means the Series 2015 Bonds, the Series 2015B Bonds, the Series 2015C Bonds and any Series of Additional Bonds secured by the Common Reserve Account as provided in the Supplemental Indenture providing for the issuance of each such Series of Additional Bonds.

"Continuing Disclosure Certificate (Series 2015B/C Bonds)" means the Continuing Disclosure Certificate, dated the Closing Date, of the County, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Costs of Issuance" means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Sublease, the Site Lease, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, financial advisory fees, legal fees and expenses of counsel with respect to the financing of the Project, initial fees and expenses of the administrator of the financing of the Project, the initial fees and expenses of the Trustee and its counsel, any premium for a municipal bond insurance policy insuring payments of debt service on Additional Bonds or any Reserve Facility, and other fees and expenses incurred in connection with the issuance and delivery of the Bonds or the implementation of the financing of the Project, to the extent such fees and expenses are approved by the County.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Los Angeles, a county and political subdivision of the State of California.

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) Permitted Investments described in clause (8) of the definition thereof, or (d) securities eligible for "AAA" defeasance under then existing criteria of S&P or Moody's, or any combination thereof.

"Depository" means the securities depository acting as Depository pursuant to the Indenture.

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

"Event of Default" means an event described as such in the Sublease or the Indenture, as applicable.

"Fitch" means Fitch, Inc., its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Indenture" means the Master Indenture, dated as of February 1, 2015, by and among the Authority, the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the County is to be self-insured, as may from time to time be designated by the County.

"Interest Account" means the interest account established for the payment of interest of a Series of Bonds within the Payment Fund pursuant to the Indenture.

"Interest Payment Date" means each June 1 and December 1, commencing December 1, 2015, so long as any Bonds remain Outstanding.

"Laws and Regulations" means, with respect to the Property, any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

"Lease Revenues" means all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee from, as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

"Letter of Representations" means the letter of the Authority delivered to and accepted by the Depository on or prior to the delivery of the Bonds as Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Net Proceeds" means any insurance proceeds or condemnation award paid with respect to any of the Property, which proceeds or award, after payment therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than $50,000.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the County in writing; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, which other office or agency shall be specified to the Authority and the County by the Trustee in writing.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

"Original Purchaser" means (a) with respect to the Sereis 2105 Bonds, Barclays Capital Inc., on behalf of itself and on behalf of J.P. Morgan Securities LLC, Siebert Brandford Shank & Co., L.L.C. and Edward Jones, the original purchasers of the Series 2015 Bonds from the Authority, and (b) with respect to the Series 2015B Bonds and the Series 2015C Bonds, Goldman, Sachs & Co., on behalf of itself and on behalf of Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., Backstrom McCarley Berry & Co., LLC and KeyBanc Capital Markets Inc., the original purchasers of the Series 2015B Bonds and the Series 2015C Bonds from the Authority.

"Outstanding" means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

“Payment Fund” means the fund by that name established in accordance with the Indenture.

“Permitted Encumbrances” means, with respect to the Property (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Sublease described under the heading “SUBLEASE – Representations And Warranties; Covenants And Agreements – Taxes,” permit to remain unpaid, (b) the Sublease, (c) the Site Lease, (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law, (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date, and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the County certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and to which the Authority consents in writing.

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
  - All direct or fully guaranteed obligations
- Farmers Home Administration
  - Certificates of beneficial ownership
- General Services Administration
  - Participation certificates
- U.S. Maritime Administration
  - Guaranteed Title XI financing
- Small Business Administration
  - Guaranteed participation certificates
- Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
  - GNMA-guaranteed mortgage-backed securities
  - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  - Local authority bonds

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (“FHLB”); (b) the Federal Home Loan Mortgage

Corporation ("FHLMC"); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank ("FFCB"); (e) Government National Mortgage Association ("GNMA"); (f) Student Loan Marketing Association ("SLMA"); and (g) guaranteed portions of Small Business Administration ("SBA") notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's, S&P, or 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.

(4) The Los Angeles County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days. 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 either (a) is restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States or (b) is rated in the highest rating category by either S&P or Moody's.

(7) 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.

(8) Pre-refunded municipal obligations meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P

(10) 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.

(11) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least “AA-” or “Aa3” by S&P or Moody’s, respectively.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the principal account established for the payment of principal of a Series of Bonds within the Payment Fund pursuant to the Indenture.

“Principal Payment Date” means a date on which the principal of the Bonds becomes due and payable, either as a result of the maturity thereof or by mandatory sinking fund redemption.

“Project” means the capital improvement projects described in the exhibit attached to the Indenture or any Supplemental Indenture entitled “Description of the Project” and the acquisition, construction, improvement, rehabilitation or replacement of other facilities the County deems a priority.

“Project Costs” means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the County shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the County shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the County incurred for services (including obligations payable to the County for actual out-of-pocket expenses of the County) in connection with the acquisition, construction and installation of the Project, including reimbursement to the County for all advances and payments made in connection with the Project prior to or after issuance of the Bonds;

(d) the actual out-of-pocket costs of the County for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses under the Sublease and under the Indenture relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Authority or the County for advances made by the Authority or the County for any of the above items or for any other costs incurred and for work done by the Authority or the County which are properly chargeable to the Project.

"Project Fund" means the fund by that name established pursuant to the Indenture.

"Property" means the real property described in the Sublease, and any improvements thereto.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Rebate Requirement" has the meaning ascribed thereto in the Tax Certificate (Series 2015B Bonds).

"Record Date" means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"Rental Period" means the period from the Closing Date through June 30, 2015 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Sublease.

"Reserve Account" means either the Common Reserve Account or any other reserve account established pursuant to the Indenture, which account may secure one or more Series of Additional Bonds as provided in the Supplemental Indenture providing for the establishment thereof.

"Reserve Facility" means any line of credit, letter of credit, insurance policy, surety bond or similar instrument, in form reasonably satisfactory to the Trustee, that (a) names the Trustee as beneficiary thereof, (b) provides for payment on demand, (c) cannot be terminated by the issuer thereof so long as any of the Bonds secured by such Reserve Facility remain Outstanding, (d) is issued by an obligor, the obligations of which under the Reserve Facility are, at the time such Reserve Facility is substituted for all or part of the moneys on deposit in the applicable Reserve Account, rated in one of the two highest rating categories (without regard to any modifier) by any one rating agency then rating the Bonds secured by such Reserve Facility), and (e) is deposited with the Trustee pursuant to Indenture.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means, (a) with respect to the Common Reserve Bonds, as of the date of any calculation, the least of (i) 50% Maximum Annual Debt Service of such Common Reserve Bonds, (ii) 10% of the original aggregate principal amount of the Common Reserve Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), and (iii) 125% of Average Annual Debt Service of such Common Reserve Bonds, and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; provided, however, that in no event shall any Reserve Requirement exceed an amount permitted by the Code.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Scheduled Termination Date” means December 1, 2044.

“Series” means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2015 Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2015 Bonds” means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2015 Series A, issued under the Indenture.

“Series 2015B Bonds” means the Los Angeles County Public Works Public Financing Authority Lease Revenue Bonds, 2015 Series B (Tax-Exempt), issued under the Indenture.

“Series 2015C Bonds” means the Los Angeles County Public Works Public Financing Authority Lease Revenue Bonds, 2015 Series C (Federally Taxable), issued under the Indenture.

“Site Lease” means the Master Site Lease, dated as of February 1, 2015, by and between the County and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Sublease.

“Sublease” means the Master Sublease, dated as of February 1, 2015, by and between the County and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Sublease Default Event” means an event of default pursuant to and as described in the Sublease.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate (Series 2015B Bonds)” means the Tax Certificate executed by the Authority at the time of issuance of the Series 2015B Bonds, relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including interest on the Series 2015B Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Trustee” means Zions First National Bank, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture substituted in its place as provided therein.

"Verification Report" means, with respect to the deemed payment of Bonds pursuant to clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid."

"Written Certificate of the Authority" means a written certificate signed in the name of the Authority by an Authorized Representative of the Authority. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Certificate of the County" means a written certificate signed in the name of the County by an Authorized Representative of the County. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the Authority" means a written request signed in the name of the Authority by an Authorized Representative of the Authority. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the County" means a written request signed in the name of the County by an Authorized Representative of the County. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

SITE LEASE

Lease of the Property; Rental

Lease of Property. The County leases to the Authority, and the Authority leases from the County, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Site Lease.

Rental. The Authority shall pay to the County as and for rental of the Property under the Site Lease, an amount set forth in the Site Lease (the "Site Lease Payment"). The Site Lease Payment shall be paid from the proceeds of the Series 2015 Bonds; provided, however, that in the event the available proceeds of the Series 2015 Bonds are not sufficient to enable the Authority to pay such amount in full, the remaining amount of the Site Lease Payment shall be reduced to an amount equal to the amount of such available proceeds.

The Authority shall pay to the County as and for rental of the Property under the Site Lease, an additional sum set forth in the Site Lease (the "Additional Site Lease Payment"). The Additional Site Lease Payment shall be paid from the proceeds of the Series 2015B Bonds and the Series 2015C Bonds; provided, however, that in the event the available proceeds of the Series 2015B Bonds and the Series 2015C Bonds are not sufficient to enable the Authority to pay such amount in full, the remaining amount of the Additional Site lease payment shall be reduced to an amount equal to the amount of such available proceeds.

The County shall deposit the Site Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project. The Authority and the County find and determine that the amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Property which is conveyed under the Site Lease by the County to the Authority. No other amounts of rental shall be due and payable by the Authority for the use and occupancy of the Property under the Site Lease.

Quiet Enjoyment

The parties intend that the Property will be leased back to the County pursuant to the Sublease for the term thereof. Subject to any rights the County may have under the Sublease to possession and enjoyment of the Property, the County covenants and agrees that it will not take any action to prevent the Authority from having quiet and peaceable possession and enjoyment of the Property during the term of the Site Lease and will, at the request of the Authority and at the County's cost, to the extent that it may lawfully do so, join in any legal action in which the Authority asserts its right to such possession and enjoyment.

Special Covenants and Provisions

Waste. The Authority agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The County and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Site Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Site Lease, the Indenture and the Sublease.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely liabilities of the Authority as a joint powers authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease to the County or to any other party whomsoever for anything done or omitted to be done by the Authority under the Site Lease.

All liabilities under the Site Lease on the part of the County shall be solely liabilities of the County as a governmental entity, and the Authority releases each and every member, officer and employee of the County of and from any personal or individual liability under the Site Lease. No member, officer or employee of the County shall at any time or under any circumstances be individually or personally liable under the Site Lease to the Authority or to any other party whomsoever for anything done or omitted to be done by the County under the Site Lease.

Taxes. The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the County. The County represents and warrants to the Authority and the Trustee as follows:

(a) the County has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution of the Site Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for governmental purposes as contemplated by the County;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the County in order for the County to perform its governmental functions.

Representations of the Authority. The Authority represents and warrants to the County and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Site Lease.

Assignment, Selling and Subleasing

Assignment, Selling and Subleasing. The Site Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Authority, without the necessity of obtaining the consent of the County, if an event of default occurs under the Sublease. The Authority shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the County a true and correct copy of such assignment, sublease or sale, as the case may be.

The Authority shall assign all of its rights under the Site Lease to the Trustee appointed pursuant to the Indenture.

Restrictions on County. The County agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Site Lease.

Improvements

Title to all improvements made on the Property during the term of the Site Lease shall vest in the County.

Term; Termination

Term. The term of the Site Lease shall commence as of the date of commencement of the term of the Sublease and shall remain in full force and effect from such date to and including the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Site Lease.

Extension; Early Termination. If, on the Scheduled Termination Date, the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Sublease shall have been abated at any time, then the term of the Site Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, except that the term of the Site Lease shall in no event be extended more than ten years. If, prior to the Scheduled Termination Date, all Bonds shall be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, the term of the Site Lease shall end simultaneously therewith.

Action on Default. In each and every case upon the occurrence and during the continuance of a default by the Authority under the Site Lease, the County shall have all the rights and remedies permitted by law, except the County, to the extent permitted by law, waives any and all rights to terminate the Site Lease.

Miscellaneous

Binding Effect. The Site Lease shall inure to the benefit of and shall be binding upon the County, the Authority and their respective successors and assigns.

Severability. In the event any provision of the Site Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Site Lease.

Amendments; Substitution and Release. The Site Lease may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Sublease. The County shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Sublease.

Assignment. The Authority and County acknowledge that the Authority has assigned its right, title and interest in and to the Site Lease to the Trustee pursuant to the Indenture. The County consents to such assignment. The County consents to the Indenture and acknowledges and agrees to the rights of the Trustee as set forth therein.

SUBLEASE

Lease of Property; Term

Lease of Property. The Authority leases to the County and the County leases from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

The leasing of the Property by the County to the Authority pursuant to the Site Lease shall not effect or result in a merger of the County's leasehold estate in the Property as lessee under the Sublease and its fee estate in the Property as lessor under the Site Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Site Lease throughout the term thereof and of the Sublease. The Sublease shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the County to the Authority pursuant to the Site Lease is and shall be independent of the Sublease and the Sublease shall not be an assignment or surrender of the leasehold interest in the Property granted to the Authority under the Site Lease.

Term; Occupancy. The term of the Sublease shall commence on the Closing Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Sublease. If, on the Scheduled Termination Date, all of the Bonds shall not be fully paid or deemed to have been paid in accordance with the provisions the Indenture, or any Rental Payments shall remain due and payable or shall have been abated at any time, then the term of the Sublease shall be extended until the date upon which all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full; provided, however, that the term of the Sublease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full, the term of the Sublease shall end simultaneously therewith.

The County shall take possession of the Property on the Closing Date.

Rental Payments

Base Rental Payments. *General.* The Rental Payments, including Base Rental Payments, for each Rental Period shall be paid by the County to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during such Rental Period.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or the State of California has levied or pledged any form of taxation.

Base Rental Payments. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," the County shall, on each Base Rental Deposit Date, pay to the Authority a Base Rental Payment in an amount equal to the principal of, and interest on, the Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date, as applicable, including any such principal due and payable by reason of mandatory sinking fund redemption of the Bonds; provided, however, that the amount of such Base Rental Payment shall be reduced by the amount, if any, available in the Payment Fund, the Principal Account, the Interest Account on such Base Rental Deposit Date to pay such principal of, or interest on, the Bonds.

Payments other than Regularly Scheduled Payments. If the term of the Sublease shall have been extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of The Property; Term – Term; Occupancy," the obligation of the County to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Sublease (as so extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy"). Upon such extension, the Base Rental Payments payable during such extended term shall be established so that such Base Rental Payments will in the aggregate be sufficient to pay the unpaid principal of, and interest accrued and to accrue on, the Bonds; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the

Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance;"

(d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and

(e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Amounts constituting Additional Rental Payments payable under the Sublease shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Sublease have agreed and determined that the Rental Payments are not in excess of the fair rental value of the Property. In making such determination of fair rental value, consideration has been given to the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Payment Provisions. Each installment of Base Rental Payments payable under the Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the Principal Office of the Trustee, or such other place or entity as the Authority shall designate. Notwithstanding any dispute between the Authority and the County, the County shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Sublease or refunded at the time of such determination.

Appropriations Covenant. The County covenants to take such action as may be necessary to include all Rental Payments due under the Sublease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the County contained in this paragraph shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants.

Rental Abatement. Except as otherwise specifically provided in this paragraph, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated, and the County waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Property of which there is no such substantial interference. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy;" provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

Representations and Warranties; Covenants and Agreements

Power and Authority of the County. The County represents and warrants to the Authority that (a) the County has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations under the Sublease and thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture, and (b) the Property is zoned for use for governmental related facilities.

Power and Authority of the Authority. The Authority represents and warrants to the County that the Authority has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture.

Net-Net-Net Lease. The Sublease shall be, and shall be deemed and construed to be, a "net-net-net lease" and the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority.

Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE PROPERTY AS IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY.

Quiet Enjoyment. So long as no Event of Default shall have occurred and be continuing, the County shall at all times during the term of the Sublease peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Right of Entry. The Authority shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Sublease, and for all other lawful purposes.

Use of the Property. The County shall not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Sublease. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Sublease.

Maintenance and Utilities. As part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Additions to Property. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Representations And Warranties; Covenants And Agreements – Liens," the County and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law, and the Property, upon completion of any addition, modification or improvement made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such addition, modification or improvement.

Installation of County's Equipment. The County and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The County or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items, and the Property, upon completion of any installation, modification or removal made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such installation, modification or removal. Nothing in the Sublease shall prevent the County or any sublessee from purchasing items to be installed pursuant to this paragraph under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Taxes. The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as and when the same become due.

Upon notice to the Authority and the Trustee, the County or any sublessee may, at the County's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the County or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the County or such sublessee shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Liens. In the event the County shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Compliance with Law, Regulations, Etc. The County represents and warrants that, after due inquiry, it has no knowledge and has not given or received any written notice indicating that the Property or the use thereof or any practice, procedure or policy employed by it in the conduct of its business with respect to the Property materially violates any Laws and Regulations.

No Condemnation. The County shall not exercise the power of condemnation with respect to the Property. If for any reason the foregoing covenant shall be held by a court of competent jurisdiction to be unenforceable and the County condemns the Property or if the County breaches such covenant, the County agrees that the value of the County's leasehold estate under the Sublease in the Property shall be not less than the greater of (a) the amount sufficient to redeem the Bonds pursuant to the Indenture if the Bonds are then subject to redemption, or (b) the amount sufficient to defease the Bonds to the first available redemption date in accordance with the Indenture if the Bonds are not then subject to redemption.

Authority's Purpose. So long as any Bonds are Outstanding, the Authority shall not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the agreement pursuant to which the Authority was created.

Insurance

Public Liability and Property Damage Insurance; Workers' Compensation Insurance. (a) The County shall maintain reasonable and customary liability insurance. The County's obligation under the provisions of the Sublease described under the heading "Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(b) The County shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. Full insurable value shall be evaluated at least every five years by an Independent Insurance Consultant or the County's Risk Manager and shall not be less than the aggregate principal amount of the Outstanding Bonds. The insurance required under this paragraph (b) may be maintained in whole or in part in the form of self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(c) The County shall maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to paragraph (b) above in an amount not less than an amount equal to two times Maximum Annual Debt Service. The insurance required under this paragraph (c) may not be maintained in whole or in part in the form of self-insurance.

(d) The insurance required by the provisions under the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" shall be provided by insurers rated "A" or better by Fitch, A.M. Best Company or S&P.

Additional Insurance Provision; Form of Policies. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance." All such policies shall provide that the Trustee shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The County shall, following receipt of a written request of the Trustee, cause to be delivered to the Trustee on or before August 15 of each year, commencing August 15, 2015, a schedule of the insurance policies being maintained in accordance with the Sublease and a Written Certificate of the County stating that such policies are in full force and effect and that the County is in full compliance with the requirements of the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall be entitled to rely upon said Written Certificate of the County as to the County's compliance with the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall not be responsible for the sufficiency of the coverage or the amounts of such policies.

Self-Insurance. Insurance provided through a California joint powers authority of which the County is a member or with which the County contracts for insurance shall be deemed to be self-insurance for purposes of the Sublease. Any self-insurance maintained by the County pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance" must be approved in writing by an Independent Insurance Consultant or the County's Risk Manager.

Title Insurance. The County shall provide, at its own expense, one or more CLTA title insurance policies for the Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the County in the Property, (b) the Authority's ground leasehold estate in the Property under the Site Lease, and (c) the County's leasehold estate under the Sublease in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the provisions of the Indenture described under the heading "SUBLEASE – net proceeds and title insurance; covenants – Title Insurance." So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant thereto or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the County) shall be taken under the power of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the County at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement." So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Sublease, have been fully paid, shall be paid to the County.

Right to Redeem Bonds

(a) The County shall have the right to cause the Bonds to be redeemed pursuant to, and in accordance with the provisions of, the Indenture by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and giving notice of the County's exercise of such right as provided in paragraph (b) below.

(b) In order to exercise its right to cause Bonds to be redeemed pursuant to paragraph (a) above, the County shall give written notice to the Trustee of its intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 45 days from the date such notice is given (unless otherwise agreed by the Trustee), and specifying the Series, maturities and amounts of Bonds to be redeemed.

(c) The County shall have the right to cause Bonds to be deemed to have been paid pursuant to, and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and providing and delivering, or causing to be provided and delivered the other items required pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" to be provided or delivered in connection with such deemed payment.

Assignment and Subletting; Substitution or Release; Title

<u>Assignment and Subleasing</u>. Neither the Sublease nor any interest of the County under the Sublease shall be sold, mortgaged, pledged, assigned, or transferred by the County by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the County, but only subject to the following conditions, which are made conditions precedent to any such sublease:

(a) the Sublease and the obligation of the County to make all Rental Payments under the Sublease shall remain the primary obligation of the County;

(b) the County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the County shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the County shall explicitly provide that such sublease is subject to all rights of the Authority under the Sublease; and

(e) the County shall have filed or caused to be filed with the Authority and the Trustee an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

Substitution or Release of the Property. Subject to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," the County shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Sublease. All costs and expenses incurred in connection with any such substitution or release shall be borne by the County. Notwithstanding any substitution or release pursuant to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," there shall be no reduction in or abatement of the Base Rental Payments due from the County under the Sublease as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following conditions, which are made conditions precedent to such substitution or release:

(a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have found (and shall have delivered a certificate to the Trustee setting forth its findings) that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof under the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy").

(b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by a qualified employee of the County or an independent certified real estate appraiser), of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance;"

(c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes;

(d) the County shall have given, or shall have made arrangements for the giving of, any notice of the occurrence of such substitution or release required to be given pursuant to paragraph (4) of subsection (b) of Section 5 of the Continuing Disclosure Certificate;

(e) the County, the Authority and the Trustee shall have executed, and the County shall have caused to be recorded with the county recorder of the county in which the Property is located, any document necessary to reconvey to the County the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Sublease and in the Site Lease; and

(f) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions.

Title to Property. Upon the termination or expiration of the Sublease (other than as provided in the Sublease described under the heading "SUBLEASE – Events of Defaults and Remedies – Action on Default"), and the first date upon which no Bonds are any longer Outstanding, all right, title and interest in and to the Property shall vest in the County. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Sublease:

(a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease;

(b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority;

(c) except as otherwise expressly permitted by the Sublease, the assignment or transfer, either voluntarily or by operation of law or otherwise, of the County's interest in the Sublease or any part thereof without the written consent of the Authority;

(d) the abandonment of the Property by the County; or

(e) the commencement by the County of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. (a) In each and every case during the continuance of an Event of Default under the Sublease, the Authority shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided above for the payment of Rental Payments under the Sublease, notwithstanding the fact that the

Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE SUBLEASE, THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT TO TERMINATE THE SUBLEASE OR THE COUNTY'S RIGHT TO POSSESSION OF THE PROPERTY UNDER THE SUBLEASE REGARDLESS OF WHETHER OR NOT THE COUNTY HAS ABANDONED THE PROPERTY, AND THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT OF ENTRY OR RE-ENTRY TO TAKE POSSESSION OF AND/OR RE-LET THE PROPERTY. Without limiting the generality of the foregoing, the Authority expressly waives the right to receive any amount from the County pursuant to California Civil Code Section 1951.2(a)(3).

Other Remedies. In addition to the other remedies provided for in the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default" of the Sublease and subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," during the continuance of an Event of Default under the Sublease, the Authority shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Sublease or by law. The provisions of the Sublease and the duties of the County and of its board, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing and subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," the Authority shall have the right to bring the following actions:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County or any board member, officer or employee thereof, and to compel the County or any such board member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Sublease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the County and its board, officers and employees to account as if it or they were the trustee or trustees of an express trust.

No Acceleration. Notwithstanding anything to the contrary contained in the Sublease, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

Remedies Not Exclusive. Subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," no remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Sublease existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. If any statute or rule of law validly shall limit the remedies given to the Authority under the Sublease, the Authority nevertheless shall, subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. No delay or omission of the Authority to exercise any right or power arising from the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Sublease to the Authority may be exercised from time to time and as often as may be deemed expedient. A waiver of a particular default or Event of Default shall not be deemed to be a waiver of any other default or Event of Default or of the same default or Event of Default subsequently occurring. The acceptance of Rental Payments under the Sublease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease.

Attorney's Fees. In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Sublease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease.

Authority Event of Default; Action on Authority Event of Default. The failure by the Authority to observe and perform any covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority and the Trustee, by the County, shall constitute an Authority Event of Default under the Sublease; provided, however, that if, in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Authority Event of Default if corrective action is instituted by the Authority within such 60 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of an Authority Event of Default by the Authority under the Sublease, the County shall have all the rights and remedies permitted by law.

Amendments

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, but only with the prior written consent of the Owners of a majority of the aggregate principal amount of Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds." No such amendment shall (i) extend the payment date of any Base Rental Payment or reduce the amount of any Base Rental Payment without the prior written consent of the Owner of each Bond so affected, (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required for any amendment of the Sublease or the Site Lease to become binding without the prior written consent of the Owners of all the Bonds then Outstanding, or (iii) amend the provisions of the Sublease described under the heading "INDENTURE – Amendments – Amendments" without the prior written consent of the Owners of all the Bonds then Outstanding.

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may also be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, without the written consents of any Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County or the Authority therein contained other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the County or the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in therein or in regard to questions arising thereunder which the County or the Authority may deem desirable or necessary and not inconsistent with the Sublease;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Assignment And Subletting; Substitution Or Release; Title – Substitution or Release of the Property;"

(v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; or

(vi) to make such other changes in the Sublease or therein as the County or the Authority may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Miscellaneous

Authority Not Liable. The Authority and its directors, officers, agents and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the County shall, at its expense, indemnify and hold the Authority and its directors, officers, agents and employees harmless against and from any and all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Sublease or the County's use of the Property.

Assignment to Trustee; Effect. The parties to the Sublease understand and agree that, upon the execution and delivery of the Indenture (which is occurring simultaneously with the execution and delivery of the Sublease), all right, title and interest of the Authority in and to the Sublease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Bonds. The County consents to such sale, assignment and transfer. Upon the execution and delivery of the Indenture, references in the operative provisions of the Sublease to the Authority shall be deemed to be references to the Trustee, as assignee of the Authority.

Validity and Severability. If for any reason any one or more of the agreements, covenants or terms of the Sublease shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the County or by the Authority, all of the remaining agreements, covenants and terms of the Sublease shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any agreement, covenant or term of the Sublease required to be observed or performed by the

County, including the covenant to pay Rental Payments, is unenforceable for the full term of the Sublease, then and in such event the Sublease is and shall be deemed to be a lease from year to year under which the Rental Payments are to be paid by the County annually in consideration of the right of the County to possess, occupy and use the Property, and all of the other agreements, covenants and terms of the Sublease, except to the extent that such agreements, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

INDENTURE

The Bonds

Authorization of Bonds. The Authority authorizes the issuance of the Bonds under and subject to the terms of the Indenture, the Act and other applicable laws of the State of California. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, subject to the provisions and conditions contained in the Indenture. The Bonds shall be designated generally as the "Los Angeles County Public Works Financing Authority Lease Revenue Bonds," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds.

The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Notwithstanding anything to the contrary contained in the Indenture, if, as a result of the limitations contained in the provisions of the Sublease described under the heading "SUBLEASE – Base Rental Payments – Rental Abatement," Base Rental Payments cannot be paid by the County in an amount sufficient to pay the principal of, or interest on, the Bonds otherwise payable on any date, such principal or interest shall be deemed not to be payable on such date, the nonpayment thereof on such date shall not constitute a default or an Event of Default under the Indenture and such principal or interest shall become payable on the date on which such Base Rental Payments becomes payable under and pursuant to the Sublease.

Terms of Series 2015B/2015C Bonds. The Series 2015B/2015C Bonds shall be dated as of the Closing Date, shall be in the aggregate principal amount set forth in the Indenture and shall mature on December 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum set forth in the Indenture.

Interest on the Series 2015B/2015C Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2015B/2015C Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2015B/2015C Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Series 2015B/2015C Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for. Interest shall be paid in lawful money of the United States on each Interest Payment Date. Except as otherwise provided in the Letter of Representations, interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2015B/2015C Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; provided, however, that, in the case of an Owner of $1,000,000 or more in aggregate principal amount of Series 2015B/2015C Bonds, upon the written request of such Owner to the Trustee, received at least ten days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee.

The principal of and premium, if any, on the Series 2015B/2015C Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

The Series 2015B/2015C Bonds shall be in substantially the form set forth in the exhibit attached to the Indenture, with appropriate or necessary insertions, omissions and variations as permitted or required thereby.

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds, the Series 2015B Bonds and the Series 2015C Bonds) payable from Lease Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) neither the Authority nor the County shall be in default under the Indenture, the Sublease or the Site Lease;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for one or more of the following purposes: (A) providing funds to pay costs of County facilities (including capitalized interest), (B) providing funds to refund any Bonds issued under the Indenture or other obligations of the County, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to any Reserve Account required pursuant to paragraph (c) below;

(ii) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which shall be Authorized Denominations;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either June 1 or December 1;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on December 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on December 1, (B) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (C) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds;

(vii) the designation as to whether such Additional Bonds shall (A) constitute Common Reserve Bonds secured by the Common Reserve Account, (B) be secured by any other Reserve Account, or (C) not be secured by any Reserve Account; and

(viii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) upon the issuance of such Additional Bonds, the amount on deposit in the Reserve Account applicable to such Additional Bonds, if any, shall be at least equal to the applicable Reserve Requirement for such Additional Bonds; and

(d) upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period shall not be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds (evidence of the satisfaction of such condition shall be made by a Written Certificate of the County).

Procedure for the Issuance of Additional Bonds. Whenever the Authority and the County shall determine to authorize the issuance of any Additional Bonds, the Authority, the County and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of the provisions in the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds." Before such Additional Bonds shall be issued, the Authority and the County shall file or cause to be filed with the Trustee the following:

(a) an Opinion of Counsel setting forth (i) that counsel rendering such opinion has examined the Supplemental Indenture, the amendment to the Sublease, if any, and the amendment to the Site Lease, if any, (ii) that the issuance of the Additional Bonds has been duly authorized by the Authority, (iii) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease have been duly authorized, executed and delivered by the Authority and the County, (iv) that upon execution and delivery of such Supplemental Indenture and any such amendments to the Sublease and the Site Lease, the Indenture, as amended and supplemented by such Supplemental Indenture, and, if so amended, the Sublease and the Site Lease, as amended by such amendments, will be valid and binding obligations of the Authority and the County, and (v) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, in and of themselves, do not adversely affect the exclusion from gross income for federal income tax purposes of interest on Outstanding Tax-Exempt Bonds;

(b) a Written Certificate of the Authority that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met;

(c) a Written Certificate of the County that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met, which shall include a certification as to the fair rental value of the Property, after giving effect to any amendments to the Sublease and the Site Lease entered into in connection with the issuance of the Additional Bonds and taking into account the use of proceeds of such Additional Bonds;

(d) certified copies of the resolutions of the Board of Directors of the Authority and the Board of Supervisors of the County authorizing the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease;

(e) executed counterparts or duly authenticated copies of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, with satisfactory evidence that any such amendments to the Sublease and the Site Lease have been duly recorded in the appropriate records of the county in which the Property is located;

(f) certified copies of the policies of insurance required by the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" or certificates thereof, which shall evidence that the amounts of the insurance required under paragraphs (c) and (d) of the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" have been increased, if applicable, to cover the amount of such Additional Bonds; and

(g) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance."

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of said instruments that all of the documents required by the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Procedure for the Issuance of Additional Bonds" have been delivered, the Trustee shall authenticate such Additional Bonds, and shall deliver such Additional Bonds to, or upon the request of, the Authority.

Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be available for inspection and copying by the Authority and the County upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture as summarized under this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture as summarized under this paragraph in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Pledge and Assignment; Funds and Accounts

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are thereby pledged to the payment of the principal of and interest on the Bonds as provided therein, and the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. Said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues, the Authority sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided, however, that the Authority shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. The Trustee accepts said assignment for the benefit of the Owners, subject to the provisions of the Indenture.

The Trustee shall be entitled to and shall receive all of the Base Rental Payments, and any Base Rental Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Project Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Project Fund." Within the Project Fund, the Trustee shall establish and maintain various accounts and subaccounts for the various components of the Project. On the Closing Date, the Trustee shall deposit in each subaccount or account of the Project Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in each account and subaccount within the Project Fund shall be used and withdrawn by the Trustee from time to time to pay Project Costs upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request of the County as directed by the terms thereof.

(c) Moneys on deposit in any account or subaccount within the Project Fund may be transferred (i) to any other account or subaccount within the Project Fund established for the same Series of Bonds or (ii) to another account or subaccount within the Project Fund established for a separate Series of Bonds so long as, if such separate Series of Bonds are Tax-Exempt Bonds, an Opinion of Counsel is delivered to the effect that such transfer will not, in and of itself, adversely affect the exclusion of interest on such Bonds from gross income for federal income tax purposes.

(d) Upon completion of the Project, the County shall file with the Trustee a Written Certificate of the County notifying the Trustee of such completion. Upon the filing of such Written Certificate of the County, all amounts remaining on deposit in the Project Fund shall be transferred to the Interest Account for the related Series of Bonds and used to pay interest on such Bonds in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And

Assignment; Funds And Accounts – Payment Fund," and upon such transfer the Project Fund shall be closed.

(e) If the Project Fund has been closed in accordance with the provisions of the Indenture, the Project Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Project Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof.

(c) On the date that is six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County, and upon such transfer the Costs of Issuance Fund shall be closed.

(d) If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Payment Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Payment Fund." Within the Payment Fund, the Trustee shall establish and maintain a separate Interest Account and a separate Principal Account for each Series of Bonds.

(b) All Lease Revenues received by the Trustee shall be deposited by the Trustee in the Payment Fund; provided, however, that Net Proceeds, other than those constituting proceeds of rental interruption insurance received with respect to the Property, shall not be deposited in the Payment Fund but, rather, shall be applied as provided in the Indenture. There shall additionally be deposited in the applicable Interest Account of the Payment Fund amounts transferred from the related Reserve Account pursuant to paragraph (b) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Reserve Fund."

(c) The Trustee, on each Interest Payment Date, shall transfer from the Payment Fund to each Interest Account an amount equal to the interest on the related Series of Bonds coming due on such Interest Payment Date; provided, however, that if and to the extent that such amount is available for such Series of Bonds in any capitalized interest subaccount established pursuant to a Supplemental Indenture on such Interest Payment Date, the Trustee shall, instead, transfer such amount from such capitalized interest subaccount to the related Interest Account on such Interest Payment Date. Moneys in each

Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on the related Series of Bonds as and when due and payable.

(d) The Trustee, on each Principal Payment Date, shall transfer from the Payment Fund to each Principal Account an amount equal to the principal of the related Series of Bonds, including principal due and payable by reason of mandatory sinking fund redemption, coming due on such date. Moneys in each Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of the related Series of Bonds, including principal due and payable by reason of mandatory sinking fund redemption, as and when due and payable.

Redemption Fund. The Trustee shall establish and maintain a special fund designated the "Redemption Fund." The Trustee shall deposit in the Redemption Fund any amounts received from the County in connection with the County's exercise of its right pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Eminent Domain; Right To Redeem – Right to Redeem Bonds" to cause Bonds to be optionally redeemed. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Amounts in the Redemption Fund shall be disbursed therefrom by the Trustee for the payment of the redemption price of, and accrued interest on, Bonds redeemed pursuant to the Indenture.

Reserve Fund. (a) The Trustee shall establish and maintain a special fund designated the "Reserve Fund." Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Common Reserve Account" and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Bonds pursuant to the Indenture and to the Supplemental Indenture authorizing the issuance thereof. On the Closing Date, the Trustee shall deposit in the Common Reserve Account the amount required to be deposited therein pursuant to the Indenture. In connection with the issuance of Additional Bonds, there shall additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Bonds, as applicable, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) The County may substitute a Reserve Facility for all or part of the moneys on deposit in any Reserve Account by depositing such Reserve Facility with the Trustee, provided that, at the time of such substitution, the amount on deposit in such Reserve Account, together with the amount available under all Reserve Facilities on deposit in such Reserve Account, shall be at least equal to the Reserve Requirement for such Reserve Account. Moneys for which a Reserve Facility has been substituted as provided in the Indenture shall be transferred, at the election of the County, to the Redemption Fund for the purpose of redeeming the related Series of Bonds or, upon receipt of an Opinion of Counsel that such transfer will not, in and of itself, adversely affect the exclusion of interest on Outstanding Tax-Exempt Bonds from gross income for federal income tax purposes, to the County and applied to the payment of capital costs of the County. Amounts on deposit in any Reserve Account which were not derived from payments under any Reserve Facility credited to such Reserve Account to satisfy a portion of the Reserve Requirement for such Reserve Account shall be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) In the event that, on the second Business Day prior to a date on which the Trustee is to transfer money from the Payment Fund to the Interest Accounts pursuant to paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund" or to the Principal Accounts pursuant to paragraph (e) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And

Accounts – Payment Fund", amounts in the Payment Fund are insufficient for such purpose, the Trustee shall withdraw from each Reserve Account, to the extent of any funds therein, the amount of the insufficiency of the related Series of Bonds, and shall transfer any amounts so withdrawn first to the related Interest Account and then to the related Principal Account. If the amount on deposit in any Reserve Account is not sufficient to make such transfer, the Trustee shall make a claim under any available Reserve Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

(d) In the event of any transfer from a Reserve Account or the making of any claim under a Reserve Facility, the Trustee shall, within two Business Days thereafter, provide written notice to the Authority and the County of the amount and the date of such transfer or claim; provided, however, that such notice need not be provided if such transfer is made pursuant to paragraphs (f) or (g) below.

(e) If the sum of the amount on deposit in any Reserve Account, plus the amount available under all available Reserve Facilities held for such Reserve Account, is less than the Reserve Fund Requirement for such Reserve Account, the first of Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used, first, to reinstate the amounts available under any Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Accounts, so that the amount available under all available Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement for each Reserve Account; provided, however, that such Base Rental Payments shall be allocated among all Reserve Accounts ratably without preference or priority of any kind, according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts.

(f) If, as a result of the payment of principal of or interest on any Series of Bonds, the Reserve Requirement applicable to such Series of Bonds is reduced, amounts on deposit in the applicable Reserve Account in excess of such reduced Reserve Requirement shall be transferred to the related Interest Account(s) and Principal Account(s) of the Payment Fund as directed in a Written Request of the County.

(g) On any date on which Bonds of a Series are defeased in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," the Trustee shall, if so directed in a Written Request of the County, transfer any moneys in the related Reserve Account in excess of the applicable Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the County, to be applied to such defeasance.

(h) Moneys, if any, on deposit in a Reserve Account shall be withdrawn and applied by the Trustee for the final payments of principal of and interest on the Bonds secured by such Reserve Account.

Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate (Series 2015B Bonds), as specified in a Written Request of the Authority or a Written Request of the County. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance" or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund" and by the Tax Certificate (Series 2015B Bonds) (which is incorporated into the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority or the County, and shall have no liability or responsibility to enforce compliance by the Authority or the County with the terms of the Tax Certificate (Series 2015B Bonds). The Trustee may conclusively rely upon the determinations, calculations and certifications of the Authority or the County required by the Tax Certificate (Series 2015B Bonds). The Trustee shall have no responsibility to independently make any calculation or determination or to review the calculations of the Authority or the County.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund", shall, upon receipt by the Trustee of a Written Request of the County, be withdrawn by the Trustee and remitted to the County.

Investments. (a) Except as otherwise provided in the Indenture, any moneys held by the Trustee in the funds and accounts established thereunder shall be invested by the Trustee upon the Written Request of the County, received at least two Business Days prior to the investment date, only in Permitted Investments, and in the absence of such direction shall be invested by the Trustee in Permitted Investments described in clause (6) of the definition thereof. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Investments." The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

(b) Investments purchased with funds on deposit in the Payment Fund shall mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Redemption Fund shall be invested in Permitted Investments described in clause (1)(a) of the definition thereof that mature on or prior to the redemption date on which such funds are to be applied to the redemption of Bonds. Investments purchased with funds on deposit in the Project Fund shall mature not later than the dates upon which such funds shall be needed to be expended for the payment of Project Costs. Notwithstanding anything to the contrary contained in the Indenture, investments purchased with funds on deposit in any Reserve Account of the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years.

(c) Investments (except investment agreements) in any fund or account established under the Indenture shall be valued, exclusive of accrued interest (i) not less often than annually nor more often than monthly, and (ii) upon any draw upon any Reserve Account. All investments of amounts deposited in any fund or account established under the Indenture shall be valued at the market value thereof.

(d) Any interest or profits received with respect to investments held in any of the funds or accounts established under the Indenture (other than any Reserve Account) shall be retained therein. Any interest or profits received with respect to investments held in a Reserve Account shall be, until the date the related Written Certificate of the County required by paragraph (d) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Project Fund" is filed with the Trustee, transferred to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County and, thereafter, shall be transferred to the related Interest Account(s). Notwithstanding the foregoing, any such transfer or disbursement shall be made from a Reserve Account only if and to the extent that, after such transfer, the amount on deposit in such

Reserve Account, together with amounts available to be drawn on all Reserve Facilities held for such Reserve Account, if any, is at least equal to the Reserve Requirement for such Reserve Account.

(e) The Authority and the County acknowledges that to the extent that regulations of the Comptroller of the Currency grant the Authority or the County the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, to the extent permitted by law, the Authority and the County specifically waives receipt of such confirmations. The Trustee shall furnish the Authority and the County periodic transaction statements that include detail for all investment transactions made by the Trustee under the Indenture.

Net Proceeds and Title Insurance; Covenants

Application of Net Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance; Covenants – Application of Net Proceeds," the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the County, together with invoices therefor. Pending such application, such proceeds may, pursuant to a Written Request of the County, be invested by the Trustee in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the County intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the County does intend to replace or repair the Property or portions thereof, the County shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account referred to above.

If such damage, destruction or loss was such that there resulted a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments results from such damage or destruction pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," then the County shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption (i) of all of the Outstanding Bonds, or (ii) of such portion of the Outstanding Bonds as shall result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when due, the principal of and interest on the Bonds that will remain Outstanding after such redemption. If the County is required to apply funds from the insurance proceeds and other legally available funds to the redemption of Bonds in accordance with clause (b) above, the County shall direct the Trustee, in a Written Request of the County, to transfer the funds to be applied to such redemption to the Redemption Fund and the Trustee shall transfer such funds to the Redemption Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the County in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above, or the redemption of Bonds as required by clause (b) above, in each case as evidenced by a Written Certificate of the County to such effect, shall be deposited in the Reserve Accounts, ratably without preference or priority of any kind according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts, to the extent that the amounts therein are less than the applicable Reserve Requirement. If the County is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above, or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Accounts, ratably without preference or priority of any kind according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts, to the extent that the amounts therein are less than the applicable Reserve Requirement. Any amounts not required to be so deposited into the Reserve Accounts shall, if there is first delivered to the Trustee a Written Certificate of the County to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Sublease in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the County to be used for any lawful purpose.

The proceeds of any award in eminent domain shall be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the provisions of the Indenture.

Title Insurance. Net Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the County determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the County under the Sublease, such proceeds shall, upon Written Request of the County, be remitted to the County and used for any lawful purpose thereof; or

(b) if the County determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the County under the Sublease, then the County shall, in a Written Request of the County, direct the Trustee to, and the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the provisions of the Indenture.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Base Rental Payments and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Compliance with Indenture. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Sublease. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Sublease required to be complied with, kept, observed and performed by them and, together with the Trustee, shall enforce the Site Lease and the Sublease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the County and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege owned or acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County thirty days' written notice to comply therewith and failure of the County to so comply within such thirty-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its obligation under the Indenture to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the County shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien thereof.

The Authority and the Trustee shall not encumber the Property other than in accordance with the Site Lease, the Sublease and the Indenture.

Prosecution and Defense of Suits. The County shall promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether existing or developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee shall keep proper accounting records in which complete and correct entries shall be made of all transactions of the Trustee relating to the receipt, deposit and disbursement of the Lease Revenues, and such accounting records shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the foregoing available, at the Owner's expense, to any Owner or its agent duly authorized in writing.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Sublease and the Site Lease, or memoranda thereof, and a memorandum of the assignment of the Authority's right, title and interest in and to the Site Lease and the Sublease pursuant to the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Pledge and Assignment."

Tax Covenants. (a) Neither the Authority nor the County shall take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2015B Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each of the Authority and the County shall comply with the requirements of the Tax Certificate (Series 2015B Bonds), which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Series 2015B Bonds.

(b) In the event that at any time the Authority or the County is of the opinion that for purposes of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority or the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants," if the Authority or the County shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2015B Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" and of the Tax Certificate (Series 2015B Bonds), and the covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The County shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate (Series 2015B/C Bonds). Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Certificate (Series 2015B/C Bonds) shall not constitute an Event of Default under the Indenture; provided, however, that the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of Outstanding Series 2015B Bonds and Series 2015C Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee, or any holder or Beneficial Owner of the Series 2015B Bonds and the Series 2015C Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority and the County shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Site Lease or the Sublease.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Indenture:

(a) failure to pay any installment of principal of any Bond as and when the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bond as and when the same shall become due and payable;

(c) a Sublease Default Event shall have occurred and be continuing;

(d) failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, the County or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time;

(e) failure by the County to observe and perform any of the covenants, agreements or conditions on its part in the Indenture contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(f) the Authority or the County shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding (and upon indemnification of the Trustee to its reasonable satisfaction as provided in the Indenture), shall, upon notice in writing to the Authority and the County, exercise any of the remedies granted to the Authority under the Sublease and, in addition, take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the provisions of the Indenture described under the heading "INDENTURE – Events Of Default And Remedies – Other Remedies of the Trustee."

Other Remedies of the Trustee. During the continuance of an Event of Default, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the County or any member, director, officer or employee thereof, and to compel the Authority or the County or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture or in the Bonds;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority or the County, or both, to account as if it or they were the trustee or trustees of an express trust.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. If an Event of Default shall occur and be continuing, all Lease Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable, with interest on the overdue interest at the rate borne by the respective Bonds; and

(c) to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the respective Bonds.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bonds, unless (a) such

Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers before granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

Termination of Proceedings. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to any such adverse determination, the Trustee, such Owner, the Authority and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner, the Authority and the County, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners, the Authority and the County shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Removal and Resignation of the Trustee. The Authority and the County may by an instrument in writing, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be a commercial bank with trust powers having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 (or be part of a bank holding company with a combined capital and surplus of at least $50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee" the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the County and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority and the County shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority and the County do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and the County and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the written request of the Authority, the County or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee," ipso facto, shall be and become successor trustee under the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything therein to the contrary notwithstanding.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include "overhead expenses" except as such expenses are included as a component of the Trustee's stated annual fees) under the Indenture, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the

Indenture; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture.

The County shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the County to indemnify the Trustee shall survive the termination and discharge of the Indenture.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Under no circumstances shall the Trustee request or be entitled to indemnification from the County for taking actions required by and in accordance with the Indenture, including, but not limited to, causing payments of principal of and interest on the Bonds to be made to the Owners thereof and carrying out redemptions of the Bonds in accordance with the terms of the Indenture. The Trustee may consult with counsel, who may be counsel to the Authority or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Bonds or the Sublease or for statements made in the preliminary or final official statement relating to the Bonds, or of the title to the Property.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers thereunder.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or a Written Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the County, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it thereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct, negligence or breach of an obligation thereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the County is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

Supplemental Indentures

Supplemental Indentures. (a) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners under the Indenture may be modified or amended at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into when the prior written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds" are filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon or alter the redemption provisions with respect thereto without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Lease Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Lease Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all Bonds then Outstanding, or (iv) amend the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures – Supplemental Indentures" without the prior written consent of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners thereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the County in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority or the County;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising thereunder which the Authority or the County may deem desirable or necessary and not inconsistent with the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the indenture;

(iv) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; and

(v) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the Authority, the County and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

(c) Promptly after the execution by the Authority, the County and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority or the County), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

<u>Effect of Supplemental Indenture</u>. Upon the execution and delivery of any Supplemental Indenture entered into pursuant to paragraphs (a) or (b) above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the County, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

<u>Endorsement of Bonds; Preparation of New Bonds</u>. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" may and, if the Authority or the County so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority, the County and the Trustee as to any modification or amendment provided for in such Supplemental Indenture and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, the County and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such

effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Defeasance

Discharge of Indenture. (a) If (i) the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, and (ii) all other amounts due and payable under the Indenture and under the Sublease shall have been paid, then the Owners shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, each of the Authority and the County shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of the Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the discharge and satisfaction of the Indenture, the provisions of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Compensation and Indemnification of the Trustee" relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Authority, the County and the Trustee.

Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the provisions of the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond. Neither the money nor the Defeasance Securities deposited with the Trustee pursuant to this paragraph in connection with the deemed payment of Bonds, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal of and, premium, if any, and interest on such Bonds.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii)(B) of paragraph (a) above unless the Authority or the County shall cause to be delivered (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the County and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the Authority, the County and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a deemed payment pursuant to clause (ii) of paragraph (a) above have been satisfied, and (ii) such other opinions, certifications and computations, as the Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in paragraph (b) above.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bonds which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the County for the payment of such principal, premium or interest.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any Person other than the Authority, the County, the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term required in the Indenture to be observed or performed by or on behalf of the Authority or the County shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Authority, the County or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the County or the Trustee, or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the Authority, the County or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority, the County or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the County shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture shall relieve any member, officer or employee of the Authority or the County from the performance of any official duty provided by any applicable provisions of law, by the Sublease or by the Indenture.

Acquisition of Bonds by Authority or County. All Bonds acquired by the Authority or the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the principal of or premium or interest on particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Unclaimed Moneys," but without any liability for interest thereon.

Funds and Accounts. Any fund or account required to be established and maintained pursuant to the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

California Law. The Indenture and the Bonds shall be construed and governed in accordance with the laws of the State of California.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES
CALIFORNIA

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and the Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2015 Refunding Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2015 Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2015 Refunding Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2015 Refunding Bonds. The Series 2015 Refunding Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Series 2015 Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC 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**.

Purchases of the Series 2015 Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Refunding Bond ("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 Series 2015 Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Refunding Bonds, except in the event that use of the book-entry system for the Series 2015 Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015 Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015 Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015 Refunding Bond documents. For example, Beneficial Owners of the Series 2015 Refunding Bonds may wish to ascertain that the nominee holding the Series 2015 Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Refunding Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2015 Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Refunding Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Refunding Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015 Refunding Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2015 REFUNDING BONDS FOR PREPAYMENT.

None of the Authority, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2015 Refunding Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2015 Refunding Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2015 Refunding Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES
CALIFORNIA

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") in connection with the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt) (the "Series 2015B Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable) (the "Series 2015C Bonds" and, together with the Series 2015B Bonds, the "Bonds") by the Los Angeles County Public Works Financing Authority (the "Authority"). The Bonds are being issued pursuant to the Master Indenture, dated as of February 1, 2015, by and among the County, the Authority and Zions First National Bank, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture, dated as of September 1, 2015, by and among the County, the Authority and the Trustee (as so amended and supplemented, the "Indenture"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (Series 2015 B/C Bonds) in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter (Series 2015 B/C Bonds)" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the County's fiscal year, commencing with the report for the County's June 30, 2015 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with (1) generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and (2) reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

(1) Assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(2) Summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(3) Summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(4) Summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(5) Summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(6) The ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes; or

(9) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(1) Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

(2) Modifications to rights of Bond holders;

(3) Optional, unscheduled or contingent Bond calls;

(4) Release, substitution, or sale of property securing repayment of the Bonds;

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the County determines would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters (Series 2015 B/C Bonds) and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: September 2, 2015.

COUNTY OF LOS ANGELES

By: ____
Authorized Signatory

CONTINUING DISCLOSURE EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	County of Los Angeles
Name of Bond Issue:	Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt) and Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable)
Date of Issuance:	September 2, 2015

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the County, dated the Date of Issuance. [The County anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

COUNTY OF LOS ANGELES

By: ____

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES
CALIFORNIA

Upon delivery of the Series 2015 Refunding Bonds, Norton Rose Fulbright US LLP, Bond Counsel to the Authority, proposes to issue an approving opinion in substantially the following form:

Los Angeles County Public Works Financing Authority
500 W. Temple Street
Los Angeles, California 90012

County of Los Angeles
500 W. Temple Street
Los Angeles, California 90012

Re: $133,330,000 Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt)

$85,010,000 Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Los Angeles County Public Works Financing Authority (the "Authority") in connection with the issuance by the Authority of the above-caption bonds (the "Series 2015B Bonds" or the "Series 2015C Bonds," and collectively, the "Bonds"). The Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"), and pursuant to a Master Indenture, dated as of February 1, 2015, by and among the Authority, the County of Los Angeles (the "County") and Zions First National Bank, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture, dated as of September 1, 2015, by and among the Authority, the County and the Trustee (as so amended and supplemented, the "Indenture").

The Bonds are special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. The Lease Revenues include Base Rental Payments payable by the County pursuant to a Master Sublease Agreement, dated as of February 1, 2015, by and between the County and the Authority, as amended and supplemented by the First Amendment to Master Sublease, dated as of September 1, 2015, by and between the County and the Authority (as so amended and supplemented, the "Sublease"), including any prepayments thereof. The County has leased certain real property and improvements (the "Leased Property") to the Authority pursuant to the Master Site Lease, dated as of February 1, 2015, by and between the County and the Authority, as amended and supplemented by the First Amendment to Master Site Lease, dated as of September 1, 2015, by and between the County and the Authority (as so amended and supplemented, the "Site Lease").

As Bond Counsel, we have reviewed the Indenture, the Site Lease, the Sublease and certifications of the Authority, the County, the Trustee and others, opinions of counsel to the Authority, the County and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding special obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and the County and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority and the County, enforceable against the Authority and the County in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Lease Revenues and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Sublease and Site Lease have been duly and validly authorized, executed and delivered by the Authority and the County and constitute the legally valid and binding obligations of the Authority and the County, enforceable against the Authority and the County in accordance with their terms.

4. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Series 2015B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. It is our further opinion, under existing statutes, regulations, rulings and court decisions, that the Series 2015B Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2015B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Series 2015B Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2015B Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2015B Bonds. Pursuant to the Indenture and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 being delivered by the County and the Authority in connection with the issuance of the Series 2015B Bonds, each of the County and the Authority is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2015B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by each of the County and the Authority with its covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015B Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1, 2 and 3 above are qualified to the extent the enforceability of the Bonds, the Indenture, the Sublease and the Site Lease may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds, the Indenture, the Sublease and the Site Lease is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully,

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
CALIFORNIA

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY • Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt) and 2015 Series C (Federally Taxable)

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