NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Notes is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018), and (ii) interest on the Notes is exempt from State of California personal income taxes. Interest on the Notes may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$700,000,000
COUNTY OF LOS ANGELES
2018-19 Tax and Revenue Anticipation Notes
4.00% Priced to Yield 1.55%
CUSIP† No. 544657HV4

Dated: July 2, 2018 **Due: June 28, 2019**

The County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes") will be issued in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest from their dated date at the fixed rate per annum specified above and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Pursuant to the herein described Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers.

The Notes are being issued to provide moneys to help meet Fiscal Year 2018-19 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 15, 2018 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2018-19 that will be available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge by the County of certain taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2018-19. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters (herein defined), subject to the approval of legality by Squire Patton Boggs (US) LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County by County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 2, 2018.

Goldman Sachs & Co. LLC **J.P. Morgan**
FTN Financial Capital Markets **Jefferies** **The Williams Capital Group, L.P.**

Dated: June 5, 2018.

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES

2018-19 TAX AND REVENUE ANTICIPATION NOTES

BOARD OF SUPERVISORS

Sheila Kuehl
Third District, Chair

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

Celia Zavala
Acting Executive Officer-Clerk
Board of Supervisors

COUNTY OFFICIALS

Sachi A. Hamai
Chief Executive Officer

Mary C. Wickham
County Counsel

Joseph Kelly
Treasurer and Tax Collector

John Naimo
Auditor-Controller

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

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

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

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

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

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OFFICIAL STATEMENT

$700,000,000
COUNTY OF LOS ANGELES
2018-19 Tax and Revenue Anticipation Notes

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery by the County of Los Angeles, California (the "County") of $700,000,000 in aggregate principal amount of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes"). The Notes will be issued as fixed rate notes bearing interest at the rate and maturing on the date set forth on the cover page of this Official Statement. Pursuant to the herein described Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers. Issuance of the Notes will provide moneys to help meet Fiscal Year 2018-19 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May 15, 2018 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2018-19 that will be available for the payment of the Notes as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,083 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 41 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For certain financial, economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS."

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $700,000,000 aggregate principal amount of its 2018-19 Tax and Revenue Anticipation Notes.

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

THE NOTES

General

The Notes will be issued in the aggregate principal amount of $700,000,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 2, 2018, and will mature as set forth on the cover page of this Official Statement. Pursuant to the Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers. The Notes are not subject to redemption prior to their maturity.

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

Authority for Issuance

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

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2018-19 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The County expects to invest proceeds of the Notes in the Pooled Surplus Investments Fund of the County Treasury Pool (the "Treasury Pool") until expended. See APPENDIX A

– “COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *County Pooled Surplus Investments*.”

Security for the Notes

The Notes will be issued under and pursuant to the Resolution and the Financing Certificate and, subject to the provisions of the Resolution and the Financing Certificate permitting the application thereof for the purposes and conditions set forth therein, will be secured by a pledge of “Pledged Revenues,” which means, as of any date, the Unrestricted Revenues required by the Resolution and the Financing Certificate to be deposited in the 2018-19 TRANs Repayment Fund on or prior to that date. “Unrestricted Revenues” means the taxes, income, revenue, cash receipts and other moneys provided for Fiscal Year 2018-19 which will be received by or will accrue to the County during such fiscal year for the General Fund of the County and which are lawfully available for the payment of current expenses and other obligations of the County.

Pursuant to the Resolution and the Financing Certificate, the County pledges to the payment of the 2018-19 TRANs and the interest thereon, the first Unrestricted Revenues to be received by the County, in each period specified below, in an amount equal to the amount specified below:

(a) the first $315,000,000 Unrestricted Revenues to be received by the County on and after December 20, 2018;

(b) the first $315,000,000 Unrestricted Revenues to be received by the County on and after January 1, 2019; and

(c) (1) the first $70,000,000 Unrestricted Revenues to be received by the County on and after April 1, 2019, plus (2) an amount equal to the interest that will accrue on the 2018-19 TRANs.

As provided in Section 53856 of the Act, the Notes and the interest thereon, shall be a first lien and charge against, and shall be payable from the first moneys received by the County from, the Pledged Revenues. See “THE NOTES – Available Sources of Payment.” As security for the payment of the Notes, the County covenants pursuant to the Resolution and the Financing Certificate to deposit or cause to be deposited in the Notes Repayment Fund (the “Repayment Fund”), in trust for the registered owners of the Notes, the Pledged Revenues to be so deposited, and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit in the Notes Repayment Fund the Pledged Revenues. To the extent that any amounts received pursuant to clauses (a) through (c) above are less than the total amount designated for such deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other moneys of the County lawfully available therefor and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit into the Repayment Fund additional amounts from any such other moneys of the County. The amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for; provided, however, that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund of the County.

The Pledged Revenues may be invested in Permitted Investments (herein defined); provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. Any amounts remaining in the Repayment Fund after repayment of all Notes and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any of his respective designees may direct. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments.”

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

Available Sources of Payment for the Notes

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

The County estimates that the total Unrestricted Revenues to be available for payment of the principal of and interest on the Notes, including the Pledged Revenues, will be in excess of $9.3 billion, as indicated in the table below. Except for Pledged Revenues, the Unrestricted Revenues will be expended during the course of Fiscal Year 2018-19, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Notes and the interest thereon.

To the extent that the Unrestricted Revenues are insufficient to pay the Notes, the County may access certain borrowable resources in order to satisfy its payment obligations. See the table entitled “County of Los Angeles Borrowable Resources – Fiscal Year 2018-19” on pages 12-13 for a detailed summary of the borrowable resources which the County currently projects to be available for Fiscal Year 2018-19. Such amounts are not pledged for payment of the Notes and the interest thereon. The amount of borrowable resources actually available will depend on a variety of factors, including the final form of the County’s 2018-19 Budget, when adopted, the County’s actual revenues and expenditures, and actions by the State of California which could materially impact the County’s expenses and revenues.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2018-19 (1)
(In Thousands)

SOURCES:	AMOUNT
Property Taxes	$5,649,372
Other Taxes	199,856
Homeowner's Exemptions	19,244
Motor Vehicle (VLF) Realignment	399,494
Fines, Forfeitures and Penalties	182,034
Licenses, Permits and Franchises	56,698
Charges for Current Services	1,854,399
Investment and Rental Income	208,030
Other Revenue and Tobacco Settlement	801,263
Total:	$9,370,390
Less amount pledged for payment of the Notes:(2)	(727,689)
Net total in excess of Pledged Revenues:	$8,642,701

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2018-19. Information subject to change to reflect the impact of any revisions to the 2018-19 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $700,000,000 aggregate principal amount of Notes and the interest thereon.

State of California Finances

General. The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2018-19 State Budget (the "2018-19 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2018-19 State Budget on the County's financial outlook. In the event the 2018-19 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Governor's Proposed 2018-19 State Budget. The Governor released his proposed fiscal year 2018-19 State budget (the "2018-19 Proposed State Budget") on January 10, 2018. The 2018-19 Proposed State Budget estimates that total resources available in fiscal year 2017-18 will be approximately $131.86 billion (including a prior year balance of $4.61 billion) and total expenditures will be approximately $126.51 billion. The 2018-19 Proposed State Budget projects total resources available for fiscal year 2018-19 will be $135.14 billion, which includes prior year balance of $5.35 billion. The 2018-19 Proposed State Budget projects total expenditures for fiscal year 2018-19 of $131.69 billion, consisting of non-Proposition 98 expenditures of $77.12 billion and Proposition 98 expenditures of $54.56 billion. The 2018-19 Proposed State Budget proposes to allocate $1.17 billion of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.29 billion of such fund balance to the State's Special Fund for Economic Uncertainties. Among other things, the Proposed 2018-19 State

Budget estimates the Rainy Day Fund will have a fund balance of $13.46 billion, bringing it to 100% of its target balance.

May Revision to the 2018-19 Proposed State Budget. On May 11, 2018, the Governor released his 2018-19 May Revision to the Fiscal Year 2018-19 Proposed State Budget (the "May Revision"), which projects Fiscal Year 2018-19 State General Fund total available resources of $142.0 billion (being revenues and transfers of $133.5 billion and prior year's balance of $8.5 billion), total expenditures of $137.6 billion and a year-end surplus of $4.4 billion ($1.2 billion of which would be reserved for the liquidation of encumbrances and $3.2 billion of which would be deposited in a reserve for economic uncertainties), and $13.8 billion being on deposit in the Budget Stabilization Account. The May Revision states that, despite strong fiscal health in the short term, several factors, including the effects of the 2017 federal tax legislation and recent market volatility, continue to pose risks to the long-term health of the State budget. To moderate the impact of uncertainty and potential future funding shortfalls, the May Revision proposes that excess revenues be used to further build State reserves and fund one-time spending on long-standing infrastructure needs, homelessness and mental health, all while limiting the amount of substantial new on-going obligations. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – 2018-19 Proposed State Budget" for additional information on the Proposed 2018-19 State Budget and the May Revision.

LAO Overview of the May Revision. Beginning May 12, 2018, the Legislative Analyst's Office (the "LAO") released a series of analyses of the May Revision entitled "The May Revision: LAO Analyses" (as originally released, the "LAO Analyses"). Among other things, the LAO Analyses states that the condition of the State's General Fund could be considerably better than suggested by the May Revision and that, if the reserve and one-time spending proposals set forth in the May Revision are enacted, the State may be prepared for a mild recession. The LAO states that the proposed reserve levels would not be sufficient to fully mitigate the costs of a moderate or severe recession, in which case the State Legislature would still need to reduce expenditures by billions of dollars over a multi-year period to achieve a balanced budget.

Impact of Fiscal Year 2018-19 State Budget on the County. The Proposed 2018-19 State Budget and May Revision, among other things, include proposals to increase funding to counties for In-Home Supportive Services, Medi-Cal administration, and transportation and infrastructure projects. The proposed actions are expected to have a positive fiscal impact on the County for Fiscal Year 2018-19. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information – 2018-19 State Budget" attached hereto.

Additional Information. The Governor may release additional details of the proposals or updates to the Governor's Proposed 2018-19 State Budget and May Revision. Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2018-19 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. However, revenues are received during the fiscal year by the County in uneven amounts, primarily as a result of the receipt of secured property tax installment payments in December and April and delays in payments from other governmental agencies, the two largest sources of County revenues. Prior to 1977, the County managed its General Fund cash flow deficits by (i) borrowing from specific funds of other governmental entities whose funds are held in the County Treasury (so called "interfund borrowing") pursuant to Section 6 of Article XVI of the California Constitution and (ii) borrowing from funds held in trust by the County (so-called "intrafund borrowing"). Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, since 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. Except for tax and revenue anticipation notes that have not yet matured (being the $800,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2017-18 and due June 29, 2018), all notes issued in connection with the County's cash management program have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund therefor, separate from the General Fund, to repay the outstanding 2017-18 tax and revenue anticipation notes due on June 30, 2018. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

The use of intrafund borrowing to cover negative balances in the General Fund is a regular practice. The legality of this practice was decided and affirmed in May 1999 by the California Court of Appeals in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County et al.* The funds available as borrowable resources and reviewed by the court in 1999 consist primarily of property tax collections and monies in transit. Such funds are held in trust by the County prior to being distributed to the various taxing agencies and governmental units within the County. The General Fund itself is a major recipient of these "monies in transit" and ultimately receives more than 30% of all borrowable resources. The County has chosen not to classify such amounts as General Fund receipts until they are actually moved from trust and into the General Fund. If such monies were classified as General Fund deposits when first received by the County, the cash balance in the General Fund would be materially greater throughout the fiscal year. See the tables entitled Borrowable Resources Average Daily Balances - Fiscal Years 2013-14 through 2017-18" and "County of Los Angeles Borrowable Resources – Fiscal Year 2018-19" for the County's historical and projected borrowable resources for purposes of Intrafund Borrowing.

The following tables set forth for fiscal years 2013-14 through 2017-18 the month-end cash balances in the General Fund and the average daily balances in the various funds that account for the County's borrowable resources.

GENERAL FUND
MONTH-END CASH BALANCES
FISCAL YEARS 2013-14 THROUGH 2017-18
(In Thousands)[1]

	2013-14	2014-15	2015-16	2016-17	2017-18
July	$1,194,935	$1,301,521	$1,901,844	$2,266,486	$2,605,709
August	844,344	994,697	1,626,863	1,529,884	2,140,176
September	177,920	563,608	1,254,727	914,444	1,452,843
October	43,694	215,745	868,460	900,177	1,585,190
November	(16,816)	(20,557)	414,234	516,312	632,514
December	358,844	231,055	1,022,814	949,816	1,370,053
January	797,772	600,670	1,299,857	1,543,599	1,660,492
February	689,240	552,198	1,409,218	1,583,091	1,853,032
March	(6,076)	335,074	1,080,343	1,247,137	1,311,599
April	396,747	426,895	1,162,078	2,002,202	1,218,507
May	1,074,220	1,079,020	1,399,968	2,992,964	1,807,114[2]
June	1,025,985	1,653,166	2,162,672	2,508,677	1,811,775[2]

(1) Month-end balances include the effects of short-term note issuance net of deposits to the repayment funds relating to the short-term notes. Certain monthly periods reflect negative cash balances, which are covered by borrowable resources available to the County. See “THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow” and APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY.”

(2) Estimated.

BORROWABLE RESOURCES
AVERAGE DAILY BALANCES
FISCAL YEARS 2013-14 THROUGH 2017-18
(In Thousands)

	2013-14	2014-15	2015-16	2016-17	2017-18
July	$1,090,942	$1,308,097	$1,482,119	$1,552,284	$1,487,736
August	1,085,015	1,274,023	1,434,015	1,392,220	1,278,233
September	1,163,158	1,284,744	1,437,263	1,441,265	1,344,603
October	1,637,393	1,849,733	1,928,495	1,933,090	1,901,516
November	3,185,516	3,428,812	3,519,705	3,540,138	3,785,931
December	5,582,245	5,869,491	6,016,212	6,515,207	7,113,753
January	3,225,772	3,794,349	4,180,918	4,333,084	5,294,770
February	2,164,412	2,526,797	2,825,906	2,881,611	3,559,226
March	2,359,184	2,587,441	2,968,208	3,013,899	2,915,175
April	4,903,834	5,392,739	5,910,220	6,181,061	5,799,128
May	2,863,076	3,163,075	3,521,695	3,658,424	3,239,636[1]
June	1,262,316	1,472,289	1,503,541	1,574,447	1,434,341[1]

(1) Estimated.

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

In connection with the issuance of the Notes, the County has prepared the following detailed cash flow projection for Fiscal Year 2018-19 based on the 2018-19 Recommended Budget adopted by the Board of Supervisors on April 10, 2018 (the "2018-19 Recommended Budget"), and a detailed projection of average daily balances for Fiscal Year 2018-19 for all funds expected to be available as borrowable resources. The projected information relating to cash flow and borrowable resources has been prepared by the County based on historical information, as well as the County's analysis of expected revenues and expenses for Fiscal Year 2018-19. Although the County believes its Fiscal Year 2018-19 projections are reasonable, the cash flow and borrowable resources will depend on a variety of factors, including the final County Budget, actual revenues and expenses, the impact on the County of State budgetary actions, and other factors, and such projections should not be construed as statements of fact. In preparing cash flow forecasts for prior issuances of tax and revenue anticipation notes, the County has historically been conservative in its projections. Since Fiscal Year 1990-91, the County has exceeded its year-end cash projections in 26 of 27 years, and has done so by an average of more than $500 million. For June 30, 2018, the County projects that its cash balance will be $1,187 million greater than the original May 2017 forecast of $625 million, ending the current fiscal year at a positive $1,812 million. There can be no assurances that actual results for Fiscal Year 2018-19 will not materially differ from the projections.

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2018-19 PROJECTION
(in thousands of $)

	July 2018	August 2018	September 2018	October 2018	November 2018
BEGINNING BALANCE	$ 1,811,775	$ 1,698,547	$ 1,120,295	$ 237,556	$ 99,855
RECEIPTS					
Property Taxes	$ 72,544	$ 121,895	0	0	$ 49,909
Other Taxes	13,779	10,122	16,528	19,886	20,701
Licenses, Permits & Franchises	3,084	5,932	2,675	4,400	2,158
Fines, Forfeitures & Penalties	35,590	16,716	7,997	9,466	15,321
Investment and Rental Income	17,202	17,168	16,573	18,606	18,297
Motor Vehicle (VLF) Realignment	0	33,559	48,826	52,297	34,904
Sales Taxes - Proposition 172	73,591	61,666	57,494	57,589	72,600
1991 Program Realignment	72,772	35,598	48,459	86,465	70,351
Other Intergovernmental Revenue	184,120	228,616	185,020	230,584	294,322
Charges for Current Services	94,947	210,444	92,097	219,209	99,397
Other Revenue & Tobacco Settlement	55,444	63,251	44,420	44,290	51,900
Transfers & Reimbursements	9,933	12,827	205	3,560	15,357
Hospital Loan Repayment*	10,027	104,288	46,207	526,074	159,462
Welfare Advances	341,928	256,420	492,611	375,426	384,541
Other Financing Sources/MHSA	53,068	23,768	35,742	22,174	25,748
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	700,000	0	0	0	0
Total Receipts	$ 1,738,030	$ 1,202,270	$ 1,094,853	$ 1,670,025	$ 1,314,968
DISBURSEMENTS					
Welfare Warrants	$ 239,676	$ 246,367	$ 243,074	$ 251,168	$ 237,822
Salaries	504,008	501,340	494,863	499,711	503,517
Employee Benefits	343,985	311,793	292,345	328,590	322,236
Vendor Payments	625,253	566,719	344,456	407,510	405,022
Loans to Hospitals*	0	0	325,103	227,912	130,018
Hospital Subsidy Payments	110,992	134,401	243,937	0	0
Transfer Payments	27,344	19,902	33,815	92,834	18,308
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,851,258	$ 1,780,522	$ 1,977,592	$ 1,807,727	$ 1,616,923
ENDING BALANCE	**$ 1,698,547**	**$ 1,120,295**	**$ 237,556**	**$ 99,855**	**$ (202,099)**
Borrowable Resources (Avg. Balance)	$ 1,480,666	$ 1,288,663	$ 1,336,567	$ 1,871,852	$ 3,698,846
Total Cash Available	$ 3,179,213	$ 2,408,958	$ 1,574,123	$ 1,971,707	$ 3,496,747

* The net change in the outstanding Hospital Loan Balance is an increase of $418.3 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement show n above.

December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019	2018-19
$ (202,099)	$ 310,913	$ 1,080,357	$ 1,114,320	$ 437,020	$ 687,998	$ 1,183,167	
$ 1,385,350	$ 1,338,920	$ 463,374	$ 13,920	$ 951,719	$ 1,012,086	$ 239,654	$ 5,649,372
15,318	12,053	24,721	12,152	24,994	9,802	19,800	199,856
4,142	2,638	2,958	7,097	14,266	3,649	3,698	56,698
7,916	8,981	22,146	13,964	9,049	24,377	10,511	182,034
17,166	17,319	17,622	16,908	17,440	17,373	16,355	208,030
33,755	32,245	44,213	32,568	31,526	30,744	24,857	399,494
57,396	59,366	85,061	54,927	45,921	60,895	48,073	734,577
59,448	61,499	87,706	57,776	65,100	61,091	58,050	764,314
212,412	200,816	269,233	215,013	171,464	314,081	180,980	2,686,662
163,058	343,386	103,121	118,141	127,846	138,018	144,736	1,854,399
87,068	60,285	72,487	66,316	115,104	59,800	80,898	801,263
42,147	5,466	8,140	16,166	6,330	7,739	20,553	148,422
102,864	472,054	10,027	52,158	266,324	200,513	44,160	1,994,157
514,711	360,754	359,544	491,019	410,297	334,911	484,704	4,806,864
31,921	21,274	60,885	30,721	20,532	21,988	21,344	369,164
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	700,000
$ 2,734,672	$ 2,997,055	$ 1,631,237	$ 1,198,845	$ 2,277,912	$ 2,297,065	$ 1,398,371	$ 21,555,304
$ 255,876	$ 244,408	$ 238,631	$ 247,045	$ 242,395	$ 249,882	$ 249,273	$ 2,945,619
526,949	539,743	521,910	507,843	551,941	533,254	536,587	6,221,668
324,728	358,977	338,133	319,823	334,862	335,977	314,940	3,926,389
349,165	432,180	351,141	456,374	453,378	484,773	447,446	5,323,416
395,400	243,862	112,694	307,308	284,445	116,908	268,815	2,412,466
0	0	0	0	0	0	0	489,330
54,542	93,440	34,765	37,752	89,913	81,102	57,263	640,980
315,000	315,000	0	0	70,000	0	0	700,000
0	0	0	0	0	0	0	0
$ 2,221,660	$ 2,227,611	$ 1,597,274	$ 1,876,145	$ 2,026,934	$ 1,801,897	$ 1,874,324	$ 22,659,866
$ 310,913	**$ 1,080,357**	**$ 1,114,320**	**$ 437,020**	**$ 687,998**	**$ 1,183,167**	**$ 707,214**	
6,979,265	$ 5,205,680	$ 3,525,350	$ 2,882,792	$ 5,695,893	$ 3,200,421	$ 1,431,219	
$ 7,290,178	$ 6,286,037	$ 4,639,670	$ 3,319,812	$ 6,383,891	$ 4,383,588	$ 2,138,433	

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: FISCAL YEAR 2018-19 FORECAST
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2018	August 2018	September 2018	October 2018	November 2018
PROPERTY TAX GROUP					
Tax Collector Trust Fund	$ 64,424	$ 51,378	$ 40,580	468,235	$ 1,702,422
Auditor Unapportioned Property Tax	350,252	98,109	98,213	168,073	657,500
Unsecured Property Tax	172,319	111,417	122,125	152,745	160,071
Miscellaneous Fees & Taxes	6,281	6,266	6,308	6,289	6,321
State Redemption Fund	25,510	51,284	47,722	46,876	33,068
Education Revenue Augmentation	192,227	260,588	180,968	166,968	178,183
State Reimbursement Fund	0	0	0	0	438
Sales Tax Replacement Fund	-	-	-	-	-
Vehicle License Fee Replacement Fund	-	21,638	157,643	171,655	171,667
Property Tax Rebate Fund	3,952	15,922	12,305	8,716	14,817
Utility User Tax Trust Fund	1,140	2,320	4,056	7,758	8,173
Subtotal	$ 816,105	$ 618,922	$ 669,920	$ 1,197,315	$ 2,932,660
VARIOUS TRUST GROUP					
Departmental Trust Fund	$ 464,155	$ 480,556	$ 475,529	468,132	$ 580,608
Payroll Revolving Fund	54,106	43,191	44,360	59,477	38,262
Asset Development Fund	44,436	44,277	44,342	44,369	44,388
Productivity Investment Fund	5,859	5,804	5,758	5,597	5,716
Motor Vehicle Capital Outlays	578	674	703	703	703
Civic Center Parking	164	141	242	263	262
Reporters Salary Fund	315	457	254	182	238
Cable TV Franchise Fund	13,256	12,603	13,020	12,964	12,939
Megaflex Long-Term Disability	12,623	12,498	12,471	12,316	12,133
Megaflex Long-Term Disability & Health	10,912	10,962	11,033	11,124	11,214
Megaflex Short-Term Disability	53,157	53,578	53,935	54,410	54,723
Subtotal	$ 659,561	$ 664,741	$ 661,647	$ 669,537	$ 761,186
HOSPITAL GROUP					
Harbor-UCLA Medical Center	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Olive View-UCLA Medical Center	1,000	1,000	1,000	1,000	1,000
LAC+USC Medical Center	1,000	1,000	1,000	1,000	1,000
MLK Ambulatory Care Center	1,000	1,000	1,000	1,000	1,000
Rancho Los Amigos Rehab Center	1,000	1,000	1,000	1,000	1,000
LAC+USC Medical Center Equipment	0	0	0	0	0
Subtotal	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
GRAND TOTAL	**$ 1,480,666**	**$ 1,288,663**	**$ 1,336,567**	**$ 1,871,852**	**$ 3,698,846**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019
$ 2,492,401	$ 1,574,938	$ 575,159	$ 565,097	$ 1,981,856	$ 840,093	$ 154,321
2,690,644	1,632,891	1,444,515	595,738	1,725,787	689,780	187,045
68,705	68,272	56,764	54,307	44,439	94,621	128,200
6,260	6,394	6,403	6,357	6,355	9,198	8,868
22,396	23,112	19,579	17,872	18,407	34,647	25,268
616,955	507,917	289,170	234,764	410,440	79,607	168,583
11,150	18,471	1,132	1,132	2,154	29,269	11,261
-	-	-	-	-	81,348	0
171,667	651,142	441,584	723,359	795,929	574,415	0
11,761	13,619	25,574	13,008	13,504	0	0
10,670	13,224	12,506	8,217	12,009	7,261	11,403
$ 6,102,609	$ 4,509,980	$ 2,872,386	$ 2,219,851	$ 5,010,880	$ 2,440,239	$ 694,949
$ 680,975	$ 480,800	$ 472,336	$ 475,234	$ 479,896	$ 555,784	$ 542,645
47,729	66,343	31,973	37,108	51,900	62,091	51,560
44,415	44,433	44,458	44,504	44,523	44,000	44,000
5,503	5,146	4,990	6,217	8,043	6,000	6,000
664	623	601	601	611	6,000	6,000
232	208	294	304	322	239	143
331	545	534	622	600	559	413
13,307	13,443	13,303	13,345	13,553	13,000	13,000
12,114	12,057	11,998	11,993	11,999	14,893	14,893
11,300	11,387	11,412	11,459	11,545	9,306	9,306
55,086	55,715	56,065	56,554	57,021	43,310	43,310
$ 871,656	$ 690,700	$ 647,964	$ 657,941	$ 680,013	$ 755,182	$ 731,270
$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000
1,000	1,000	1,000	1,000	1,000	1,000	1,000
0	0	0	0	0	0	0
$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
$ 6,979,265	**$ 5,205,680**	**$ 3,525,350**	**$ 2,882,792**	**$ 5,695,893**	**$ 3,200,421**	**$ 1,431,219**

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

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

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Notes to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the Notes. The pledge made in the Resolution and the Financing Certificate and the covenants and agreements set forth therein to be performed by and on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the Notes all of which shall be of equal rank without preference, priority or distinction of any of the Notes over any other thereof, except as expressly provided in or permitted by the Financing Certificate.

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2017-18 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Code (herein defined) necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes. In furtherance of the foregoing tax covenant, the County agrees to comply with the provisions of the Tax Certificate. The County shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the Notes proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

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

Negotiability, Transfer and Exchange of the Notes

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

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

Permitted Investments

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

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

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

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

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

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

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq.*) and whose fund has received the highest possible rating from S&P and at least one other nationally recognized securities rating agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

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

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

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

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

Repayment Fund Held by the Treasurer

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

Supplemental Financing Certificate and Supplemental Resolution

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

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted, or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add to the covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add to the limitations and restrictions to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the

Financing Certificate as required to obtain a rating for the Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders or (vi) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

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

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

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

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

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

Payment of Unclaimed Moneys to County

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

ENFORCEABILITY OF REMEDIES

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

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

TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018); and (ii) interest on the Notes is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Notes.

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

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

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

Under the Code and Regulations, if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2018-19. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2018-19, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2018-19 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes. Bond Counsel has assumed that the representations and covenants of the County in the Resolution and in the County's Tax Compliance Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon, to the extent required, from legally available moneys, are true and correct and that the County will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made).

Interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). In addition, interest on the Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Notes. Bond Counsel will express no opinion regarding those consequences.

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

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

For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for taxable years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. Additionally, investors in the Notes should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Notes may be affected and the ability of holders to sell their Notes in the secondary market may be reduced. The Notes are not subject to special mandatory redemption, and the interest rates on the Notes are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Notes.

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

Original Issue Premium

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

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

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Squire Patton Boggs (US) LLP, Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2017, 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 herein, and no opinion is expressed by Independent Auditor with respect to any event subsequent to its report dated December 15, 2017.

RATINGS

Moody's, S&P and Fitch have given the Notes the ratings of "MIG 1," "SP-1+" and "F1+" respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, 33 Whitehall Street, New York, New York 10004. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant.

Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

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

The County is routinely a party to various lawsuits and administrative proceedings. Summaries of certain pending legal proceedings or potential contingent liabilities are set forth in Appendix A attached hereto. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT." In the opinion of the County Counsel, the outcome of the presently pending suits and claims will not materially impair the County's ability to repay the Notes. See Note 18 of "Notes to the Basic Financial Statements" included in APPENDIX B sets forth this liability as of June 30, 2017.

MUNICIPAL ADVISOR

Public Resources Advisory Group has served as Municipal Advisor to the County in connection with the issuance of the Notes. The Municipal 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 herein.

UNDERWRITING

The Notes are being purchased for reoffering by Goldman Sachs & Co. LLC, as representative of itself, J.P. Morgan Securities LLC, FTN Financial Capital Markets, Jefferies LLC, and The Williams Capital Group, L.P. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $716,366,021.53 (representing the principal amount of the Notes, plus original issue premium of $16,702,000.00, less Underwriters' discount of $335,978.47). The Contract of Purchase (the "Contract of Purchase") provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

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

J.P. Morgan Securities LLC ("JPMS") has provided the following for inclusion in this Official Statement: JPMS, one of the Underwriters of the Notes, has entered into negotiated dealer agreements (each, a "JPMS Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each JPMS Agreement, each of CS&Co. and LPL may purchase Notes from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Notes that such firm sells.

Jefferies LLC ("Jefferies") has provided the following for inclusion in this Official Statement: Jefferies, one of the Underwriters of the Notes, has entered into an agreement (the "Jefferies Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Jefferies Agreement, Jefferies will sell the Notes to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

The Williams Capital Group, L.P. ("Williams Capital") has provided the following for inclusion in this Official Statement: Williams Capital, one of the Underwriters of the Notes, has entered into a negotiated dealer agreement ("Williams Capital Agreement") with TD Ameritrade for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Williams Capital Agreement (if applicable to this transaction), TD Ameritrade may purchase Notes from Williams Capital at the original issue price less a negotiated portion of the selling concession applicable to any Notes that such firm sells.

ADDITIONAL INFORMATION

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

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

CONTINUING DISCLOSURE

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

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

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

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-8359

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES
CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,083 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 10.2 million in 2017, the County is the most populous of the 58 counties in California and has a larger population than 41 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 (the "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.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. Under this governance structure, the Board of Supervisors delegated additional responsibilities for the administration of the County to the Chief Executive Office (the "CEO"), 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. 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.

On July 7, 2015, the Board of Supervisors approved recommendations by the CEO 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 report directly to the Board of Supervisors, and all Deputy CEO positions were eliminated. County departments continue to report to the CEO for day-to-day operations, and for administrative and budget matters. The CEO continues to function as the Board of Supervisor's agent to manage countywide policy objectives and departmental performance management. The new governance structure is designed to streamline County governance by improving communications with County departments and facilitating more effective decision making in response to the Board of Supervisors' policy objectives.

From 2014 to 2016, the County experienced significant changes to its elected leadership and senior management personnel. In December 2014, the previous Supervisors for the First District and the Third District reached their term limits, with their successors elected by voters in the November 2014 election. The current Supervisors for the First and Third Districts commenced their first terms in December 2014. In November 2014, voters also elected a new Assessor and a new Sheriff. Other key management changes to County departments include appointments by the Board of Supervisors of a new Auditor-Controller in October 2014, a new Treasurer and Tax Collector in January 2015, a new CEO in October 2015, and a new County Counsel in July 2015. In November 2016, voters elected new Supervisors to the Fourth District and the Fifth District, replacing the previous Supervisors who had reached their term limits. The new Supervisors for the Fourth and Fifth Districts commenced their first terms in December 2016.

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 to the unincorporated areas or at a higher level of service 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 providing these services.

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 14 major dams, 172 debris basins, an estimated 120,000 catch basins, 35 sediment placement sites, and over 3,380 miles of storm drains and channels. County lifeguards monitor 25 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 inmate population of approximately 16,613 inmates. This number includes approximately 622 inmates who were serving their sentences outside of the jail in community based alternatives to custody programs.

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 5.3 million registered voters and maintains approximately 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 182 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 10 regional parks, 44 neighborhood parks, 16 community parks, 14 wildlife sanctuaries, 10 nature centers, 40 public swimming pools, over 200 miles of horse, biking and hiking trails, and 20 golf courses. The County also maintains botanical centers, including the Arboretum and Botanic Garden, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Gardens, providing County residents with valuable environmental and educational resources.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has a total workforce of approximately 101,860 with 86.9% of the workforce represented by sixty-one (61) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which includes twenty-four (24) collective bargaining units that represent 56.3% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-two (22) collective bargaining units that represent 22.8% of County employees; and the Independent Unions (the "Independent Unions"), which encompass fifteen (15) collective bargaining units that represent 7.8% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division is responsible for negotiating sixty-one (61) individual collective bargaining agreements for wages and salaries and an additional 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.

The County maintains strong working relationships with its collective bargaining units. The current Memoranda of Understanding ("MOUs") with the various collective bargaining units cover wages, salaries and fringe benefits. The current MOUs covering wages and salaries have three-year terms and provided for a 10% cost of living increase over the term of the agreements, which have various expiration dates ranging from December 31, 2017 to September 30, 2018. Non-represented employees also received the 10% cost of living increase that was agreed to with its collective bargaining units.

As the result of reopener language related to specific MOU provisions, the County is currently re-negotiating the MOUs with Building Trades and Skilled Craftsmen in regard to compensation rates for apprentices, and with SEIU Local 721 in regard to compensation rates for Nurse Practitioners.

The two (2) MOUs covering fringe benefits, which expire on September 30, 2018, include provisions that changed the cafeteria plan contributions and subsidies for temporary and part-time employees, additional annual vacation leave of up to 40 hours after 24 years or more of service, an additional paid holiday in recognition of Cesar Chavez' birthday, a change in eligibility for sick personal leave for rehired retirees, and an expansion of bereavement leave provisions (SEIU Local 721 Fringe Benefit MOU only).

The County has commenced salary and wage negotiations with those collective bargaining units with MOUs that expired on December 31, 2017 and January 31, 2018. The County expects to begin salary and wage negotiations with the remaining collective bargaining units (with MOU expiration dates of September 30, 2018) during the summer of 2018. Negotiations for each of the fringe benefit MOUs are scheduled to begin in the late spring/early summer of 2018.

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 employees of the County, the Los Angeles Superior Court and four other participating agencies. The Superior Court and the other four non-County agencies account for approximately 4.9% of LACERA's total membership**.**

LACERA is governed by 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 & G), 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 G) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30,2017 was 174,778, consisting of 72,009 active vested members, 25,202 active non-vested members, 63,324 retired members and 14,243 terminated vested (deferred) members. Of the 97,211 active members (vested and non-vested), 84,513 are general members in General Plans A through G, and 12,698 are safety members in Safety Plans A through C.

Of the 63,324 retired members, 51,083 are general members in General Plans A through G, and 12,241 are safety members in Safety Plans A, B and C. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of Plan A benefits, which were considerably more generous than other plan options currently available to County employees.

As of June 30, 2017, approximately 54% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 85% of all active safety members (vested and non-vested) 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.

2012 State Pension Reform

On September 12, 2012, the Governor signed AB 340 into law, which established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans, effective January 1, 2013. For new employees hired on or after January 1, 2013, 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 Retirement Law, 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. Based on the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2018-19 for new employees hired on and after January 1, 2013 will be 19.49% for General Plan G and 24.93% for Public Safety Plan C. The new employer contribution rates are similar to the comparative rates of 19.47% for General Plan D participants and 26.33% 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, the implementation of 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 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 valuations on an annual basis 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 ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date.

When measuring assets to determine the UAAL, the Board of Investments 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 the 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 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 lowered the assumed investment rate of return from 7.75% to 7.5%, and phased 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 remained unchanged at 7.5%.

In December 2016, Milliman released the 2016 Investigation of Experience for Retirement Benefit Assumptions (the "2016 Investigation of Experience"). The 2016 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2016 Actuarial Valuation (the "2016 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 3.50% and 3.00% to 3.25% and 2.75%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2016, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2016 Actuarial Valuation. However, the resulting increase to the employer contribution rate will be phased in over a three-year period beginning in Fiscal Year 2017-18.

UAAL and Deferred Investment Returns

For the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 1.1%, which was significantly lower than the 7.25% assumed rate of return. As a result of the weaker than assumed investment performance, the market value of Retirement Fund Assets decreased by $971 million or 2.0% to $47.847 billion as of June 30, 2016. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $2.030 billion or 4.3% from $47.328 billion to $49.358 billion as of June 30, 2016. The 2016 Actuarial Valuation reported that the AAL increased significantly by $5.380 billion to $62.199 billion, and the UAAL increased by $3.350 billion to $12.841 billion from June 30, 2015 to June 30, 2016.

The 2016 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2017. The County's required contribution rate increased from 17.77% to 19.70% of covered payroll in Fiscal Year 2017-18 after partial phase-in of the new actuarial assumption changes. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 8.49% to 11.24%, and an increase in the normal cost contribution rate from 9.28% to 9.97%.

The increase in the County's required contribution rate for Fiscal Year 2017-18 reflects the first part of a three-year phase in of the 2.87% increase in the contribution rate approved by the Board of Investments in December 2016. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2017-18 would have been 21.21%.

The 2016 Actuarial Valuation did not include $2.012 billion of net deferred investment losses that will be partially recognized 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 76.1% as of June 30, 2016, and the required County contribution rate would have been 22.79% for Fiscal Year 2017-18.

For the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.7%, which was significantly higher than the 7.25% assumed rate of return. As a result of the stronger than assumed investment performance, the market value of Retirement Fund Assets increased by $4.897 billion or 10.0% to $52.744 billion as of June 30, 2017. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $2.808 billion or 5.7% from $49.357 billion to $52.166 billion as of June 30, 2017. The 2017 Actuarial Valuation reported that the AAL increased significantly by $3.112 billion to $65.311 billion, and the UAAL increased by $304 million to $13.145 billion from June 30, 2016 to June 30, 2017.

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 were fully accounted for in the valuation of the Retirement Fund as of June 30, 2013. The Funded Ratio as of June 30, 2016 decreased to 79.4% from 83.3% in the prior year, primarily due to changes in the actuarial assumptions for the 2016 Actuarial Valuation. The Funded Ratio as of June 30, 2017 increased slightly to 79.9% from the prior year, primarily due to improved investment performance.

The 2017 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2018. The County's required contribution rate will increase from 19.70% to 20.04% of covered payroll in Fiscal Year 2018-19. The increase in the contribution rate is comprised of a slight decrease in the funding requirement to finance the UAAL over 30 years from 11.24% to 11.06%, and a slight decrease in the normal cost contribution rate from 9.97% to 9.94%.

The increase in the County's required contribution rate for Fiscal Year 2018-19 also includes the second part of the three-year phase in of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions approved by the Board of Investments in December 2016. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2018-19 would be 21.00%.

The 2017 Actuarial Valuation does not include $49.907 million of net deferred investment gains that will be partially recognized 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 80.0% as of June 30, 2017, and the required County contribution rate would have been 20.96% for Fiscal Year 2018-19.

As of March 31, 2018, LACERA reported a 7.4% fiscal year to date net return on Retirement Fund assets, which is higher than the actuarial assumed investment rate of return of 7.25%. The asset allocation percentages for the Retirement Fund as of March 31, 2018 were 23.3% domestic equity, 23.0% international equity, 24.6% fixed income, 11.4% real estate, 9.9% private equity, 2.5% commodities, 2.5% hedge funds and 2.8% cash.

An eight-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 eight years is presented in Table 2 ("Investment Return on Retirement Plan Assets") at the end of this Information Statement section.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2015-16 and 2016-17, the County's total contributions to the Retirement Fund were $1.384 billion and $1.335 billion, respectively. In Fiscal Year 2017-18, the County's required contribution payments are projected to increase by over $168 million or 12.6% to $1.503 billion. For Fiscal Year 2018-19, the County is estimating retirement contribution payments to LACERA of $1.617 billion, which would represent a 7.6% or $113.8 million increase from Fiscal Year 2017-18.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2019 is presented in Table 3 ("County Pension and OPEB Payments") at the end of this Information Statement section.

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, 2017, $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 2017 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 20.04% to 20.51% for Fiscal Year 2018-19, and the Funded Ratio would have decreased from 79.9% to 78.9% as of June 30, 2017. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $39 million in Fiscal Year 2018-19.

Pension Accounting Standards

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements to replace the previous 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 expanded the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, has replaced the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 was implemented with the issuance of the County's Fiscal Year 2014-15 financial statements. Although GASB 68 does not materially affect the existing process for calculating the UAAL, it requires the County to recognize its proportionate share of LACERA's Net Pension Liability directly on the Statement of Net Position (government-wide balance sheet). The new requirement to recognize a liability in the financial statements represents a significant and material change from the previous standards, which only required the disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional reporting requirements, which have expanded the 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 pension benefits. For the Fiscal Year ended June 30, 2017 the County reported a Net Pension Liability of $10.273 billion, which represents a $2.825 billion or 38% increase from the $7.448 billion Net Pension Liability reported as of June 30, 2016.

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. The 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.

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.

Financial Reporting for Other Postemployment Benefits

GASB had previously issued two statements that address financial reporting requirements for Other Postemployment Benefits (OPEB), which is 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 the standards that were previously in effect for pension benefits. GASB 43 was 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"), established financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 was focused on the County's financial statements, and related note disclosures. 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 did not require the funding of any OPEB liability related to the implementation of this reporting standard.

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which will replace the existing OPEB accounting and reporting requirements for entities that administer OPEB plans (LACERA) and employers (the County).

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaces the requirements of GASB Statement No. 43 and is focused on the OPEB plan administrator (LACERA). GASB 74 was implemented with the issuance of LACERA’s Fiscal Year 2016-2017 financial statements and expanded the required OPEB-related note disclosures and supplementary information.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 will be implemented with the issuance of the County’s Fiscal Year 2017-2018 financial statements. Although GASB 75 is not expected to materially affect the existing process which computes the County’s UAAL, it will require the County to recognize the full amount of net OPEB liabilities directly on the Statement of Net Position (government-wide balance sheet). The net OPEB liability is the difference between the total OPEB liability (the present value of projected OPEB benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay OPEB benefits. There are also new requirements which will expand the existing OPEB-related note disclosures and supplementary information.

The new requirement to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the existing standards. Current accounting standards only require recognition of OPEB liabilities to the extent that OPEB funding is less than the actuarially determined amount. As of June 30, 2017, the County’s Statement of Net Position recognized $14.527 billion of OPEB liabilities. The new GASB OPEB standards are only applicable to accounting and reporting for OPEB benefits in the County’s financial statements. Accordingly, there is no impact on the County’s existing statutory obligations and policies to fund the OPEB benefits.

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 benefit plans. 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.

For the Fiscal Year ended June 30, 2016, the County reported a net OPEB obligation of $13.109 billion, which represented a $1.575 billion or 13.6% increase from the $11.535 billion obligation reported as of June 30, 2015. The net OPEB obligation is comprised of $12.785 billion for retiree health care benefits and $324.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

In August 2017, Milliman released the County’s fifth OPEB actuarial valuation report (“the 2016 OPEB Valuation”) as of July 1, 2016. In the 2016 OPEB Valuation, Milliman reported an AAL of $25.913 billion for LACERA’s OPEB program (including employees of the Los Angeles Superior Court). The County’s share of this liability is $24.792 billion, which represents a 9.0% decrease from the previous OPEB Valuation as of July 1, 2014 (the “2014 OPEB Valuation”). The annual required contribution (“ARC”) to fund the OPEB liability as of July 1, 2016 is estimated to be $1.964 billion, which represents 27.03% of the County’s payroll costs and a 8.7% decrease from the 2014 OPEB Valuation. The decrease in the County’s OPEB liability from 2014 to 2016 was the result of several offsetting factors, with the most significant factors being an increase in the discount rate from 3.75% to 4.50% and lower than expected increases in health insurance premiums.

For the Fiscal Year ended June 30, 2017, the County reported a net OPEB obligation of $14.527 billion, which represents a $1.418 billion or 10.8% increase from the $13.109 billion obligation reported as of June 30, 2016. The net OPEB obligation is comprised of $14.151 billion for retiree health care benefits and $376.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

The June 30, 2017 OPEB ARC of $2.047 billion, which includes $1.956 billion for retiree health care benefits and $90.2 million for long-term disability benefits, represents a $145.6 million or 6.6% decrease from the $2.192 billion obligation as of June 30, 2016. The OPEB ARC was partially offset by $628.6 million in total County contribution payments, resulting in an increase in the net OPEB obligation of $1.418 billion in Fiscal Year 2016-17. The total County contribution payments in Fiscal Year 2016-17 were 30.7% of the OPEB ARC, which represents an increase from the 28.2% funding level in Fiscal Year 2015-16.

OPEB Funding

In Fiscal Years 2015-16 and 2016-17, the total “pay as you go” payments from the County to LACERA for retiree health care benefits were $507.7 million and $528.9 million, respectively. In Fiscal Year 2017-18, payments to LACERA for OPEB are projected to increase by $31.6 million or 6.0% to $560.5 million. For Fiscal Year 2018-19, the County is projecting $599.8 million in OPEB payments to LACERA, which would represent a 7.0% or $39.2 million increase from Fiscal Year 2017-18.

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 maintained with LACERA for the initial funding of the OPEB Trust. The transfer from the County Contribution Credit Reserve represented the accumulated balance of the County's proportionate share of excess earnings distributions from the Retirement Fund from Fiscal Years 1994 through 1998.

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County's unfunded OPEB liability (the "OPEB Pre-funding Plan"). The OPEB Pre-funding Plan requires the County to begin the process to fully fund the OPEB ARC by incrementally increasing the annual contribution to the OPEB Trust. The Fiscal Year 2017-18 Final Adopted Budget appropriates $121.2 million in pre-funding contributions to the OPEB Trust Fund, which will be funded by a $50.0 million Net County Cost ("NCC") contribution from the General Fund and $71.2 million in projected 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 approximately $60 million per year, which includes an annual $25 million increase in the NCC contribution from the General Fund and a $35 million annual increase funded by subvention revenue. For Fiscal Year 2018-19, the County is projecting a deposit to the OPEB Trust in the amount of $182.9 million. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28.

In January 2016, LACERA transferred $50 million to the OPEB Trust from an excess retiree health premium reserve account. The transaction was initiated by LACERA, and is un-related to the County's OPEB Pre-funding Plan. As of March 31, 2018, the balance of the OPEB Trust was $898.3 million, of which $856.4 million is attributable to the County.

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 (the "2013 LTD Valuation") and July 1, 2015 (the "2015 LTD Valuation"). In the 2015 LTD Valuation, the AAL for the County's long-term DBP was $1.090 billion, which represents a 15.3% increase from the $946 million AAL reported in the 2013 LTD Valuation. As of June 30, 2017, the County's net OPEB obligation of $14.527 billion includes $376.2 million for long-term disability benefits.

In Fiscal Years 2015-16 and 2016-17, the County made total DBP payments of $37.6 million and $38.8 million, respectively. For Fiscal Year 2017-18, the County is estimating total DBP payments of $41.3 million. For Fiscal Year 2018-19, the County is projecting total DBP payments in the amount of $42.2 million. The annual "pay-as-you-go" DBP payments are accounted for as an offset to the OPEB obligation in the CAFR.

FEDERAL AUDIT

In February 2016, the Internal Revenue Service ("IRS") initiated a compliance examination of the County's Tax Year 2014 payroll tax returns and Form 1099 submissions. During the examination, the IRS expanded the scope to include Tax Year 2015. The examination concluded in April 2017 and consisted of a comprehensive review of County salaries, employee benefits, and payments to vendors to determine compliance with federal tax laws and regulations. The IRS identified some minor compliance issues, including the County's underpayment of certain federal employment taxes and penalties related to Form 1099 submissions. These issues were nearly offset by other findings, which concluded the County overpaid the amount of federal employment taxes owed. The net amount owed by the County to the IRS, for both Tax Years examined, was $601.47.

LITIGATION

The County is routinely a party to various lawsuits and administrative proceedings. The following are summaries of certain pending legal proceedings or potential contingent liabilities, as reported by the Office of the County Counsel. A further discussion of certain 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.

Public Safety Cases

A lawsuit was filed against the County in 2013 alleging that the plaintiff had been falsely convicted of murder and served over twenty years in prison. The Court subsequently ordered a new trial based on new evidence. The case was retried and the plaintiff was acquitted. The County settled the case for $15 million, which will be paid in two installments of $8 million and $7 million in Fiscal Years 2017-18 and 2018-19, respectively.

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* is a Federal class action lawsuit filed by the American Civil Liberties Union (ACLU) alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff's Department will implement various reforms recommended by a court-appointed panel of monitors. The settlement agreement requires that the Sheriff's Department comply with various recommendations by specific target dates. The County continues to make progress toward compliance with these recommendations.

On June 4, 2014, the U.S. Department of Justice (the "DOJ") issued a public report alleging that systemic deficiencies related to suicide prevention and mental health care existed in the County jails, and that those deficiencies violated inmates' constitutional rights. The Sheriff's Department and the Department of Mental Health have reached a proposed settlement with the DOJ concerning the DOJ's allegations that the County and the Sheriff's Department are violating inmates' constitutional rights with respect to mental health services and suicide prevention in the County jails as well as DOJ's concerns about the use of excessive force in the County jails. At this time, the cost of compliance for both this DOJ matter, and *Rosas* is still being evaluated.

In 2010, a lawsuit was filed *(Amador v. Baca, et. al.)* claiming that the County and the Sheriff's Department ("Department") violated the constitutional rights of female inmates through the use of unlawful strip searches. In November 2016, the court certified two classes and three subclasses of female inmates who were searched between 2008 and 2015. In June 2017, the court ruled that the conditions under which the searches occurred rendered them unconstitutional. The potential class has approximately 93,000 members. The plaintiffs are seeking damages of $99 million, but the County estimates its potential liability to be significantly lower.

Social Services Cases

In September 2011, *Duval v. County of Los Angeles, et al.* was filed against the County pursuant to the Civil Rights Act, alleging that plaintiff's civil rights were violated when the Department of Children and Family Services removed plaintiff's son from her custody without parental consent, a warrant or exigent circumstances. On November 3, 2016, a jury awarded the plaintiff $3.1 million in damages. The court later awarded the plaintiff attorneys' fees and costs totaling approximately $3 million, for a total judgment of approximately $6.1 million. Both the plaintiff and the County have filed notices of appeal.

Tax Cases

In 2007, in *Los Angeles Unified School District v. County of Los Angeles, et al.,* the Los Angeles Unified School District (LAUSD) 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, which 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 ERAF-related litigation. The cases were settled in October and November of 2017. Pursuant to the terms of the settlements, the County paid LAUSD $57.86 million, Los Angeles Community College District $6.95 million, Montebello Unified School District $4.80 million, and Long Beach Unified School District $12.90 million. The remaining payments under the settlement are for County-controlled special districts estimated to total $160,000, which are expected to be fully executed on or before August 1, 2018, bringing the litigation to a close.

Willy Granados v. County of Los Angeles, an action for damages and declaratory and injunctive relief, was filed in November 2006. It seeks to stop the County's collection of the utility user tax ("UUT") to the extent that it is applied to telecommunications services that are no longer subject to the federal excise tax ("FET"). The County Code excludes from the UUT amounts paid for services exempt from the FET. In addition, the suit seeks to recover the allegedly wrongfully collected taxes. The plaintiff also seeks certification as a class action. In 2007, the County filed a demurrer to the complaint, which was sustained. The action was dismissed and the plaintiff appealed. The action was stayed pending a decision in *Ardon v. City of Los Angeles*, where the court ruled in 2011 that a class claim could be brought for a UUT refund. In 2012, the Court of Appeal reversed the dismissal order, resulting in reinstatement of the lawsuit. Litigation activity resumed in 2016, and the plaintiff's motion for class certification was granted in May 2017. The plaintiffs sought $39 million in refunds. The County authorized settlement of the lawsuit for $16.9 million and has set aside reserves in this amount. The terms of the settlement agreement also include a provision for unclaimed funds to revert to the County, thereby potentially reducing the $16.9 million liability. It is anticipated that final resolution of the claim process will occur by early 2019.

Other Cases

In May 2016, the County experienced a phishing email attack that affected multiple departments and resulted in a breach of information for over 750,000 individuals. The County has provided the required notices and is undergoing an investigation into the incident. To date, no evidence suggests that any information has been misused. The County has taken actions to enhance security measures and training for employees to guard against future intrusions. The County does not expect any liability from this incident to adversely affect the County's ability to repay its outstanding lease and debt obligations.

In April 2018, two purported class-action lawsuits—*Ocana v. Renew Financial Holdings, Inc. et al.* and *Nemore v. Renovate America, Inc., et al.*—were filed against the County and the two contractors administering the County's residential Property Assessed Clean Energy Program (the "PACE Program"). The County's PACE Program allows participating homeowners to finance energy-efficient upgrades to their homes through an assessment against their properties that is collected on their annual property tax bills. The lawsuits allege the County and its third-party administrators for the PACE Program (Renew Financial Holdings and Renovate America) engaged in financial elder abuse by approving elderly property owners for PACE assessments who did not have the financial ability to repay the assessments, thus putting them at risk of defaulting and potentially subjecting their properties to foreclosure. The lawsuits seek damages, forgiveness of outstanding assessments, and refunds of prior assessment payments. The County is currently assessing its options for responding. The program administrators are contractually obligated to indemnify the County and provide for its defense. The County does not expect any liability from these cases to adversely affect its ability to repay its outstanding lease and debt obligations.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. 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
06/30/2010	$33,433,888	$38,839,392	$46,646,838	$7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	50,809,425	11,770,061	76.83%
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%
06/30/2015	48,818,350	47,328,270	56,819,215	9,490,945	83.30%
06/30/2016	47,846,694	49,357,847	62,199,214	12,841,367	79.35%
06/30/2017	52,743,651	52,166,307	65,310,803	13,144,496	79.87%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

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
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%
2014-15	48,818,350	4.3%	85.0%
2015-16	47,846,694	1.1%	76.1%
2016-17	52,743,651	12.7%	80.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

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

	Payments to LACERA				
Fiscal Year	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)	OPEB Disability	Total Retirement & OPEB Payments
2011-12	$1,026,867	$424,030	$0	$36,701	$1,487,598
2012-13	1,118,514	441,062	448,819	37,598	2,045,993
2013-14	1,262,754	446,979	0	37,320	1,747,053
2014-15	1,430,462	450,202	0	39,920	1,920,584
2015-16	1,383,897	507,698	72,489	37,306	2,001,390
2016-17	1,334,825	528,908	61,145	38,582	1,963,460
2017-18	1,503,188 *	560,549 *	120,797 *	41,300	2,225,834
2018-19	1,617,026 *	599,784 *	182,887 *	42,200	2,441,897

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

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

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

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

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

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

The General County Budget accounts for approximately 78.8% of the 2018-19 Recommended Budget and appropriates funding for programs that are provided on a mostly county-wide basis *(e.g.*, health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis *(e.g.*, law enforcement, planning and engineering).

Special Revenue Funds represent approximately 11.1% of the 2018-19 Recommended Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, specific automation projects and Measure H – Los Angeles County Plan to Prevent and Combat Homelessness.

Capital Project Special Funds account for approximately 0.8% of the 2018-19 Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 6.8% of the 2018-19 Recommended Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.5% of the 2018-19 Recommended Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

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

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

Article XIIIB of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2017-18 is $23,164,352,326. The 2017-18 Final Adopted Budget included proceeds from taxes of $9,046,684,333, 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 repealed State laws that were in conflict with the measure, unless they were approved again by two-thirds of each house of the State Legislature.

Future Initiatives

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

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-22 of this Appendix A, $4.872 billion of the $24.286 billion 2018-19 Recommended General County Budget is received from the Federal government and $6.421 billion is funded by the State. The remaining $12.993 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 47% 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

On March 23, 2018, the President signed into law H.R. 1625, the Consolidated Appropriations Act, 2018, which is an omnibus spending package for the remainder of Federal Fiscal Year (FFY) 2018. The $1.3 trillion spending bill funds Federal government operations through September 30, 2018, the end of FFY 2018. The funding levels reflect those set in the recently enacted Bipartisan Budget Act of 2018 (H.R. 1892), which provided $143.0 billion in additional spending authority, including $63.0 billion for non-defense domestic discretionary programs. The package includes increased funding for many programs of interest to the County, including the Community Development Block Grant, Public Housing Operating and Capital Funds, and funding for the 2020 Decennial Census.

On February 12, 2018, the President released his Proposed Federal Budget for FFY 2019, which accounts for the new top-line spending limit enacted in the Bipartisan Budget Act. The $4.4 trillion budget proposes $200.0 billion in new infrastructure spending in the form of grants designed to leverage $1.5 trillion in non-federal funding. The proposal also includes $3.0 trillion in spending cuts over the next ten years, including $1.7 trillion in cuts to mandatory entitlement programs such as Medicaid ($199.0 billion), Medicare ($554.0 billion), Supplemental Nutrition Assistance Program ($213.5 billion), and Temporary Assistance for Needy Families ($21.3 billion). It also proposes to eliminate or significantly curtail several discretionary spending programs of interest to the County, including the elimination of the Community Development Block Grant, HOME Investment Partnership program, Community Services Block Grant, State Criminal Alien Assistance program grants and the Public Housing Capital Fund.

Notwithstanding release of the President's Proposed Budget for FFY 2019, Congress is responsible for passing appropriations legislation to fund the Federal government. With the Federal budget for FFY 2018 complete, the House and Senate have turned their attention to FFY 2019, and preliminary hearings have already been conducted by several authorizing and appropriations committees. Based on the top-line spending levels for FFY 2019 that have been agreed to, the County expects that FFY 2019 appropriations for individual programs will be consistent with levels provided in the FFY 2018 omnibus spending package.

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 (and the subsequent extension by voters with the passage of Proposition 55 in November 2016), 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 authorized a constitutional amendment prohibiting the State Legislature from removing AB 109 funding.

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 $453.0 million in Fiscal Year 2009-10. In Fiscal Years 2015-16 and 2016-17, the County General Fund received $144.3 million and $175.2 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2017-18 is $186.0 million, while the 2018-19 Recommended Budget includes a projected $210.7 million of residual tax revenue 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, on the financial condition of the County.

2017-18 STATE BUDGET

On June 27, 2017, Governor Brown signed the Fiscal Year 2017-18 State Budget Act (the "2017-18 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2016-17 of $1.622 billion, total revenues and transfers of $125.880 billion, total expenditures of $125.096 billion, and a year-end surplus of $2.406 billion for Fiscal Year 2017-18. Of the projected year-end surplus, $980 million was to be allocated to the Reserve for Liquidation of Encumbrances and $1.426 billion would be deposited to the Special Fund for Economic Uncertainties. The 2017-18 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $1.8 billion, bringing the balance to $8.486 billion, which represents approximately 65% of the Constitutional funding target established under Proposition 2 of 2014.

The 2017-18 State Budget Act was not expected to result in any significant loss of funding to the County with the exception of the following program reductions related to the In-Home Supportive Services Maintenance of Effort (IHSS MOE) and the CalWORKs Single Allocation, as described below.

The 2017-18 State Budget Act includes the Governor's proposal to mitigate the impact of eliminating the IHSS MOE to counties by (1) establishing a base funding level of $1.769 billion in State General Fund contributions to counties over the next four fiscal years; (2) establishing an annual county inflation factor which would be phased in and applied to the base funding level, beginning at zero in Fiscal Year 2017-18, 5% in Fiscal Year 2018-19, and 7% in Fiscal Year 2019-20; and (3) returning collective bargaining to counties. IHSS costs are expected to increase, which will require additional local funding in future years. The primary factors expected to drive up costs include substantial caseload growth, increases in the minimum wage to $15.00, overtime costs and paid sick leave.

The 2017-18 State Budget Act provides $108.9 million to partially restore funding related to the Governor's proposal in the May Budget Revision to reduce the CalWORK5 Single Allocation by $248.0 million. The CalWORKs Single Allocation provides funding for county functions related to employment services, eligibility determination and administration, Stage 1 Child Care and Cal-Learn. The County estimates that the CalWORKs Single Allocation reduction will result in a funding loss of approximately $46.0 million in Fiscal Year 2017-18.

2018-19 STATE BUDGET

On January 10, 2018, Governor Brown released his Fiscal Year 2018-19 Proposed State Budget (the "Proposed State Budget"). The Proposed State Budget projected a beginning fund balance surplus from Fiscal Year 2017-18 of $5.351 billion, total revenues and transfers of $129.792 billion, total expenditures of $131.690 billion, and a year-end surplus of $3.453 billion for Fiscal Year 2018-19. Of the projected year-end surplus, $1.165 billion would be allocated to the Reserve for Liquidation of Encumbrances and $2.288 billion would be deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $5.05 billion, which includes a $3.5 million supplemental payment. These deposits would bring the balance of the Rainy Day Fund to $13.461 billion, reaching the Constitutional funding target established under Proposition 2 in 2014.

On May 11, 2018, Governor Brown released his Fiscal Year 2018-19 May Budget Revision (the "May Budget Revision"). The May Budget Revision projects a beginning fund balance surplus from Fiscal Year 2017-18 of $8.452 billion, total revenues and transfers of $133.513 billion, total expenditures of $137.562 billion, and a year-end surplus of $4.403 billion for Fiscal Year 2018-19. Of the projected year-end surplus, $1.165 billion would be allocated to the Reserve for Liquidation of Encumbrances and $3.238 billion would be deposited to the Special Fund for Economic Uncertainties. The May Budget Revision continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $4.357 billion, which would bring the balance of the Rainy Day Fund to $13.767 billion, reaching the Constitutional funding target established under Proposition 2 in 2014 by June 2019.

The May Budget Revision reflects an overall improvement in the State revenue forecast of $8.0 billion from Fiscal Year 2016-17 through Fiscal Year 2018-19, resulting in an increase in total resources available of $6.822 billion over the Proposed State Budget. The May Budget Revision proposes an increase in total expenditures of $5.872 billion over the Proposed State Budget, with funding for key State priorities related to combatting homelessness, mental health services, infrastructure and K-12 education. To prepare for a future economic downturn, the May Budget Revision proposes to fully fund the Rainy Day Fund by June 2019 in accordance with Proposition 2 and use surplus revenues to provide one-time funding for initiatives such as homelessness, mental health, and infrastructure projects, and pay for increased costs for programs of County interest, such as Medi-Cal, child care, IHSS, and foster care reform.

The items of major interest to the County in the May Budget Revision include the following:

<u>No Place Like Home.</u> The May Budget Revision includes a proposal to place a measure on the November 2018 ballot to validate the No Place Like Home Program to help address the State's housing shortage and expand housing opportunities for individuals with mental illness. According to the Department of Mental Health, of the $2.0 billion generated through the No Place Like Home Program, the County would expect to receive approximately $700.0 million.

<u>Homelessness.</u> The May Budget Revision includes $359.0 million of statewide funding for various programs in Fiscal Year 2018-19 to assist local governments in their immediate efforts to address homelessness. The County will continue to work with its affected departments to determine the fiscal impact of the State's funding proposals.

<u>Children's Mental Health Mandate (AB 3632) Repayment.</u> The May Budget Revision includes a repayment of $254.0 million owed to counties as a result of mandates associated with mental health services for severely emotionally disturbed children (AB 3632). The total estimated repayment due to the County under AB 3632 is approximately $68.4 million.

<u>IHSS County Administration.</u> The May Budget Revision provides an increase of $24.0 million in State General Fund expenditures in Fiscal Year 2018-19 to fund higher estimates of county workload related to the IHSS program. The County supports this proposal and will continue to advocate for additional funding.

<u>IHSS County Maintenance of Effort.</u> Although the County IHSS MOE will increase by the statutory required five percent in Fiscal Year 2018-19, according to the State, there is no anticipated net fiscal impact to counties through Fiscal Year 2019-20. The higher 1991 Realignment revenues, combined with the $330.0 million in State General Fund contributions in Fiscal Year 2018-

19 and $200 million in Fiscal Year 2019-20, are expected to fully cover the increased IHSS MOE costs.

Medi-Cal County Administration. The May Budget Revision includes a statewide increase of $56.6 million in Fiscal Year 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. The Department of Public Social Services estimates that the County will receive approximately $16.5 million of the total $56.8 million statewide funding in Fiscal Year 2018-19.

Medi-Cal County Indigent Savings.
The May Budget Revision assumes an increase in statewide savings of $242.7 million in 1991-92 Realignment Program funding redirected from counties to the State in Fiscal Year 2018-19. At this time, the County estimates that $77.5 million in 1991-92 Realignment Program funding may be redirected from the County to the State. The actual amount of the redirection to the State will be determined based on a reconciliation to be conducted in two years.

CalWORKs Single Allocation. The May Budget Revision provides a $55.8 million increase to the eligibility component of the CalWORKs Single Allocation as a result of a new budget methodology for the eligibility workload. However, there is an additional reduction to the employment services component due to a decline in caseload resulting in a $23.5 million reduction when compared to Fiscal Year 2017-18 funding levels. The County will continue to advocate for the full restoration of the CalWORKs Single Allocation funding for Fiscal Year 2018-19.

State-County Partnerships on Incompetent to Stand Trial (IST). The May Budget Revision includes approximately $15 million annually for the County to support a partnership with the State Hospitals to serve up to 150 felony IST patients by diverting them from the County's jail system for treatment in community based settings.

Emergency Child Care Bridge Program for Foster Children. The May Budget Revision includes $31.0 million of statewide funding in Fiscal Year 2018-19 for the Emergency Child Care Bridge Program for Foster Children. This program will provide emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth child care providers. The Department of Children and Family Services estimates that the County will receive approximately $5.5 million of the statewide funding in Fiscal Year 2018-19.

2011 Public Safety Realignment Funding (AB 109). The May Budget Revision estimates a statewide AB 109 Program base allocation of $1.328 billion in Fiscal Year 2018-19. The County expects to receive $413.0 million of the statewide base allocation in Fiscal Year 2018-19, which represents an increase of $27.0 million over the Fiscal Year 2017-18 base funding. In addition, the County is expected to receive $15.5 million in Fiscal Year 2017-18 growth funds.

Voting Systems Upgrade and Replacement. The May Budget Revision includes a one-time expenditure from the State General Fund of $134.3 million to support voting systems upgrade and replacement. This funding would be made available to all counties with a 50 percent match funding requirement. The County's estimated share of the statewide funding cannot be determined at this time.

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, enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

Property Tax Revenue

Property tax revenue represents the largest source of ongoing discretionary revenue for the County. 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 is not reflected on the property tax rolls, which 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 0.51% and 1.87% in Fiscal Year 2009-10 and 2010-11, respectively. After the economic downturn, and with the ongoing recovery in the real estate market, the County has experienced seven consecutive years of steady growth in assessed valuation, with increases in the Net Local Roll of 1.36%, 2.20%, 4.66%, 5.47%, 6.13%, 5.58% and 6.04% in

Fiscal Years 2011-12 through 2017-18, respectively.

For Fiscal Year 2017-18, the Assessor reported a Net Local Roll of $1.416 trillion, which represents an increase of 6.04% or $80.6 billion from Fiscal Year 2016-17. The Fiscal Year 2017-18 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the seventh consecutive year of growth in assessed valuation. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2017-18 are transfers in ownership ($43.5 billion), and an increase in the consumer price index ($24.6 billion).

For the Fiscal Year 2017-18 tax roll, the Assessor estimates that approximately 10.9% of all single-family residential parcels, 11.3% of all residential income parcels and 14.3% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

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 helped to 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 initiated a review of the 552,000 parcels to determine if the reductions in assessed value were still warranted under Proposition 13. Based on this review, the Assessor has fully restored approximately 433,000 parcels to their Proposition 13 base year value, with 119,000 parcels still eligible for potential restorations in value.

On May 17, 2018, the Assessor released the Assessment Roll Forecast for Fiscal Year 2018-19. The Assessment Roll Forecast reflects a 6.0% or $84.9 billion increase from Fiscal Year 2017-18, resulting in a projected Net Local Roll of $1.5 trillion for Fiscal Year 2018-19. The primary factors driving the increase in the Net Local Roll are property transfers ($45.4 billion) and a 2.0% increase in the consumer price index ($26.5 billion).

FISCAL YEAR 2017-18 FINAL ADOPTED BUDGET

The Fiscal Year 2017-18 Final Adopted Budget (the "2017-18 Final Adopted Budget") was approved by the Board of Supervisors on September 26, 2017. The 2017-18 Final Adopted Budget appropriates $31.605 billion, which reflects a $1.722 billion or 5.8% increase in total funding requirements from the Fiscal Year 2016-17 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $24.324 billion, which represents a $1.333 billion or 5.8% increase from the Fiscal Year 2016-17 Final Adopted Budget. The 2017-18 Final Adopted Budget appropriates $7.281 billion for Special Funds/District, reflecting a $389 million or 5.6% increase from the Fiscal Year 2016-17 Final Adopted Budget.

The primary changes to the NCC component of the 2017-18 Final Adopted Budget are outlined in the following table.

Fiscal Year 2017-18 NCC Budget Changes

Public Assistance Changes	**$ 24,332,000**
Unavoidable Cost Increases	
Health Insurance Subsidy	38,464,000
Pension Costs	32,066,000
Employee Salaries	93,621,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	14,476,000
Program Changes	
Correctional Mental Health Services	9,968,000
Juvenile Indigent Defense	6,939,000
Data Center	13,271,000
Women & Girls Initiative	1,115,000
Affordable Housing & Economic Development	10,200,000
Other Public Safety Programs	7,527,000
Health Services Program Changes	2,513,000
Correctional Treatment Facility Debt Service	17,200,000
Other Debt Service	2,826,000
All Other Program Changes	9,128,000
Fiscal Policies	
Appropriation for Contingency	2,379,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**316,025,000**
Revenue Changes	
Property Taxes	283,001,000
Property Taxes - CRA Dissolution Residual	14,555,000
Public Safety Sales Tax	13,996,000
Various Revenue Changes	4,473,000
Total Locally Generated Revenue	**316,025,000**
Total Projected Budget Gap	$ -

Public Assistance Changes

The increase in funding for Public Assistance in the 2017-18 Final Adopted Budget is primarily related to a $23.4 million increase in the IHSS Program.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved increases in salaries and employee benefits. The current labor agreements provide for a 10% increase over three (3) years, beginning in Fiscal Year 2015-16.

Prefund Retiree Healthcare Benefits – The 2017-18 Final Adopted Budget appropriates $121.2 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $50 million in NCC and $71.2 million in projected subvention revenue to be received from Federal, State and other local government entities. This is the third year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2017-18 Final Adopted Budget includes $80.7 million of adjustments to various County programs, including increases for public safety, social services and health and mental health services.

Fiscal Policies

The County budget policy (the "Budget Policy") requires the establishment of a Rainy Day Fund as a hedge against future economic uncertainties, with a target funding amount equivalent to 10% of ongoing locally generated revenues. The current balance of the Rainy Day Fund is $448.3 million, which is approximately 7.4% of discretionary revenues.

On September 30, 2014, the County updated the Budget Policy 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 2017-18 Final Adopted Budget, $29.7 million was set aside in the Appropriation for Contingency, which reflects 10% of discretionary revenues. In addition, the revised Budget Policy requires that $5.0 million be allocated annually for deferred maintenance needs as part of the Recommended Budget.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2017-18. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 6.04% increase in the Net Local Roll, the 2017-18 Final Adopted Budget includes a $283.0 million increase in property tax revenues. The 2017-18 Final Adopted Budget also includes a $14.6 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County assumed a 2.6% growth factor in its overall statewide sales tax projection for the 2017-18 Final Adopted Budget. Based on the 2.6% growth rate, the County is projecting a $14.0 million increase in Proposition 172 Sales Tax in Fiscal Year 2017-18.

FISCAL YEAR 2018-19 RECOMMENDED BUDGET

The Fiscal Year 2018-19 Recommended Budget (the "2018-19 Recommended Budget") was approved by the Board of Supervisors on April 10, 2018. The 2018-19 Recommended Budget appropriates $30.805 billion, which reflects an $800 million or 2.5% decrease in total funding requirements from the 2017-18 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $24.286 billion, which represents a $38 million or 0.2% decrease from the 2017-18 Final Adopted Budget. The 2018-19 Recommended Budget appropriates $6.519 billion for Special Funds/District, reflecting a $762 million or 10.5% decrease from the Fiscal Year 2017-18 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2018-19 Recommended Budget are outlined in the following table.

Fiscal Year 2018-19 NCC Budget Changes

Public Assistance Changes	**$(852,000)**
Unavoidable Cost Increases	
Health Insurance Subsidy	43,024,000
Pension Costs	43,027,000
Employee Salaries	148,837,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Maintenance of Effort Requirements	5,442,000
Program Changes	
Affordable Housing	15,000,000
Public Safety Programs	23,936,000
Debt Service	9,065,000
Other Changes	(6,023,000)
All Other Program Changes	1,299,000
Fiscal Policies	
Appropriation for Contingency	1,155,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**313,910,000**
Revenue Changes	
Property Taxes	277,572,000
Property Taxes - CRA Dissolution Residual	24,715,000
Public Safety Sales Tax	6,684,000
Various Locally Generated Revenues	4,939,000
Total Locally Generated Revenue	**313,910,000**
Total Projected Budget Gap	$ -

Public Assistance Change

The decrease in funding for Public Assistance in the 2018-19 Recommended Budget is primarily related to a projected $2.3 million decrease in General Relief expenditures, as well as a $1.6 million decrease primarily due to a reduction in the CalWORKs caseload. The cost decreases are partially offset by increases in a variety of other Public Assistance programs.

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, which are expected to take effect in Fiscal Year 2018-19. The current labor agreements provide for a 10% increase over three (3) years, beginning in 2015-16.

Prefund Retiree Healthcare Benefits – The 2018-19 Recommended Budget appropriates $182.9 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $75.0 million in NCC and $107.9 million in projected subvention revenue received from Federal, State and other local government entities. This is the fourth year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2018-19 Recommended Budget includes $43.3 million of adjustments to various programs in the 2017-18 Final Adopted

Budget, including increases for public safety, social services and health and mental services.

Fiscal Policies

The current balance of the Rainy Day Fund is $448.3 million, which is approximately 7.0% of discretionary revenues. The 2018-19 Recommended Budget includes a multi-year plan to fully fund the Rainy Day Fund by Fiscal Year 2021-22, which would require supplemental funding of approximately $156.0 million, or $39.0 million per year over the next four fiscal years. The 2018-19 Recommended Budget adds $1.2 million to Appropriation for Contingencies, raising the amount to $30.9 million, which reflects 10% of new discretionary revenues. The 2018-19 Recommended Budget also includes a $5 million allocation for deferred maintenance needs.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to experience continued growth in Fiscal Year 2018-19. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the initial projected growth rate of the Assessment Roll in Fiscal Year 2018-19 of 5.74%, the 2018-19 Recommended Budget includes a $277.6 million increase in property tax revenues. The 2018-19 Recommended Budget also includes a $24.7 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County has assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2018-19 Recommended Budget. Based on the 2.0% growth rate, the County is projecting a $6.7 million increase in Proposition 172 Sales Tax in Fiscal Year 2018-19.

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 indigent County residents. Historically, the cost of providing health services exceeds the combined total of DHS revenues, which requires annual subsidies from the County General Fund. DHS has been able to limit these subsidies by developing new revenue sources, implementing operational efficiencies and hiring freezes, and using one-time reserve funds.

DHS' fiscal outlook has improved from prior years, primarily due to new revenues that were part of the previous five-year Section 1115 Hospital Financing Waiver which became effective in November 2010 (the "2010 Waiver"), the new Medi-Cal 2020 Waiver (the "2015 Waiver"), which became effective in December 2015 and the implementation of the Affordable Care Act (the "ACA") which became effective January 1, 2014. As a result of the ACA implementation, DHS has experienced a significant reduction in the number of uninsured patients, providing an overall fiscal benefit. Since the ACA has resulted in an expanded revenue base for DHS, the budgetary pressures on DHS have been significantly reduced. Furthermore, 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

New Section 1115 Hospital Financing Waiver

On December 30, 2015, the Federal Centers for Medicaid and Medicare Services (CMS) approved the 2015 Waiver, which is a five year renewal of the 2010 Waiver. The 2015 Waiver could provide the State with over $6.2 billion in new Federal funding over its five-year term.

The 2015 Waiver features new programs that are designed to improve care for the State's Medi-Cal and remaining uninsured patients, and may result in additional Federal funding for the County over its five-year term. The primary features of the 2015 Waiver include:

- Public Hospital Redesign and Incentives in Medi-Cal (PRIME) is a pay-for-performance delivery system transformation and alignment program.

- Global Payment Program is a payment reform program for services provided to uninsured patients in California's Public Health Care system.

- Whole Person Care is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients. The pilot programs are chosen based on a competitive application process. The Department has been awarded the maximum amount of $90.0 million annually over the 5-year term.

Affordable Care Act

The ACA provided the framework for the 2010 Waiver by allowing an early implementation of some of the law's coverage expansion provisions, which resulted in early enrollment for many uninsured DHS patients. The ACA's Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizens or legal residents who are uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. As the ACA became effective on January 1, 2014, the early enrollees were automatically transitioned to coverage under the MCE program. The MCE program has significantly improved DHS' payer mix and provided additional revenues as previously uninsured patients have transitioned to Medi-Cal coverage.

At this time, the Medicaid provisions under the ACA remain in place. Although the Tax Cuts and Jobs Act of 2017 passed by Congress in December 2017 included a repeal of the Affordable Care Act's individual mandate starting in 2019, and a repeal of the individual mandate is likely to result in higher premiums on the health insurance exchanges, DHS does not anticipate any significant revenue impact.

Assembly Bill 85

Based on the implementation of the ACA and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of 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 is 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 is 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 will be 80% State and 20% County. In general under the formula, if the County realizes higher revenue, the amount of redirection to the State will be higher as well, but cannot exceed the realignment amount received for a particular fiscal year. Conversely, if the County realizes less revenue, the amount of redirection to the State will also be less.

The final redirection amount for Fiscal Year 2013-14 was $0 and for 2014-15, the redirection amount was $365.5 million. The current projected redirection amounts for Fiscal Years 2015-16, 2016-17, and 2017-18 are $291.4 million, $134.6 million, and $0, respectively. However, the redirection amount for Fiscal Year 2017-18 will have to be recalculated due to the recent CMS approval of two new revenue producing programs that replace programs that expired on June 30, 2017. The County expects the redirection amount to the State will be larger due to increased revenue to DHS from these new programs. The new programs are described in the "Managed Care Rule" section below.

In addition, AB 85 established an MOE funding requirement for an annual County General Fund contribution based on Fiscal Year 2012-13 funding levels, with increases to the MOE of one percent each subsequent fiscal year. The initial MOE funding requirement for Fiscal Year 2013-14 was $323.0 million. The MOE funding requirement for Fiscal Year 2018-19 is $342.9 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2018-19 NCC contribution to DHS is $990.6 million, as shown in the chart below. The NCC contribution to DHS is comprised of multiple components, including the AB 85 MOE, other General Fund resources for specific programs, VLF Realignment Revenue, and Tobacco Settlement Revenue. Due to the improvement in DHS' revenue streams as noted previously, the pressure on the County General Fund has stabilized due to the fixed AB 85 MOE. Furthermore, the additional funding from the County General Fund for DHS programs related to correctional health services and other programs represents a strategic initiative by the Board of Supervisors to transfer specific services previously provided by other County departments to DHS, and is not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution
FY 2018-19 Recommended Budget
($ in million)

	Amount
County General Fund - AB 85 MOE	$ 342.9
County General Fund - Correctional Health (A)	315.0
County General Fund - Specific Programs (B)	19.5
Vehicle License Fees Realignment	279.3
Tobacco Settlement Revenue	57.0
Transfers to Other Budget Units (C)	(23.1)
Total	$ 990.6

(A) Reflects the transfer of Correctional Health Services from the Sheriff and the Department of Mental Health to DHS, which was finalized in May 2017.

(B) Includes funding for Board initiatives, such as homeless services and health care for Probation youth.

(C) Includes the transfer for the In-Home Supportive Services Provider Health Care Plan.

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 County hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in order 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 February 28, 2018, the balance of General Fund cash advances to the Hospital Funds was $365.7 million.

In addition to the funding sources described above, the County's General Fund also provides cash advances to the Hospital

Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has preliminarily completed the audit for Fiscal Year 2015-16, with an estimated value of $57.8 million. The audits for Fiscal Years 2016-17 and 2017-18 are pending at this time. As of March 21, 2018, the total estimated receivable balance is $122.4 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 2018-19 will be determined during the fiscal year-end closing process.

As part of the annual process to set rates for the managed care MCE population under the ACA, the California Department of Health Care Services ("DHCS") requested CMS' approval of new MCE rates for Fiscal Year 2017-18. With pending CMS approval of the proposed MCE rates, DHS continues to be paid based on the existing approved rates. Upon CMS' approval of the Fiscal Year 2017-18 rates, retroactive paybacks will be applied and are expected to be completed around June 2018. DHS has set up a reserve to account for the repayment and expects no impact on DHS' revenue.

DHS Reserve Funds

In Fiscal Year 2016-17, DHS closed the year with a Fund Balance of $661.4 million, and is expected to close Fiscal Year 2017-18 with a Fund Balance of approximately $700.0 million. The Fund Balance is available to fund DHS operations in the future, as needed.

Managed Care Rule

The new rules governing Medicaid Managed Care (the "Managed Care Rule") prohibit directed payments and pass-through payments effective June 30, 2017. DHS had previously received such payments, and has worked with the State on proposals that would replace this revenue stream by providing additional payments that comply with the limitations and exceptions of the Managed Care Rule.

The two proposals that were submitted to CMS to meet the new managed care requirements are the Quality Improvement Program (QIP) and the Enhanced Payment Program (EPP). The QIP will provide value-based payments for the achievement of clinically-established quality measures for Medi-Cal managed care enrollees. The EPP establishes a pool to supplement the base rates received by public hospitals through their Medi-Cal managed care contracts. The QIP and EPP proposals were recently approved by CMS for Fiscal Year 2017-18. The State is currently preparing a request to CMS to continue the QIP and EPP programs for Fiscal Year 2018-19.

The State has also submitted another proposal for CMS approval to obtain additional payments for public hospitals related to Graduate Medical Education (GME) and Indirect Medical Education (IME) for Medi-Cal managed care beneficiaries. These proposed payments would cover Medi-Cal's share of the salaries and benefits of interns and residents receiving training at public hospitals, as well as certain indirect costs associated with their training. If approved, the effective date would be January 2017. The GME/IME proposal is currently awaiting CMS approval.

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation ("MLK-LA"), to operate a new hospital at the previous MLK hospital site. The new MLK Community Hospital facility opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with $50.00 million of coordination start-up funds, $39.1 million of grant funding, and $82.0 million of long-term loan funding, which includes a 30-year loan in the amount of $50.0 million, a 10-year revolving line of credit in the amount of $20.0 million, and a 2-year loan in the amount of $12.0 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of $40.0 million to assist MLK-LA with post-hospital opening expenses. All of the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of $48.2 million. In addition, DHS has committed to make ongoing annual payments of $18.0 million for indigent care support, and $50.0 million of intergovernmental transfers for the benefit of the MLK Hospital.

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 Tobacco Settlement Revenues ("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 million per year, the actual amount of 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. 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 2017-18, the County received $77.0 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.

BUDGET TABLES

The 2018-19 Recommended Budget is supported by $5.630 billion in property tax revenue, $4.872 billion in Federal funding, $6.421 billion in State funding, $84 million in cancelled obligated fund balance, $1.399 billion in Fund Balance and $5.880 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 2018-19 Recommended Budget with the 2017-18 Final Adopted Budget.

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

Fund	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
General Fund	$ 17,206,258	$ 17,782,636	$ 18,532,749	$ 19,589,641	$ 20,856,959	$ 21,208,901
Hospital Enterprise Fund	2,803,170	3,165,359	3,195,948	3,401,444	3,466,796	3,076,665
Total General County Budget	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**

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

	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
Requirements						
Social Services	$ 5,846,911	$ 6,206,407	$ 6,446,374	$ 6,859,438	$ 7,200,237	$ 7,141,751
Health	6,208,232	6,373,399	6,590,413	7,135,235	8,040,428	8,309,828
Justice	5,146,062	5,442,540	5,674,407	5,973,130	5,823,573	5,899,378
Other	2,808,223	2,925,649	3,017,503	3,023,282	3,259,517	2,934,609
Total	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**
Revenue Sources						
Property Taxes	$ 4,177,683	$ 4,467,240	$ 4,765,596	$ 5,031,658	$ 5,331,727	$ 5,629,601
State Assistance	5,024,219	5,366,757	5,542,998	5,965,914	6,290,778	6,420,696
Federal Assistance	4,342,123	4,184,128	4,236,481	4,499,196	4,931,647	4,871,815
Other	6,465,403	6,929,870	7,183,622	7,494,317	7,769,603	7,363,454
Total	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**

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

	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
Financing Requirements						
Salaries & Employee Benefits	$ 9,671,291	$ 10,353,404	$ 10,988,705	$ 11,537,805	$ 12,254,330	$ 12,783,326
Services & Supplies	7,138,148	7,362,617	7,696,979	8,148,441	8,511,618	8,500,740
Other Charges	3,901,664	4,082,120	3,878,926	4,252,725	4,483,734	4,465,574
Capital Assets	982,969	946,383	864,488	868,341	951,628	816,730
Other Financing Uses	619,569	263,903	595,100	509,535	723,265	604,859
Appropriations for Contingencies	-	5,000	15,919	27,375	29,754	30,909
Interbudget Transfers[1]	(1,417,786)	(1,054,758)	(1,411,193)	(1,370,514)	(1,678,129)	(1,622,664)
Gross Appropriation	$ 20,895,855	$ 21,958,669	$ 22,628,924	$ 23,973,708	$ 25,276,200	$ 25,579,474
Less: Intrafund Transfers	944,775	990,638	1,008,980	1,063,876	1,259,379	1,351,467
Net Appropriation	$ 19,951,080	$ 20,968,031	$ 21,619,944	$ 22,909,832	$ 24,016,821	$ 24,228,007
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Other	-	-	-	-	16,093	-
Assigned for Rainy Day Funds	35,033	24,274	31,414	27,882	39,000	-
Committed Fund Balance	23,315	(44,310)	77,339	53,371	251,841	57,559
Total Financing Requirements	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**
Available Financing						
Fund Balance	$ 1,497,581	$ 1,566,263	$ 1,750,126	$ 1,824,822	$ 1,982,626	$ 1,399,037
Cancel Provision for Obligated Fund Balance	239,852	143,419	282,930	216,915	348,499	84,355
Property Taxes: Regular Roll	4,123,069	4,414,842	4,705,966	4,971,696	5,271,414	5,569,018
Supplemental Roll	54,614	52,398	59,630	59,962	60,313	60,583
Revenue	14,094,312	14,771,073	14,930,045	15,917,690	16,660,903	17,172,573
Total Available Financing	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**

[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 $1.6 billion in 2018-19, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $25.9 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2017-18 FINAL ADOPTED BUDGET TO 2018-19 RECOMMENDED BUDGET
Net Appropriation: By Function
(In thousands)

Function	2017-18 Final (1)	2018-19 Recommended (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 1,097,542.0	$ 1,172,508.0	$ 74,966.0	6.83%
General Services	830,636.0	693,663.0	(136,973.0)	-16.49%
Public Buildings	885,459.0	782,680.0	(102,779.0)	-11.61%
Total General	$ 2,813,637.0	$ 2,648,851.0	$ (164,786.0)	-5.86%
Public Protection				
Justice	$ 5,471,927.0	$ 5,581,578.0	$ 109,651.0	2.00%
Other Public Protection	220,570.0	210,606.0	(9,964.0)	-4.52%
Total Public Protection	$ 5,692,497.0	$ 5,792,184.0	$ 99,687.0	1.75%
Health and Sanitation	8,003,723.0	8,273,123.0	269,400.0	3.37%
Public Assistance	7,033,294.0	7,046,868.0	13,574.0	0.19%
Recreation and Cultural Services	376,556.0	368,712.0	(7,844.0)	-2.08%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	306,934.0	57,559.0	(249,375.0)	-81.25%
Appropriations for Contingencies	29,754.0	30,909.0	1,155.0	3.88%
Total Requirements	**$ 24,323,755.0**	**$ 24,285,566.0**	**$ (38,189.0)**	**-0.16%**
AVAILABLE FUNDS				
Property Taxes	$ 5,331,727.0	$ 5,629,601.0	$ 297,874.0	5.59%
Fund Balance	1,982,626.0	1,399,037.0	(583,589.0)	-29.44%
Cancelled Prior-Year Reserves	348,499.0	84,355.0	(264,144.0)	-75.79%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 374,639.0	$ 400,086.0	$ 25,447.0	6.79%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	865,158.0	893,585.0	28,427.0	3.29%
Other Public Assistance	2,259,536.0	2,246,609.0	(12,927.0)	-0.57%
Public Protection	1,310,342.0	1,337,046.0	26,704.0	2.04%
Health and Mental Health	1,320,018.0	1,390,775.0	70,757.0	5.36%
Capital Projects	117,670.0	111,994.0	(5,676.0)	-4.82%
Other State Revenues	24,415.0	21,601.0	(2,814.0)	-11.53%
Total State Revenues	$ 6,290,778.0	$ 6,420,696.0	$ 129,918.0	2.07%
Federal Revenues				
Public Assistance Subventions	$ 2,852,629.0	$ 2,817,832.0	$ (34,797.0)	-1.22%
Other Public Assistance	196,816.0	193,071.0	(3,745.0)	-1.90%
Public Protection	116,820.0	105,163.0	(11,657.0)	-9.98%
Health and Mental Health	1,751,152.0	1,740,870.0	(10,282.0)	-0.59%
Capital Projects	105.0	105.0	-	0.00%
Other Federal Revenues	14,125.0	14,774.0	649.0	4.59%
Total Federal Revenues	$ 4,931,647.0	$ 4,871,815.0	$ (59,832.0)	-1.21%
Other Governmental Agencies	28,339.0	24,153.0	(4,186.0)	-14.77%
Total Intergovenmental Revenues	$ 11,250,764.0	$ 11,316,664.0	$ 65,900.0	
Fines, Forfeitures and Penalties	186,601.0	192,065.0	5,464.0	2.93%
Licenses, Permits and Franchises	57,804.0	58,582.0	778.0	1.35%
Charges for Services	3,703,200.0	4,221,518.0	518,318.0	14.00%
Other Taxes	228,302.0	228,533.0	231.0	0.10%
Use of Money and Property	184,789.0	191,702.0	6,913.0	3.74%
Miscellaneous Revenues	648,181.0	473,718.0	(174,463.0)	-26.92%
Operating Contribution from General Fund	401,262.0	489,791.0	88,529.0	22.06%
Total Available Funds	**$ 24,323,755.0**	**$ 24,285,566.0**	**$ (38,189.0)**	**-0.16%**

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017
(2) Reflects the 2018-19 Recommended General County Budget approved by the Board of Supervisors on April 10, 2018

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2017-18 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	$ 1,097,542.0	$ -	$ 1,097,542.0
General Services	830,636.0	-	830,636.0
Public Buildings	885,459.0	-	885,459.0
Total General	$ 2,813,637.0	$ -	$ 2,813,637.0
Public Protection			
Justice	$ 5,471,927.0	$ -	$ 5,471,927.0
Other Public Protection	220,570.0	-	220,570.0
Total Public Protection	$ 5,692,497.0	$ -	$ 5,692,497.0
Health and Sanitation	$ 4,536,927.0	$ 3,466,796.0	$ 8,003,723.0
Public Assistance	7,033,294.0	-	7,033,294.0
Recreation and Cultural Services	376,556.0	-	376,556.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	306,934.0	-	306,934.0
Appropriation for Contingency	29,754.0	-	29,754.0
Total Requirements	**$ 20,856,959.0**	**$ 3,466,796.0**	**$ 24,323,755.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,331,727.0	$ -	$ 5,331,727.0
Fund Balance	1,982,626.0	-	1,982,626.0
Cancel Provision for Obligated Fund Balance	115,735.0	232,764.0	348,499.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 374,639.0	$ -	$ 374,639.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	865,158.0	-	865,158.0
Other Public Assistance	2,259,536.0	-	2,259,536.0
Public Protection	1,310,342.0	-	1,310,342.0
Health and Mental Health	1,271,956.0	48,062.0	1,320,018.0
Capital Projects	117,670.0	-	117,670.0
Other State Revenues	24,415.0	-	24,415.0
Total State Revenues	6,242,716.0	48,062.0	6,290,778.0
Federal Revenues			
Public Assistance Subventions	$ 2,842,452.0	$ 10,177.0	$ 2,852,629.0
Other Public Assistance	196,816.0	-	196,816.0
Public Protection	116,820.0	-	116,820.0
Health and Mental Health	1,346,067.0	405,085.0	1,751,152.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	14,125.0	-	14,125.0
Total Federal Revenues	$ 4,516,385.0	$ 415,262.0	$ 4,931,647.0
Other Governmental Agencies	28,339.0	-	28,339.0
Total Intergovenmental Revenues	$ 10,787,440.0	$ 463,324.0	$ 11,250,764.0
Fines, Forfeitures and Penalties	186,601.0	-	186,601.0
Licenses, Permits and Franchises	57,678.0	126.0	57,804.0
Charges for Services	1,797,496.0	1,905,704.0	3,703,200.0
Other Taxes	228,302.0	-	228,302.0
Use of Money and Property	184,700.0	89.0	184,789.0
Miscellaneous Revenues	184,654.0	463,527.0	648,181.0
Operating Contribution from General Fund	-	401,262.0	401,262.0
Total Available Funds	**$ 20,856,959.0**	**$ 3,466,796.0**	**$ 24,323,755.0**

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2018-19 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	$ 1,172,508.0	$ -	$ 1,172,508.0
General Services	693,663.0	-	693,663.0
Public Buildings	782,680.0	-	782,680.0
Total General	$ 2,648,851.0	$ -	$ 2,648,851.0
Public Protection			
Justice	$ 5,581,578.0	$ -	$ 5,581,578.0
Other Public Protection	210,606.0	-	210,606.0
Total Public Protection	$ 5,792,184.0	$ -	$ 5,792,184.0
Health and Sanitation	$ 5,196,458.0	$ 3,076,665.0	$ 8,273,123.0
Public Assistance	7,046,868.0	-	7,046,868.0
Recreation and Cultural Services	368,712.0	-	368,712.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	57,559.0	-	57,559.0
Appropriation for Contingency	30,909.0	-	30,909.0
Total Requirements	**$ 21,208,901.0**	**$ 3,076,665.0**	**$ 24,285,566.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,629,601.0	$ -	$ 5,629,601.0
Fund Balance	1,399,037.0	-	1,399,037.0
Cancel Provision for Obligated Fund Balance	26,751.0	57,604.0	84,355.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 400,086.0	$ -	$ 400,086.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	893,585.0	-	893,585.0
Other Public Assistance	2,246,609.0	-	2,246,609.0
Public Protection	1,337,046.0	-	1,337,046.0
Health and Mental Health	1,346,988.0	43,787.0	1,390,775.0
Capital Projects	111,994.0	-	111,994.0
Other State Revenues	21,601.0	-	21,601.0
Total State Revenues	6,376,909.0	43,787.0	6,420,696.0
Federal Revenues			
Public Assistance Subventions	$ 2,813,280.0	$ 4,552.0	$ 2,817,832.0
Other Public Assistance	193,071.0	-	193,071.0
Public Protection	105,163.0	-	105,163.0
Health and Mental Health	1,416,645.0	324,225.0	1,740,870.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	14,774.0	-	14,774.0
Total Federal Revenues	$ 4,543,038.0	$ 328,777.0	$ 4,871,815.0
Other Governmental Agencies	24,153.0	-	24,153.0
Total Intergovenmental Revenues	$ 10,944,100.0	$ 372,564.0	$ 11,316,664.0
Fines, Forfeitures and Penalties	192,065.0	-	192,065.0
Licenses, Permits and Franchises	58,456.0	126.0	58,582.0
Charges for Services	2,352,635.0	1,868,883.0	4,221,518.0
Other Taxes	228,533.0	-	228,533.0
Use of Money and Property	191,588.0	114.0	191,702.0
Miscellaneous Revenues	186,135.0	287,583.0	473,718.0
Operating Contribution from General Fund	-	489,791.0	489,791.0
Total Available Funds	**$ 21,208,901.0**	**$ 3,076,665.0**	**$ 24,285,566.0**

(1) Reflects the 2018-19 Recommended General County Budget approved by the Board of Supervisors on April 10, 2018

COUNTY OF LOS ANGELES
CALIFORNIA

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 2017-18 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 $41,246,376,188 which constitutes only 3.02% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2017-18
Southern California Edison Co	$98,516,731
Maguire Properties	48,602,737
Douglas Emmett Residential	45,967,366
Universal Studios LLC	29,423,472
Chevron USA Inc / TEXACO / UNOCAL	27,776,295
Southern California Gas Co	27,750,212
Tishman Speyer / Archstone Smith / ASN	26,070,775
TESORO Refining and Marketing Co	24,709,467
Prologis / AMB	22,763,134
AT&T Communications	22,411,612
ESSEX Portfolio LP	18,320,770
Phillips 66	15,189,937
Frontier Communications	13,418,057
Macerich / Westside Pavilion	11,811,258
Beacon Oil Co / Ultramar / Valero Energy Co	11,732,538
Kaiser Foundation	11,258,680
FSP South Flower Street	11,184,113
CBS Inc / Paramount Pictures Corp	10,800,510
PBF Energy	10,525,380
Participants in Long Beach Unit	10,226,048
	$498,459,092

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 full cash values, property tax levies and collections from Fiscal Years 2013-14 through 2017-18.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2013-14 THROUGH 2017-18

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 %
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	2,773,124,193	98.53%
2015-16	1,218,549,285,645	2,951,107,847	2,919,629,056	98.93%
2016-17	1,287,688,313,197	3,144,947,550	3,111,401,116	98.93%
2017-18	1,366,276,412,160	3,315,398,792	3,265,818,763 (3)	98.50% (3)

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate based on Fiscal Year 2016-17 collections.

REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012. ABX1 26 prohibited redevelopment agencies from engaging in new business, provided for their eventual wind down and dissolution, and required 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 2013-14 through 2017-18.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2013-14 THROUGH 2017-18

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2013-14	$149,910,987,097	$1,282,940,191
2014-15	159,180,996,812	1,327,755,469
2015-16	171,855,943,160	1,477,752,454
2016-17	184,568,536,419	1,069,567,615
2017-18	197,952,598,205	1,311,598,196 (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 2017 through April 2018.

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.

2017-18 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 9, 2017, the County issued the 2017-18 TRANs with an aggregate principal amount of $800,000,000 due on June 29, 2018. The 2017-18 TRANs are general obligations of the County attributable to Fiscal Year 2017-18 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 2017-18 for the purpose of repaying the 2017-18 TRANs on the June 29, 2018 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2017-18 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2017	$315,000,000
January, 2018	315,000,000
April, 2018	209,555,556
Total	$839,555,556

* Includes $800,000,000 of 2017-18 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 2013-14.

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

	2013-14	2014-15	2015-16	2016-17	2017-18 Estimate
Property Taxes	$4,337,915	$4,581,797	$4,806,915	$5,077,037	$5,327,329
Other Taxes	203,396	204,173	215,228	225,297	202,970
Licenses, Permits and Franchises	65,260	58,488	58,908	60,487	58,950
Fines, Forfeitures and Penalties	212,676	197,663	182,298	178,105	182,034
Investment and Rental Income	104,422	131,053	165,037	178,804	197,434
State In-Lieu Taxes	344,971	407,316	356,888	303,768	190,218
State Homeowner Exemptions	19,715	20,277	19,892	19,673	19,244
Charges for Current Services	1,582,791	1,577,165	1,597,095	1,792,303	1,818,758
Other Revenue*	541,460	622,329	685,637	746,748	566,164
TOTAL UNRESTRICTED RECEIPTS	$7,412,606	$7,800,261	$8,087,898	$8,582,222	$8,563,100

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 2016-17 and Fiscal Year 2017-18.

General Fund Cash Flow Statements

The Fiscal Year 2016-17 and Fiscal Year 2017-18 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2016-17, the County had an ending General Fund cash balance of $2.509 billion. In Fiscal Year 2017-18, the County is estimating an ending cash balance in the General Fund of $1.812 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 March 31, 2018, 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	$13.147
Schools and Community Colleges	16.197
Independent Public Agencies	2.663
Total	$32.007

Of these entities, the discretionary participants accounted for 7.87% 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 20, 2018, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated April 30, 2018, the book value of the Treasury Pool as of March 31, 2018 was approximately $32.007 billion and the corresponding market value was approximately $31.619 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 March 31, 2018:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	58.88
Certificates of Deposit	8.59
Commercial Paper	32.37
Bankers Acceptances	0.00
Municipal Obligations	0.08
Corporate Notes & Deposit Notes	0.08
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of March 31, 2018 approximately 37.85% of the investments mature within 60 days, with an average of 564 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool 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, 2017, 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 2017-18 Final Adopted Budget included an available General Fund balance of $1,982,626,000 as of June 30, 2017.

The 2017-18 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 and the portion of unassigned fund balance reserved for the "Rainy Day" fund 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 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 after 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 tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis of accounting, 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 Statements No. 48 and No. 65. This matter is discussed in further detail in Note 11 to the 2016-17 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 after the fiscal year end. Under the modified accrual basis of accounting, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis of accounting, the effects of such fair value changes have 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 of accounting, the expenditures are adjusted to recognize the OPEB Agency assets as of June 30, 2017.

The tables below provide a reconciliation of the General Fund's June 30, 2017 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 2012-13 to Fiscal Year 2016-17.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2017 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,982,626
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	177,805
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	157,290
Accrual of liabilities for accrued compensated absences not required by GAAP	78,639
Change in revenue accruals related to encumbrances	(31,095)
Deferral of property tax receivables	(68,582)
Deferral of sale of tobacco settlement revenue	(228,142)
Change in fair value of Investments	(33,538)
Reserve for "Rainy Day" Fund	409,309
Unassigned Fund Balance - GAAP Basis	$2,444,312

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES

BALANCE SHEET AT JUNE 30, 2013, 2014, 2015, 2016 and 2017
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Pooled Cash and Investments	$1,637,765	$1,933,794	$2,678,685	$3,181,151	$4,149,612
Other Investments	5,676	4,810	4,655	4,693	4,483
Taxes Receivable	171,919	169,141	157,215	148,485	159,429
Other Receivables	1,777,034	1,996,683	1,888,537	1,875,029	1,930,937
Due from Other Funds	391,605	283,255	460,987	322,883	308,556
Advances to Other Funds	754,376	885,314	434,849	395,511	167,179
Inventories	47,375	56,790	48,186	59,267	48,824
Total Assets	$4,785,750	$5,329,787	$5,673,114	$5,987,019	$6,769,020

LIABILITIES

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Accounts Payable	$321,509	$516,410	$410,671	$545,739	$600,827
Accrued Payroll	309,926	331,045	356,579	374,951	392,096
Other Payables	89,852	111,019	115,998	100,964	102,289
Due to Other Funds	461,480	158,626	271,800	146,886	126,140
Deferred Revenue*	302,656	0	0	0	0
Advances Payable	404,975	575,567	853,441	975,135	1,433,485
Third-Party Payor Liability	15,702	26,207	39,693	39,042	42,051
Total Liabilities	$1,906,100	$1,718,874	$2,048,182	$2,182,717	$2,696,888
DEFERRED INFLOWS OF RESOURCES*		$508,105	$435,109	$420,060	$421,159

FUND BALANCES

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Nonspendable	$253,836	$272,007	$272,384	$324,555	$212,281
Restricted	59,786	40,577	55,694	67,880	70,157
Committed	528,865	482,740	334,346	364,679	429,440
Assigned	376,181	538,078	491,954	446,579	494,783
Unassigned	1,660,982	1,769,406	2,035,445	2,180,549	2,444,312
Total Fund Balances	2,879,650	3,102,808	3,189,823	3,384,242	3,650,973
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,785,750	$5,329,787	$5,673,114	$5,987,019	$6,769,020

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.
*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 2012-13 THROUGH 2016-17 (in thousands of $)

	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUES:					
Taxes	$4,267,858	$4,520,755	$4,772,762	$5,003,124	$5,333,532
Licenses, Permits & Franchises	61,412	59,886	61,561	60,666	59,197
Fines, Forfeitures and Penalties	222,226	207,094	207,684	189,312	183,400
Use of Money and Property	89,841	128,501	141,816	186,443	155,878
Aid from Other Government	8,182,687	8,395,672	8,574,288	8,939,412	9,377,215
Charges for Services	1,565,937	1,743,447	1,491,656	1,651,883	1,800,657
Miscellaneous Revenues	216,977	152,663	204,966	159,346	172,055
TOTAL	$14,606,938	$15,208,018	$15,454,733	$16,190,186	$17,081,934
EXPENDITURES					
General	$979,989	$998,438	$1,155,070	$1,039,188	$1,159,100
Public Protection	4,694,982	4,843,148	5,136,461	5,418,926	5,546,279
Health and Sanitation	2,779,870	3,204,177	2,931,257	3,161,202	3,460,315
Public Assistance	5,247,031	5,430,398	5,682,198	5,892,530	6,034,942
Recreation and Cultural Services	272,835	282,660	304,895	321,414	341,272
Debt Service	30,816	28,928	27,060	29,600	31,079
Capital Outlay	8,065	2,398	866	547	63
Total	$14,013,588	$14,790,147	$15,237,807	$15,863,407	$16,573,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$593,350	$417,871	$216,926	$326,779	$508,884
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($359,171)	($197,219)	($131,647)	($133,714)	($243,604)
Sales of Capital Assets	740	770	870	807	1,388
Capital Leases	2,780	1,736	866	547	63
OTHER FINANCING SOURCES (USES)-Net	($355,651)	($194,713)	($129,911)	($132,360)	($242,153)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	237,699	223,158	87,015	194,419	266,731
Beginning Fund Balance	2,641,951	2,879,650	3,102,808	3,189,823	3,384,242
Ending Fund Balance	$2,879,650	$3,102,808	$3,189,823	$3,384,242	$3,650,973

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2016-17: 12 MONTHS ACTUAL
2017-18: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2016-17
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016
PROPERTY TAX GROUP						
Tax Collector Trust Fund	71,266	39,908	37,582	463,777	1,325,747	2,392,482
Auditor Unapportioned Property Tax	195,195	47,582	124,434	168,076	941,269	2,441,476
Unsecured Property Tax	165,820	180,406	114,969	135,267	103,202	61,742
Miscellaneous Fees & Taxes	6,290	6,292	6,313	6,334	6,349	6,348
State Redemption Fund	27,207	40,822	42,469	43,372	26,632	26,150
Education Revenue Augmentation	281,813	324,086	277,000	274,676	299,463	626,191
State Reimbursement Fund	0	0	0	0	440	10,201
Sales Tax Replacement Fund	80,108	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	19,197	122,641	125,978	126,753	218,193
Property Tax Rebate Fund	6,256	9,156	15,734	8,740	7,233	23,201
Utility User Tax Trust Fund	2,187	2,862	5,652	4,551	5,411	10,598
Subtotal	$ 836,142	$ 670,311	$ 746,794	$ 1,230,771	$ 2,842,499	$ 5,816,582
VARIOUS TRUST GROUP						
Departmental Trust Fund	524,304	534,824	504,282	495,200	505,475	515,442
Payroll Revolving Fund	48,458	45,855	41,627	55,889	42,541	40,983
Asset Development Fund	43,579	43,776	43,801	43,817	43,834	43,851
Productivity Investment Fund	4,552	4,528	4,500	4,423	4,388	4,371
Motor Vehicle Capital Outlays	3,826	759	828	828	734	728
Civic Center Parking	34	220	343	339	325	309
Reporters Salary Fund	522	499	501	330	374	340
Cable TV Franchise Fund	12,853	12,624	12,861	13,064	13,003	13,195
Megaflex Long-Term Disability	12,979	12,836	12,906	12,971	12,876	12,852
Megaflex Long-Term Disability & Health	10,007	10,084	10,139	10,244	10,308	10,398
Megaflex Short-Term Disability	48,998	49,281	49,518	49,754	49,980	50,191
Subtotal	$ 710,112	$ 715,286	$ 681,306	$ 686,859	$ 683,838	$ 692,660
HOSPITAL GROUP						
Harbor-UCLA Medical Center	2,088	(14,039)	3,974	4,672	3,876	32
Olive View-UCLA Medical Center	2,165	2,979	713	3,349	1,484	1,600
LAC+USC Medical Center	1,734	12,684	4,823	6,243	7,802	4,001
MLK Ambulatory Care Center	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	43	4,999	3,655	1,196	639	332
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 6,030	$ 6,623	$ 13,165	$ 15,460	$ 13,801	$ 5,965
GRAND TOTAL	**$ 1,552,284**	**$ 1,392,220**	**$ 1,441,265**	**$ 1,933,090**	**$ 3,540,138**	**$ 6,515,207**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	
						PROPERTY TAX GROUP
766,283	389,103	816,107	2,543,031	701,865	159,080	**Tax Collector Trust Fund**
1,517,573	963,587	573,119	1,715,681	923,897	337,829	**Auditor Unapportioned Property Tax**
57,710	48,316	49,127	45,831	59,913	96,353	**Unsecured Property Tax**
6,379	6,372	6,306	6,363	6,295	6,299	**Miscellaneous Fees & Taxes**
19,767	20,410	23,765	22,751	17,628	21,107	**State Redemption Fund**
443,272	408,286	175,574	449,615	603,428	300,259	**Education Revenue Augmentation**
19,515	1,152	1,152	4,229	18,740	8,133	**State Reimbursement Fund**
0	0	0	0	0	0	**Sales Tax Replacement Fund**
769,359	350,011	677,285	705,509	644,327	0	**Vehicle License Fee Replacement Fund**
19,605	9,842	7,009	8,277	9,112	7,297	**Property Tax Rebate Fund**
15,861	4,926	9,430	10,840	6,328	9,626	**Utility User Tax Trust Fund**
$ 3,635,324	$ 2,202,005	$ 2,338,874	$ 5,512,127	$ 2,991,533	$ 945,983	**Subtotal**
						VARIOUS TRUST GROUP
501,657	489,740	483,514	467,413	462,161	446,643	**Departmental Trust Fund**
61,421	37,803	42,379	51,941	43,143	38,612	**Payroll Revolving Fund**
43,869	44,064	44,143	44,161	44,178	44,252	**Asset Development Fund**
4,931	7,233	6,936	6,403	6,117	5,971	**Productivity Investment Fund**
700	685	666	611	578	578	**Motor Vehicle Capital Outlays**
297	305	281	275	261	283	**Civic Center Parking**
416	367	654	505	409	360	**Reporters Salary Fund**
13,552	13,461	13,784	13,767	13,093	13,519	**Cable TV Franchise Fund**
12,906	12,798	12,708	12,685	12,600	12,628	**Megaflex Long-Term Disability**
10,520	10,549	10,598	10,680	10,759	10,832	**Megaflex Long-Term Disability & Health**
50,581	50,983	51,520	51,986	52,390	52,757	**Megaflex Short-Term Disability**
$ 700,850	$ 667,988	$ 667,183	$ 660,427	$ 645,689	$ 626,435	**Subtotal**
						HOSPITAL GROUP
(2,599)	(525)	1,798	3,517	7,208	(1,618)	**Harbor-UCLA Medical Center**
160	3,698	4,440	702	2,886	548	**Olive View-UCLA Medical Center**
(276)	12,697	2,372	4,402	8,513	3,706	**LAC + USC Medical Center**
0	10	0	0	0	0	**MLK Ambulatory Care Center**
(375)	(4,262)	(768)	(114)	2,595	(607)	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ (3,090)	$ 11,618	$ 7,842	$ 8,507	$ 21,202	$ 2,029	**Subtotal**
$ 4,333,084	**$ 2,881,611**	**$ 3,013,899**	**$ 6,181,061**	**$ 3,658,424**	**$ 1,574,447**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2017-18
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
PROPERTY TAX GROUP						
Tax Collector Trust Fund	67,815	54,082	42,716	492,879	1,792,023	2,623,580
Auditor Unapportioned Property Tax	350,252	98,109	98,213	168,073	657,500	2,690,644
Unsecured Property Tax	172,319	111,417	122,125	152,745	160,071	68,705
Miscellaneous Fees & Taxes	6,281	6,266	6,308	6,289	6,321	6,260
State Redemption Fund	25,510	51,284	47,722	46,876	33,068	22,396
Education Revenue Augmentation	192,227	260,588	180,968	166,968	178,183	616,955
State Reimbursement Fund	0	0	0	0	438	11,150
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	21,638	157,643	171,655	171,667	171,667
Property Tax Rebate Fund	3,952	15,922	12,305	8,716	14,817	11,761
Utility User Tax Trust Fund	1,140	2,320	4,056	7,758	8,173	10,670
Subtotal	$ 819,496	$ 621,626	$ 672,056	$ 1,221,959	$ 3,022,261	$ 6,233,788
VARIOUS TRUST GROUP						
Departmental Trust Fund	464,155	480,556	475,529	468,132	580,608	680,975
Payroll Revolving Fund	54,106	43,191	44,360	59,477	38,262	47,729
Asset Development Fund	44,436	44,277	44,342	44,369	44,388	44,415
Productivity Investment Fund	5,859	5,804	5,758	5,597	5,716	5,503
Motor Vehicle Capital Outlays	578	674	703	703	703	664
Civic Center Parking	164	141	242	263	262	232
Reporters Salary Fund	315	457	254	182	238	331
Cable TV Franchise Fund	13,256	12,603	13,020	12,964	12,939	13,307
Megaflex Long-Term Disability	12,623	12,498	12,471	12,316	12,133	12,114
Megaflex Long-Term Disability & Health	10,912	10,962	11,033	11,124	11,214	11,300
Megaflex Short-Term Disability	53,157	53,578	53,935	54,410	54,723	55,086
Subtotal	$ 659,561	$ 664,741	$ 661,647	$ 669,537	$ 761,186	$ 871,656
HOSPITAL GROUP						
Harbor-UCLA Medical Center	1,035	(1,436)	3,145	3,739	98	(2,096)
Olive View-UCLA Medical Center	4,350	(4,060)	2,164	2,726	834	2,279
LAC+USC Medical Center	3,161	(4,331)	5,142	3,116	1,430	6,100
MLK Ambulatory Care Center	0	0	0	0	1	0
Rancho Los Amigos Rehab Center	133	1,693	449	439	121	2,026
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 8,679	$ (8,134)	$ 10,900	$ 10,020	$ 2,484	$ 8,309
GRAND TOTAL	**$ 1,487,736**	**$ 1,278,233**	**$ 1,344,603**	**$ 1,901,516**	**$ 3,785,931**	**$ 7,113,753**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2018	February 2018	March 2018	April 2018	Estimated May 2018	Estimated June 2018	
						PROPERTY TAX GROUP
1,657,829	605,430	594,839	2,086,164	$ 884,308	$ 162,443	**Tax Collector Trust Fund**
1,632,891	1,444,515	595,738	1,725,787	689,780	187,045	**Auditor Unapportioned Property Tax**
68,272	56,764	54,307	44,439	94,621	128,200	**Unsecured Property Tax**
6,394	6,403	6,357	6,355	9,198	8,868	**Miscellaneous Fees & Taxes**
23,112	19,579	17,872	18,407	34,647	25,268	**State Redemption Fund**
507,917	289,170	234,764	410,440	79,607	168,583	**Education Revenue Augmentation**
18,471	1,132	1,132	2,154	29,269	11,261	**State Reimbursement Fund**
0	0	0	0	81,348	0	**Sales Tax Replacement Fund**
651,142	441,584	723,359	795,929	574,415	0	**Vehicle License Fee Replacement Fund**
13,619	25,574	13,008	13,504	0	0	**Property Tax Rebate Fund**
13,224	12,506	8,217	12,009	7,261	11,403	**Utility User Tax Trust Fund**
$ 4,592,871	$ 2,902,657	$ 2,249,593	$ 5,115,188	$ 2,484,454	$ 703,071	**Subtotal**
						VARIOUS TRUST GROUP
480,800	472,336	475,234	479,896	$ 555,784	$ 542,645	**Departmental Trust Fund**
66,343	31,973	37,108	51,900	62,091	51,560	**Payroll Revolving Fund**
44,433	44,458	44,504	44,523	44,000	44,000	**Asset Development Fund**
5,146	4,990	6,217	8,043	6,000	6,000	**Productivity Investment Fund**
623	601	601	611	6,000	6,000	**Motor Vehicle Capital Outlays**
208	294	304	322	239	143	**Civic Center Parking**
545	534	622	600	559	413	**Reporters Salary Fund**
13,443	13,303	13,345	13,553	13,000	13,000	**Cable TV Franchise Fund**
12,057	11,998	11,993	11,999	14,893	14,893	**Megaflex Long-Term Disability**
11,387	11,412	11,459	11,545	9,306	9,306	**Megaflex Long-Term Disability & Health**
55,715	56,065	56,554	57,021	43,310	43,310	**Megaflex Short-Term Disability**
$ 690,700	$ 647,964	$ 657,941	$ 680,013	$ 755,182	$ 731,270	**Subtotal**
						HOSPITAL GROUP
4,210	4,656	1,830	1,703	0	0	**Harbor-UCLA Medical Center**
1,126	(1,371)	1,658	1,332	0	0	**Olive View-UCLA Medical Center**
1,777	6,120	3,970	717	0	0	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
4,086	(800)	183	175	0	0	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 11,199	$ 8,605	$ 7,641	$ 3,927	$ 0	$ 0	**Subtotal**
$ 5,294,770	**$ 3,559,226**	**$ 2,915,175**	**$ 5,799,128**	**$ 3,239,636**	**$ 1,434,341**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2016-17: 12 MONTHS ACTUAL
2017-18: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2016-17
(in thousands of $)

	July 2016	August 2016	September 2016	October 2016	November 2016
BEGINNING BALANCE	$ 2,162,672	$ 2,266,486	$ 1,529,884	$ 914,444	$ 900,176
RECEIPTS					
Property Taxes	$ 35,229	$ 111,497	$ 183	$ 685	$ 45,414
Other Taxes	12,902	11,160	25,259	22,792	14,493
Licenses, Permits & Franchises	3,035	2,784	5,437	3,301	3,010
Fines, Forfeitures & Penalties	31,949	19,504	8,594	9,581	15,302
Investment and Rental Income	23,156	12,127	12,949	9,975	21,122
Motor Vehicle (VLF) Realignment	0	(100,656)	44,036	33,022	32,532
Sales Taxes - Proposition 172	68,898	56,456	56,383	54,105	68,474
1991 Program Realignment	63,177	37,116	51,876	68,330	65,902
Other Intergovernmental Revenue	143,814	197,214	208,806	274,926	276,601
Charges for Current Services	113,667	208,471	68,460	165,137	110,166
Other Revenue & Tobacco Settlement	95,225	47,172	3,498	11,952	57,152
Transfers & Reimbursements	4,607	3,151	0	5,199	15,288
Hospital Loan Repayment*	130,809	122,048	67,323	807,266	49,628
Welfare Advances	317,231	23,881	534,103	357,517	315,866
Other Financing Sources/MHSA	4,819	52,525	0	18,479	67,935
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	800,000	0	0	0	0
Total Receipts	$ 1,848,518	$ 804,450	$ 1,086,907	$ 1,842,267	$ 1,158,885
DISBURSEMENTS					
Welfare Warrants	$ 186,153	$ 222,052	$ 218,878	$ 217,624	$ 209,430
Salaries	461,597	461,902	455,180	462,352	468,580
Employee Benefits	278,678	280,385	252,435	289,293	281,718
Vendor Payments	638,616	408,440	330,088	399,154	459,885
Loans to Hospitals*	0	1,752	348,184	363,417	112,944
Hospital Subsidy Payments	167,531	100,443	96,102	2,386	0
Transfer Payments	12,129	66,078	1,480	122,308	10,192
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,744,704	$ 1,541,052	$ 1,702,347	$ 1,856,534	$ 1,542,749
ENDING BALANCE	**$ 2,266,486**	**$ 1,529,884**	**$ 914,444**	**$ 900,177**	**$ 516,312**
Borrowable Resources (Avg. Balance)	$ 1,552,284	$ 1,392,220	$ 1,441,265	$ 1,933,090	$ 3,540,138
Total Cash Available	$ 3,818,770	$ 2,922,104	$ 2,355,709	$ 2,833,267	$ 4,056,450

* The net change in the outstanding Hospital Loan Balance is a decrease of $228.63 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	Total 2016-17
$ 516,312	$ 949,816	$ 1,543,599	$ 1,583,091	$ 1,247,137	$ 2,002,202	$ 2,992,964	
$ 1,233,642	$ 1,170,719	$ 261,844	$ 30,021	$ 852,266	$ 1,088,752	$ 246,785	$ 5,077,037
16,217	13,611	26,750	13,553	25,871	13,207	29,482	225,297
3,831	2,494	5,201	8,834	13,876	3,427	5,257	60,487
7,973	9,209	18,787	14,180	9,671	24,115	9,240	178,105
12,607	8,420	11,873	11,060	24,111	16,024	15,380	178,804
34,156	32,542	33,392	30,979	32,667	118,241	12,857	303,768
54,600	54,065	82,937	50,603	49,580	70,920	56,415	723,436
62,693	55,714	85,714	52,376	51,351	73,578	58,442	726,269
139,094	188,995	377,916	217,684	393,512	193,700	97,558	2,709,820
140,497	277,718	105,271	150,881	155,197	143,369	153,469	1,792,303
88,598	74,516	70,827	84,738	124,741	18,161	70,168	746,748
78,189	22,861	32,863	21,018	15,831	10,889	14,655	224,551
29,918	495,060	49,797	99,209	399,098	180,937	71,442	2,502,535
559,613	358,484	379,361	484,623	389,268	535,288	288,475	4,543,710
14,863	30,542	15,606	29,338	3,381	37,440	50,475	325,403
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
$ 2,476,491	$ 2,794,950	$ 1,558,139	$ 1,299,097	$ 2,540,421	$ 2,528,048	$ 1,180,100	$ 21,118,273
$ 234,647	$ 196,682	$ 232,267	$ 232,971	$ 225,494	$ 223,095	$ 313,466	$ 2,712,759
485,114	499,163	482,597	469,419	488,519	465,854	471,607	5,671,884
269,023	310,418	292,506	265,886	291,700	292,795	261,132	3,365,969
360,347	497,092	338,144	337,915	377,678	385,991	397,923	4,931,273
330,987	295,392	161,012	196,512	161,966	94,587	207,148	2,273,901
0	0	(1,750)	0	(6,670)	(3,671)	(958)	353,413
23,936	87,420	13,871	132,348	76,669	78,635	14,069	639,135
338,933	315,000	0	0	170,000	0	0	823,933
0	0	0	0	0	0	0	0
$ 2,042,987	$ 2,201,167	$ 1,518,647	$ 1,635,051	$ 1,785,356	$ 1,537,286	$ 1,664,387	$ 20,772,267
$ 949,816	**$ 1,543,599**	**$ 1,583,091**	**$ 1,247,137**	**$ 2,002,202**	**$ 2,992,964**	**$ 2,508,677**	
$ 6,515,207	$ 4,333,084	$ 2,881,611	$ 3,013,899	$ 6,181,061	$ 3,658,424	$ 1,574,447	
$ 7,465,023	$ 5,876,683	$ 4,464,702	$ 4,261,036	$ 8,183,263	$ 6,651,388	$ 4,083,124	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2017-18
(in thousands of $)

	July 2017	August 2017	September 2017	October 2017	November 2017
BEGINNING BALANCE	$ 2,508,677	$ 2,605,709	$ 2,140,176	$ 1,452,843	$ 1,585,190
RECEIPTS					
Property Taxes	$ 68,299	$ 117,118	$ 1,605	0	$ 46,480
Other Taxes	14,998	10,702	17,563	21,884	22,628
Licenses, Permits & Franchises	3,207	6,168	2,781	4,575	2,244
Fines, Forfeitures & Penalties	35,590	16,716	7,997	9,466	15,321
Investment and Rental Income	25,251	15,092	13,324	24,363	15,493
Motor Vehicle (VLF) Realignment	0	(167,216)	48,826	64,030	34,904
Sales Taxes - Proposition 172	72,935	61,116	56,981	57,075	71,952
1991 Program Realignment	75,552	26,032	102,517	67,871	73,011
Other Intergovernmental Revenue	133,916	508,397	154,524	231,268	272,552
Charges for Current Services	92,934	198,780	83,723	176,749	98,437
Other Revenue & Tobacco Settlement	120,904	30,197	1,743	166,756	(142,844)
Transfers & Reimbursements	7,858	12,827	(205)	3,476	15,562
Hospital Loan Repayment*	37,283	587,151	101,231	1,004,342	(338,000)
Welfare Advances	341,921	258,213	485,296	401,294	444,597
Other Financing Sources/MHSA	88,110	16,862	0	0	5,164
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	800,000	0	0	0	0
Total Receipts	$ 1,918,758	$ 1,698,155	$ 1,077,906	$ 2,233,149	$ 637,501
DISBURSEMENTS					
Welfare Warrants	$ 191,537	$ 197,920	$ 194,706	$ 299,175	$ 189,508
Salaries	483,248	480,690	474,480	479,128	482,777
Employee Benefits	324,514	294,144	275,797	309,991	303,996
Vendor Payments	595,479	539,732	328,053	388,105	385,735
Loans to Hospitals*	0	346,253	480,888	371,024	272,000
Hospital Subsidy Payments	205,042	283,161	0	0	(62,147)
Transfer Payments	21,906	21,788	11,315	253,379	18,308
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,821,726	$ 2,163,688	$ 1,765,239	$ 2,100,802	$ 1,590,177
ENDING BALANCE	**$ 2,605,709**	**$ 2,140,176**	**$ 1,452,843**	**$ 1,585,190**	**$ 632,514**
Borrowable Resources (Avg. Balance)	$ 1,487,736	$ 1,278,233	$ 1,344,603	$ 1,901,516	$ 3,785,931
Total Cash Available	$ 4,093,445	$ 3,418,409	$ 2,797,446	$ 3,486,706	$ 4,418,445

* The net change in the outstanding Hospital Loan Balance is a increase of $17.97 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2017	January 2018	February 2018	March 2018	April 2018	Estimated May 2018	Estimated June 2018	Total 2017-18
$ 632,514	$ 1,370,053	$ 1,660,492	$ 1,853,032	$ 1,311,599	$ 1,218,507	$ 1,807,114	
$ 1,309,725	$ 1,273,331	$ 434,542	$ 12,806	$ 724,033	$ 1,102,807	$ 236,583	$ 5,327,329
16,475	13,061	27,143	12,995	13,119	10,076	22,326	202,970
4,306	2,743	3,075	7,379	12,065	5,169	5,238	58,950
7,916	8,981	22,146	13,964	9,682	23,935	10,320	182,034
15,464	15,236	16,635	15,272	18,590	11,944	10,769	197,434
33,755	32,245	44,213	32,568	31,526	24,383	10,984	190,218
56,884	58,836	84,302	54,437	49,395	58,181	45,931	728,025
61,565	63,718	91,229	59,810	54,491	59,193	56,207	791,197
246,274	176,022	189,581	311,856	144,277	258,990	85,723	2,713,380
186,497	305,644	94,907	115,602	205,586	118,080	141,819	1,818,758
76,245	(11,676)	49,210	45,634	112,447	47,782	69,766	566,164
51,352	4,135	4,416	59,219	22,509	3,869	8,243	193,261
231,725	264,186	145,012	0	337,090	301,404	647,024	3,318,448
514,006	365,786	376,824	489,513	391,488	286,442	432,421	4,787,800
1,726	1,145	144,549	27,602	54,006	15,310	14,690	369,164
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
$ 2,813,915	$ 2,573,393	$ 1,727,784	$ 1,258,657	$ 2,180,304	$ 2,327,564	$ 1,798,044	$ 22,245,129
$ 225,584	$ 330,359	$ 190,321	$ 228,457	$ 269,452	$ 245,136	$ 326,317	$ 2,888,472
505,244	517,511	500,413	486,925	510,433	520,647	523,902	5,965,398
306,347	338,658	318,993	301,720	318,628	315,555	295,797	3,704,140
332,538	411,600	334,420	434,642	524,810	413,315	381,490	5,069,920
355,686	274,269	146,460	330,094	351,111	170,711	237,924	3,336,420
(6,065)	(383)	34,735	0	(250)	0	0	454,093
42,042	95,940	9,902	18,252	89,656	73,592	27,952	684,033
315,000	315,000	0	0	209,556	0	0	839,556
0	0	0	0	0	0	0	0
$ 2,076,376	$ 2,282,954	$ 1,535,244	$ 1,800,090	$ 2,273,396	$ 1,738,957	$ 1,793,383	$ 22,942,031
$ 1,370,053	**$ 1,660,492**	**$ 1,853,032**	**$ 1,311,599**	**$ 1,218,507**	**$ 1,807,114**	**$ 1,811,775**	
$ 7,113,753	$ 5,294,770	$ 3,559,226	$ 2,915,175	$ 5,799,128	$ 3,239,636	$ 1,434,341	
$ 8,483,806	$ 6,955,262	$ 5,412,258	$ 4,226,774	$ 7,017,635	$ 5,046,750	$ 3,246,116	

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, 2017, approximately $1.761 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $802 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining $959 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2017-18.

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

2017-18 Payments

Funding Source	2017-18 Payment
Total 2017-18 Payment Obligations	$159,291,461
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	59,369,955
Courthouse Construction Funds	15,010,203
Special Districts/Special Funds	2,771,892
Net 2017-18 General Fund Obligations	$82,139,411

Source: Los Angeles County Auditor-Controller

As of May 1, 2018, the County has $1.092 billion of outstanding short-term obligations, which include $800 million in TRANs, $25.0 million in Bond Anticipation Notes, and $267 million in Lease Revenue Tax-exempt Commercial Paper Notes. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2018 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$800,000
Bond Anticipation Notes	25,000
Lease Revenue Notes	267,370
Intermediate & Long-Term Obligations	1,704,392
Total Outstanding Principal	$2,796,762

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 9, 2017, the County issued $800 million of 2017-18 TRANs on July 3, 2017. The 2017-18 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2017-18, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2017-18 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 May 1, 2018, $25.0 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, 2019.

Lease Revenue Note Program

Under the Lease Revenue Note Program (the "Note Program"), the County is authorized to issue up to $500 million in aggregate principal amount of lease revenue notes. 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 a $300 million Commercial Paper Note Program supported by two Irrevocable, Direct-Pay

Letters of Credit ("LOC") issued by Bank of the West (Series A - $100 million), and U.S. Bank (Series B - $200 million); and a Direct Placement Revolving Credit Facility with Wells Fargo (Series C - $200 million). The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of sixteen County-owned properties pledged as collateral to secure the credit facilities. The two LOCs and the Revolving Credit Facility, which are scheduled to terminate on April 12, 2019, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes and direct placement revolving notes. As of May 1, 2018, $267.4 million of tax-exempt commercial paper notes are outstanding. The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2017, approximately $1.761 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 2017-18 Final Adopted Budget and the Fiscal Year 2018-19 Recommended Budget contain sufficient appropriations to fund the debt service on the County's lease payment obligations. 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 Roll") decreased from 0.134% in Fiscal Year 2016-17 to 0.124% in Fiscal Year 2017-18. The following table provides the ratio of the General Fund's outstanding debt to the Net Local 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
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%
2015-16	1,633,835,517	1,264,906,464,546	0.129%
2016-17	1,785,310,693	1,335,525,121,301	0.134%
2017-18	1,761,081,064	1,416,125,372,989	0.124%

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

From 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 the construction of 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 debt securities. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is $228.2 million as of May 1, 2018.

Vermont Corridor Project

The County, working in conjunction with the Community Development Commission (CDC), is developing County-owned property in the area known as the "Vermont Corridor" in the City of Los Angeles. The Vermont Corridor Project includes the development of three sites in the Vermont Corridor area, including: Site 1 – new Department of Mental Health (DMH) headquarters facility and parking garage; Site 2 – mixed-use market rate housing; and Site 3 – affordable senior housing. The County intends to finance the Site 1 project with the issuance of approximately $305 million of lease revenue bonds through a not-for-profit special purpose entity, Los Angeles County Facilities, Inc., which will also serve as the construction and facility manager for the project. The financing for the Site 1 project is expected to be completed in the first quarter of Fiscal Year 2018-19. The development of Site 2 and Site 3 will be financed with private capital provided through TC LA Development, Inc., the private developer for the Vermont Corridor Project.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2017

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE

CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2018

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2017-18	$ 82,139,411	$ 59,369,955	$ 15,010,203	$ 2,771,892	$ 159,291,462
2018-19	78,913,983	56,629,774	15,013,314	2,772,901	153,329,972
2019-20	74,270,204	52,934,921	15,002,335	2,772,114	144,979,574
2020-21	70,969,646	50,681,389	14,997,342	2,770,155	139,418,531
2021-22	71,577,391	50,423,184	14,991,788	2,772,727	139,765,090
2022-23	69,166,614	50,420,052	14,991,568	2,770,179	137,348,413
2023-24	46,440,195	50,410,165	14,985,583	2,771,524	114,607,466
2024-25	46,430,339	50,403,888	14,971,366	2,772,880	114,578,474
2025-26	46,425,341	50,395,048	14,968,875	2,772,804	114,562,067
2026-27	46,420,826	50,391,691	14,959,875	2,772,537	114,544,928
2027-28	46,331,986	50,383,353	14,947,750	2,771,073	114,434,161
2028-29	46,030,081	50,371,753	14,945,875	2,773,632	114,121,341
2029-30	45,809,454	50,364,260	14,937,625	2,770,541	113,881,879
2030-31	45,801,510	50,345,701	8,340,500	2,770,790	107,258,501
2031-32	45,793,532	50,341,280	8,336,375	2,771,350	107,242,537
2032-33	45,787,862	50,331,926	6,115,375	2,770,272	105,005,435
2033-34	45,778,791	50,315,721	6,119,250	2,772,755	104,986,516
2034-35	45,769,504	50,309,705	-	2,774,794	98,854,002
2035-36	45,766,974	50,294,766	-	2,769,980	98,831,721
2036-37	45,759,388	50,283,745	-	2,774,430	98,817,563
2037-38	45,746,294	50,278,866	-	2,772,883	98,798,044
2038-39	45,737,969	50,259,691	-	2,773,883	98,771,544
2039-40	45,727,144	50,246,289	-	2,773,659	98,747,093
2040-41	45,723,835	50,237,761	-	2,772,601	98,734,197
2041-42	25,100,375	19,945,100	-	2,774,050	47,819,525
2042-43	25,102,875	19,948,218	-	2,774,482	47,825,575
2043-44	25,101,625	-	-	808,250	25,909,875
2044-45	25,099,000	-	-	809,750	25,908,750
2045-46	15,902,875	-	-	-	15,902,875
Total	$ 1,390,625,026	$ 1,266,318,201	$ 223,634,999	$ 73,698,888	$ 2,954,277,114

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2017-18	$ 802,199,095	$ 756,258,802	$ 161,160,000	$ 41,463,167	$ 1,761,081,064
2018-19	769,995,063	731,786,176	152,675,000	40,686,165	1,695,142,404
2019-20	740,695,443	708,963,922	144,035,000	39,872,265	1,633,566,630
2020-21	715,755,942	688,722,303	135,205,000	39,017,435	1,578,700,679
2021-22	685,779,023	669,817,455	126,135,000	38,120,777	1,519,852,255
2022-23	645,603,559	650,368,047	116,790,000	37,175,498	1,449,937,104
2023-24	605,987,302	630,069,623	107,130,000	36,184,357	1,379,371,281
2024-25	587,474,815	608,863,906	97,130,000	35,141,008	1,328,609,729
2025-26	568,091,357	586,643,269	86,730,000	34,042,763	1,275,507,389
2026-27	547,761,235	563,319,690	75,825,000	32,888,277	1,219,794,202
2027-28	526,435,089	538,830,160	64,370,000	31,674,859	1,161,310,108
2028-29	504,142,909	513,114,829	52,340,000	30,400,717	1,099,998,455
2029-30	481,046,152	486,115,239	39,695,000	29,058,609	1,035,915,000
2030-31	457,011,720	457,762,435	26,410,000	27,650,845	968,835,000
2031-32	431,769,828	427,999,539	19,210,000	26,170,633	905,150,000
2032-33	405,340,098	396,740,964	11,645,000	24,613,939	838,340,000
2033-34	377,660,124	363,916,356	5,970,000	22,978,519	770,525,000
2034-35	348,589,529	329,453,785	-	21,256,686	699,300,000
2035-36	318,100,780	293,295,333	-	19,448,887	630,845,000
2036-37	286,191,347	255,401,290	-	17,562,363	559,155,000
2037-38	252,797,750	215,683,273	-	15,583,977	484,065,000
2038-39	217,881,190	174,133,219	-	13,515,591	405,530,000
2039-40	181,436,097	130,747,077	-	11,346,826	323,530,000
2040-41	143,408,169	85,416,324	-	9,070,508	237,895,000
2041-42	103,720,000	38,047,845	-	6,682,155	148,450,000
2042-43	83,295,000	19,481,371	-	4,173,629	106,950,000
2043-44	61,820,000	-	-	1,540,000	63,360,000
2044-45	39,245,000	-	-	790,000	40,035,000
2045-46	15,515,000	-	-	-	15,515,000

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017

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	$ 16,740,000	$ 16,740,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 731,023	$ 731,023			
Patriotic Hall Renovation	1,180,471	1,180,471			
Hall of Justice Rehabilitation	6,094,200	6,094,200			
Olive View Medical Center ER/TB Unit	1,360,210		$ 1,360,210		
Olive View Medical Center Seismic	560,353		560,353		
Harbor/UCLA Surgery/ Emergency	8,523,712		8,523,712		
Harbor/UCLA Seismic Retrofit	1,314,393		1,314,393		
Total 2010 Multiple Capital Projects I, Series A	$ 19,764,362	$ 8,005,694	$ 11,758,669	$ 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			
Hall of Justice Rehabilitation	9,720,589	9,720,589			
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		
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)	$ 595,899	$ 595,899			
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	$ 8,842,053		$ 8,842,053		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,763,663		10,763,663		
Martin Luther King Jr. Data Center	341,842		341,842		
Fire Station 128	296,973				$ 296,973
Fire Station 132	480,322				480,322
Fire Station 150	745,015				745,015
Fire Station 156	442,232				442,232
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,912,100	$ 0	$ 19,947,558	$ 0	$ 1,964,542
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,194,450	$ 9,194,450			
Manhattan Beach Library	807,350				$ 807,350
Total 2015 Multiple Capital Projects, Series A	$ 10,001,800	$ 9,194,450	$ 0	$ 0	$ 807,350
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 3,044,500	$ 3,044,500			
LAX Area Courthouse	2,533,000			$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	$ 7,702,000	$ 3,044,500	$ 0	$ 4,657,500	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 10,352,703			$ 10,352,703	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 15,893,594	$ 15,893,594			
Total Long-Term Obligations	$ 137,021,468	$ 68,777,415	$ 50,461,957	$ 15,010,203	$ 2,771,892
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,359,750	$ 2,615,850	$ 1,743,900		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 17,910,244	$ 10,746,147	$ 7,164,098		
Total Intermediate-Term Obligations	$ 22,269,994	$ 13,361,997	$ 8,907,998	$ 0	$ 0
Total Obligations	$ 159,291,462	$ 82,139,411	$ 59,369,955	$ 15,010,203	$ 2,771,892

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, 2017

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	$ 10,623,779	$ 10,623,779			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 2,038,905	$ 2,038,905			
Patriotic Hall Renovation	3,292,463	3,292,463			
Hall of Justice Rehabilitation	16,997,401	16,997,401			
Olive View Medical Center ER/TB Unit	3,793,778		$ 3,793,778		
Olive View Medical Center Seismic	1,562,888		1,562,888		
Harbor/UCLA Surgery/ Emergency	23,773,579		23,773,579		
Harbor/UCLA Seismic Retrofit	3,665,987		3,665,987		
Total 2010 Multiple Capital Projects I, Series A	$ 55,125,000	$ 22,328,769	$ 32,796,231	$ 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			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
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		
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)	$ 6,302,286	$ 6,302,286			
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	$ 131,843,319		$ 131,843,319		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	160,496,330		160,496,330		
Martin Luther King Jr. Data Center	5,097,184		5,097,184		
Fire Station 128	4,428,149				$ 4,428,149
Fire Station 132	7,162,049				7,162,049
Fire Station 150	11,108,878				11,108,878
Fire Station 156	6,594,091				6,594,091
Total 2012 Multiple Capital Projects II, Series 2012	$ 326,730,000	$ 0	$ 297,436,833	$ 0	$ 29,293,167
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 138,590,000	$ 138,590,000			
Manhattan Beach Library	12,170,000				$ 12,170,000
Total 2015 Multiple Capital Projects, Series A	$ 150,760,000	$ 138,590,000	$ 0	$ 0	$ 12,170,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 14,090,000	$ 14,090,000			
LAX Area Courthouse	50,660,000			$ 50,660,000	
Chatsworth Courthouse	42,490,000			42,490,000	
Total 2015 Lease Revenue Refunding Bonds, Series B	107,240,000	$ 14,090,000	$ 0	$ 93,150,000	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 68,010,000			$ 68,010,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 255,855,000	$ 255,855,000			
Total Long-Term Obligations	$ 1,719,326,064	$ 777,146,095	$ 739,556,802	$ 161,160,000	$ 41,463,167
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,275,000	$ 2,565,000	$ 1,710,000		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 37,480,000	$ 22,488,000	$ 14,992,000		
Total Intermediate-Term Obligations	$ 41,755,000	$ 25,053,000	$ 16,702,000	$ 0	$ 0
Total Obligations	$ 1,761,081,064	$ 802,199,095	$ 756,258,802	$ 161,160,000	$ 41,463,167

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

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2018

Title	Outstanding Principal	Total Future Payments		2017-18 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 7,513,152	$ 45,555,000		$ 0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	37,650,000	39,534,669		0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,135,974,418	(1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	5,769,252	6,090,129	(1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	60,830,500		0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	320,350,000	547,825,600		0
2015 Multiple Capital Projects, Series A	148,220,000	273,809,000		3,705,500
2015 Lease Revenue Refunding Bonds Series B	104,840,000	158,069,250		2,621,000
2015 Lease Revenue Refunding Bonds Series C (Taxable)	59,525,000	66,993,180		901,885
2016 Lease Revenue Bonds Series D	251,510,000	451,069,638		5,730,847
Total Long-Term Obligations	$ 1,674,057,404	$ 2,785,751,383		$ 12,959,231
Intermediate-Term Obligations				
Equipment				
2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 1,375,000	$ 1,395,625		$ 1,395,625
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 28,960,000	$ 30,792,500		$ 8,599,000
Total Intermediate-Term Obligations	$ 30,335,000	$ 32,188,125		$ 9,994,625
Total Obligations	$ 1,704,392,404	$ 2,817,939,508		$ 22,953,856

COPs = Certificates of Participation

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

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

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2018
2017-18 Assessed Valuation: $1,442,766,616,736: (includes unitary valuation)

	Applicable %		Debt as of 5/1/18
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Metropolitan Water District	48.418 %	$	29,341,308
Los Angeles Community College District	100.000		4,165,830,000
Other Community College Districts	Various (1)		3,314,043,243
Arcadia Unified School District	100.000		219,448,560
Beverly Hills Unified School District	100.000		382,994,774
Glendale Unified School District	100.000		258,794,986
Long Beach Unified School District	100.000		1,137,920,702
Los Angeles Unified School District	100.000		10,604,150,000
Pasadena Unified School District	100.000		352,160,000
Pomona Unified School District	100.000		277,754,187
Redondo Beach Unified School District	100.000		216,200,712
Santa Monica-Malibu Unified School District	100.000		362,490,614
Torrance Unified School District	100.000		462,594,845
Other Unified School Districts	Various (1)		3,624,892,121
High School and School Districts	Various (1)		1,906,236,928
City of Los Angeles	100.000		700,210,000
City of Industry	100.000		82,730,000
Other Cities	100.000		52,310,000
Community Facilities Districts	100.000		707,522,747
Los Angeles County Regional Park & Open Space Assessment District	100.000		26,575,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000		95,128,829
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	28,979,329,556
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**1,932,592,404**
Los Angeles County Office of Education Certificates of Participation	100.000		6,500,306
Community College District Certificates of Participation	Various (2)		24,620,033
Baldwin Park Unified School District Certificates of Participation	100.000		28,680,000
Compton Unified School District Certificates of Participation	100.000		18,910,000
Los Angeles Unified School District Certificates of Participation	100.000		195,975,000
Paramount Unified School District Certificates of Participation	100.000		28,470,000
Other Unified School District Certificates of Participation	Various (2)		188,316,205
High School and Elementary School District General Fund Obligations	Various (2)		124,841,345
City of Beverly Hills General Fund Obligations	100.000		136,835,000
City of Los Angeles General Fund and Judgment Obligations	100.000		1,513,142,460
City of Long Beach General Fund Obligations	100.000		137,720,000
City of Long Beach Pension Obligations Bonds	100.000		25,130,000
City of Pasadena General Fund Obligations	100.000		433,872,722
City of Pasadena Pension Obligations Bonds	100.000		119,460,000
Other Cities' General Fund Obligations	100.000		1,530,292,353
Los Angeles County Sanitation Districts Financing Authority	100.000		113,228,705
Antelope Valley Hospital District General Fund Obligation	100.000		16,870,852
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,575,457,385
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation			(6,600,000)
Cities' supported bonds			(464,071,824)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,104,785,561
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$	3,584,579,032
GROSS COMBINED TOTAL DEBT		$	39,139,365,973 (3)
NET COMBINED TOTAL DEBT		$	38,668,694,149

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.
(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

RATIOS TO 2017-18 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	2.01 %
Total Gross Direct Debt ($1,963,521,065)	0.13 %
Gross Combined Total Debt	2.71 %
Net Combined Total Debt	2.68 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($198,208,366,398):	
Total Overlapping Tax Increment Debt	1.81 %

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 2017 Gross Product of $670.0 billion, Los Angeles County's economy is larger than that of 44 states and all but 21 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. The County's economy experienced moderate growth in 2017 with an increase in economic output of 3.2%, as measured by Gross Product, and an estimated increase in total taxable sales of 2.1%. The economic recovery is expected to continue in 2018, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 4.6% in 2017, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2018 and 2019, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 4.3% and 4.1% 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.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that could generate approximately $151.0 billion in funding for capital infrastructure and public services in the County. In the June and November 2016 elections, the voters in school and community college districts passed over $9.4 billion in general obligation bond measures supported by ad valorem taxes to finance new capital construction and improvement projects, with an average approval rate of over 73%. As of December 31, 2017, K-12 schools and community college districts in the County had approximately $19.3 billion of previously authorized, but unissued bond capacity. The Measure A parcel tax is expected to generate approximately $94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring funding from voter approved Propositions A in 1992 and 1996. The success of the ballot measures in 2016 may be an indication that County voters are willing to authorize new taxes to finance critical capital infrastructure and public services.

The increase in sales tax revenue resulting from the 2008 voter-approved Measure R and the corresponding 2016 voter-approved Measure M will continue to provide funding for major highway and transit projects throughout the County. Measure M provides an indefinite extension of the increase in sales tax revenue approved by voters through Measure R, which was originally set to expire on July 1, 2039. Measure M is projected to generate $120.0 million of sales tax revenue over the next 40 years for the Los Angeles County Metropolitan Transportation Authority ("MTA") to finance new transportation infrastructure projects.

On March 7, 2017, the voters approved Measure H authorizing a one-quarter percent (0.25%) County sales tax for ten years in order to fund homeless services and prevention. The increase in sales tax revenue resulting from the voter-approved Measure H provides funding to prevent and combat homelessness within the County. Measure H is projected to generate approximately $355.0 million of sales tax revenue per year for 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 (Port of Los Angeles and Port of 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 350,100 workers employed in this sector in 2017. 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 information technology sector employed 221,100 workers in 2017.

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, the Huntington Library and the Broad Museum of Contemporary Art. The Broad Museum 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.

In March 2018, the Lucas Museum of Narrative Art in Exposition Park broke ground and is set to open in 2021. The $1.5 billion museum facility was co-founded by George Lucas, and will include an art exhibition space, archive, library, an expansive lobby, classrooms, two state-of-the-art theaters, a museum shop, and a café. The museum is located directly across the street from the University of Southern California and west of the Natural History Museum.

Recreation

With its geographic size, 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 over 182 parks, over 200 miles of horse, biking, and hiking trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 25 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. In July 2017, the City of Los Angeles announced a deal with the International Olympic Committee to host the 2028 Summer Olympics.

Population

The County is the most populous county in the U.S. with over 10.2 million people estimated to be residing within its borders. The County's population makes it equivalent to the tenth largest state in the nation and accounts for approximately 25.9% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.5% Hispanic, 26.5% White, 15.1% Asian, 9.1% African American and 0.8% other. The County is 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 103 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 77.7% of the adult population has a high school diploma or higher, and 30.8% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After the most 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 12.5% in 2010, but has experienced a steady decrease over the last seven years to 4.6% in 2017. In comparison, the average unemployment rates for the State of California and the United States in 2017 were 4.8% and 4.4%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 4.3% in 2018 and 4.1% in 2019, as the County approaches full employment. Table E details the County's historical unemployment rates from 2013 through 2017. The employment situation in the County showed additional signs of improvement in 2017, with estimated total net job growth of 72,100 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2013 through 2017.

Personal Income

Total personal income in the County grew by an estimated 3.8% in 2017. The 2017 total personal income of $585.5 billion represents an estimated 25.5% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 2.9% for 2018 and 2.8% for 2019. Table C provides a summary of the personal income statistics for the County from 2013 through 2017.

Consumer Spending

As the most populous county in the nation with a vibrant and diverse economy, the County is recognized as a national leader in consumer spending. As reported by LAEDC, the County experienced a 2.1% increase in total taxable sales in 2016, with consistent growth of 2.1% projected for 2017. The $154.2 billion of total taxable sales in the County in 2016 represents 23.8% 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 2012 through 2016.

Industry

With an estimated annual economic output of $670.0 billion in 2017, the County continues to rank among the world's largest economies. The County's 2017 Gross Product represents approximately 28.2% of the total economic output in California and 3.9% 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 2013 through 2017.

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 a slight increase in 2016, handling approximately $398.0 billion worth of international trade, which represents a 1.1% increase from 2015.

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 fourth busiest airport in the world and second in the United States for passenger traffic. In 2017, LAX served 84.6 million passengers, representing an 4.5% increase from the previous year. The 2.4 million tons of air cargo handled at LAX in 2017, and the corresponding value of $109.6 billion, represents an increase of 10.3% from 2016 levels. The $14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,640 local jobs. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport in an effort to increase name recognition outside of Southern California. The Hollywood Burbank Airport is currently in the pre-planning stage to replace its 14-gate terminal with a new state of the art facility. Construction is scheduled to begin on the replacement terminal between 2018 and 2022.

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 facilities in the United States, and is the busiest port complex in the U.S. and western hemisphere, and the tenth 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.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2017, it was ranked as the busiest container port in the United States and the seventeenth (17^{th}) 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 26 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2017, the Port handled over 9.3 million TEUs, which represents an 5.5% increase in container volume from 2016.

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 (21^{st}) busiest in the world in 2017. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2017, the port handled nearly 7.5 million TEUs of container cargo, which represents an increase of 11.4% from 2016.

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 414 million in annual boardings, the Metro System is the second 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 MTA, which is responsible for the planning, design, construction and operation of the public transportation system for the County. The Fiscal Year 2017-18 operating budget for the MTA is $6.1 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 2017, the Los Angeles region hosted a record high 31.9 million overnight visitors, representing a 2.9% increase from 2016. According to the Los Angeles Convention and Visitors Bureau, a record high of 7.3 million foreign residents visited the region in 2017, which represents a 3.2% increase compared to 2016. Of all foreign countries visiting the region, China continues to display the fastest growth of any international market with 11.7% more visitors than in 2016. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County.

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 strong and 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 a strong recovery as the average median home price increased by 69.9% from 2012 to 2017.

In 2017, the real estate market continued to experience strong growth, as the average median home price increased by 7.6% to

$561,317 from 2016. After a record high of 105,433 in 2009, notices of default recorded decreased by 89.2% to 11,402 in 2017 equaling a rate of approximately 950 notices per month, which represents a slight improvement over 2016 when the rate averaged 1,150 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 94% from a cyclical high of 39,774 in 2008 to 2,570 in 2017. The number of trustees deeds recorded in 2017 represents a 26% decrease from 2016 (3,481 to 2,570).

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount of "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2017-18, the County Assessor reported a Net Local Roll of $1.416 trillion, which represents a 6.04% increase from the Net Local Roll of $1.336 trillion in Fiscal Year 2016-17. The Net Local Roll in Fiscal Year 2017-18 represents a 31.2% increase from Fiscal Year 2011-12, and the seventh consecutive year of growth in assessed valuation after the recent economic downturn.

The commercial real estate sector continued to show improvement in 2017. Construction lending experienced robust growth of 13.7% from $11.979 billion in 2016 to $13.619 billion in 2017. Office market vacancy rates increased slightly from 2016 to 2017, with the average vacancy rate increased to 14.4% from 14.0%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates increased to 1.1% in 2017 from 0.9% in 2016, which is slightly lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

On June 23, 2017, the InterContinental hotel in the Wilshire Grand Center in Downtown Los Angeles opened after several years of construction. The 73-story, 1,100-foot tall structure, includes an InterContinental hotel, office space and condominiums, represents a $1.35 billion private investment in Downtown Los Angeles. In August 2017, the University of Southern California completed a $700 million mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The 1.2 million-square foot complex includes seven residential halls, a 30,000 square-foot fitness center, and is home to commercial tenants such as Trader Joes, Target, CVS, and Wahlburgers.

In January 2016, National Football League (NFL) team owners voted to allow the St. Louis Rams to move to Los Angeles for the 2016 NFL season. A year later, NFL team owners voted to allow the San Diego Chargers to relocate to Los Angeles for the 2017 NFL season. The future home of the Los Angeles Rams and the Los Angeles Chargers is currently under construction and will feature a new 70,000 seat glass-roofed stadium on a 298 acre site in Inglewood. The new stadium is part of a larger privately financed multibillion-dollar entertainment, retail and housing complex located on the former site of Hollywood Park. The Rams' and Chargers' new stadium is projected to open for the 2020 NFL season at a cost expected to exceed $2 billion. The Rams will play their home games in the Los Angeles Coliseum, and the Chargers will play their home games at the Stub-Hub Center in Carson until the new stadium is completed.

On April 18, 2018, a new soccer stadium in Exposition Park was opened to the public. This Gensler-designed stadium seats 22,000, and is the home stadium to the Major League Soccer franchise the Los Angeles Football Club. This $350 million facility has been under construction since 2016, and also includes shops, restaurants, and conference space.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

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

	2013	2014	2015	2016	2017
Los Angeles County	$587,582	$610,332	$634,635	$649,349	$669,975
State of California	2,064,534	2,150,580	2,245,876	2,320,345	2,379,111
United States	15,612,200	16,013,300	16,471,500	16,716,200	17,096,200
Los Angeles County as a % of California	28.46%	28.38%	28.26%	27.99%	28.16%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018 & Bureau of Economic Analysis - U.S. Department of Commerce

TABLE B: POPULATION LEVELS (in thousands)

	2013	2014	2015	2016	2017
Los Angeles County	10,056	10,125	10,179	10,215	10,278
State of California	38,373	38,739	39,059	39,312	39,613
Los Angeles County as a % of California	26.21%	26.14%	26.06%	25.98%	25.95%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

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

	2013	2014	2015	2016	2017
Los Angeles County	$483,579	$514,517	$549,073	$563,908	$585,515
Orange County	166,369	174,586	188,471	196,920	202,801
San Diego County	157,757	167,633	177,551	183,032	188,877
Riverside and San Bernardino Counties	141,977	149,935	160,048	166,657	173,019
Ventura County	41,728	43,878	46,269	47,397	48,823
State of California	1,861,956	1,986,025	2,133,664	2,212,691	2,300,034
Los Angeles County as a % of California	25.97%	25.91%	25.73%	25.49%	25.46%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

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

	2012	2013	2014	2015	2016
Los Angeles County	$135,296	$140,080	$147,447	$151,034	$154,208
State of California	558,387	586,840	615,822	633,884	649,079
Los Angeles County as a % of California	24.23%	23.87%	23.94%	23.83%	23.76%

Source: Board of Equalization

TABLE E: UNEMPLOYMENT RATES

	2013	2014	2015	2016	2017
Los Angeles County	9.8%	8.2%	6.6%	5.2%	4.6%
State of California	8.9%	7.5%	6.2%	5.4%	4.8%
United States	7.4%	6.2%	5.3%	4.9%	4.4%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2013	2014	2015	2016	2017
Health Care & Social Assistance	584.7	602.1	621.6	645.7	669.0
Wholesale & Retail Trade	624.5	635.6	644.9	646.7	647.0
Government	551.2	556.2	568.5	576.7	585.5
Leisure & Hospitality	438.9	464.1	486.6	510.0	523.9
Manufacturing	375.6	371.1	367.8	360.3	350.1
Professional, Scientific & Technical Services	271.8	271.8	271.8	277.9	284.3
Administrative & Support & Waste Services	254.8	261.3	264.1	268.4	271.7
Information	213.0	211.2	215.5	219.8	221.1
Transportation, Warehousing & Utilities	157.5	163.4	171.5	182.3	191.8
Other	145.7	150.5	151.0	153.3	154.1
Construction	114.6	118.5	126.2	133.9	137.7
Educational Services	117.4	118.6	119.5	121.9	125.3
Finance & Insurance	74.7	76.7	80.0	81.6	83.7
Real Estate & Rental & Leasing	54.6	56.7	59.3	61.0	63.0
Management of Companies & Enterprises	58.2	58.6	57.9	57.0	57.4
Total	4,037.2	4,116.4	4,206.2	4,296.5	4,365.6

Source: Los Angeles Economic Development Corporation

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

Type of Activity	2013	2014	2015	2016	2017
International Air Cargo (Tons)					
Los Angeles International Airport	1,119.5	1,176.3	1,284.7	1,336.3	1,476.7
As Percentage of Total Air Cargo	58.12%	58.78%	60.25%	60.59%	61.80%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,926.1	2,001.2	2,132.5	2,205.3	2,389.5
Long Beach Airport	24.4	25.5	23.9	25.2	23.0
Hollywood Burbank Airport	52.9	56.3	54.8	53.3	54.4
Total	2,003.4	2,082.9	2,211.1	2,283.9	2,466.9
International Air Passengers					
Los Angeles International Airport	17,852.1	19,105.7	20,740.1	22,850.2	24,829.4
As Percentage of Total Passengers	26.78%	27.04%	27.68%	28.24%	29.36%
Total Air Passengers					
Los Angeles International Airport	66,667.6	70,662.2	74,936.3	80,921.5	84,558.0
Long Beach Airport	2,942.9	2,824.0	2,523.7	2,841.1	3,783.8
Hollywood Burbank Airport	3,844.4	3,861.2	3,943.6	4,142.9	4,739.5
Total	73,454.9	77,347.4	81,403.6	87,916.8	93,081.3
Container Volume (TEUs)					
Port of Los Angeles	7,868.6	8,340.1	8,160.5	8,856.8	9,343.2
Port of Long Beach	6,730.6	6,820.8	7,192.1	6,775.2	7,544.5
Total	14,599.2	15,160.9	15,352.5	15,632.0	16,887.7

Source: Los Angeles World Airports, LAX - Statistics; Hollywood 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	2012	2013	2014	2015	2016
Los Angeles, CA	$403,901	$414,723	$417,974	$393,594	$397,972
New York, NY	381,877	378,895	387,051	370,181	356,551
Laredo, TX	239,090	253,056	280,572	285,043	283,018
Detroit, MI	253,233	253,613	262,378	245,163	247,973
Chicago, IL	187,491	192,537	210,928	201,734	198,318
New Orleans, LA	243,620	235,038	234,341	199,245	193,507
Seattle, WA	138,780	143,993	152,700	154,755	147,338
Savannah, GA	132,344	129,526	141,954	148,723	143,810
Cleveland, OH	118,664	122,563	131,911	129,889	131,897
Houston-Galveston, TX	273,941	251,731	252,440	195,403	61,424

Source: Los Angeles Economic Development Corporation - 2018-2019 International Trade Report

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

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	201,709	207,252	210,440	204,800	209,685
Tacoma, WA	30,975	31,861	34,936	34,149	38,153
Oakland, CA	30,298	30,906	30,540	29,020	31,100
Seattle, WA	25,549	18,104	14,422	14,906	15,134
Kalama, WA	10,199	9,304	9,725	12,080	14,241
Portland, OR	17,948	13,571	14,573	9,798	9,743
San Diego, CA	4,822	5,168	5,358	5,591	5,999
Port Hueneme	4,520	4,921	5,240	5,774	5,381
Vancouver, WA	4,914	2,001	2,855	3,014	2,748

Source: Pacific Maritime Association - 2017 Annual Report and past reports

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

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	14,123	14,599	15,161	15,353	16,888
New York-NewJersey, NY	5,530	5,467	5,772	6,372	6,252
Savannah, GA	2,966	3,034	3,346	3,737	3,645
Seattle-Tacoma, WA	3,564	3,456	3,394	3,529	3,616
Norfolk, VA	2,106	2,224	2,393	2,549	2,657
Oakland, CA	2,344	2,347	2,394	2,278	2,370
Houston, TX	1,922	1,950	1,951	2,131	2,183
Charleston, SC	1,515	1,601	1,792	1,973	1,996

Source: Port of Los Angeles, Port of Long Beach, The Port Authority of NY & NJ, Georgia Ports Authority, Port of Oakland, Port of Virginia, The Northwest Seaport Alliance, Port of Houston Authority, and South Carolina Ports -analysis of data provided by ports

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

Indicator	2013	2014	2015	2016	2017
1. Construction Lending (in millions)	$6,379	$8,750	$9,711	$11,979	$13,619
2. Residential Purchase Lending (in millions)	$27,910	$31,441	$48,832	$53,362	$53,754
3. New & Existing Median Home Prices	$412,795	$458,677	$490,083	$521,558	$561,317
4. New & Existing Home Sales	84,229	76,348	81,188	81,061	82,319
5. Notices of Default Recorded	20,970	17,883	17,422	13,802	11,402
6. Unsold New Housing (at year-end)	561	552	620	1,217	N/A*
7. Office Market Vacancy Rates	16.7%	14.9%	14.7%	14.0%	14.4%
8. Industrial Market Vacancy Rates	1.8%	1.5%	0.8%	0.9%	1.1%

**2nd & 3rd Quarter of 2017 data are unavailable.*

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE L: BUILDING PERMITS AND VALUATIONS

	2013	2014	2015	2016	2017
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	3,599	4,286	4,297	4,664	5,559
b. Multi-Family	12,631	14,595	18,638	15,272	16,451
Total Residential Building Permits	16,230	18,881	22,935	19,936	22,010
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$1,507	$1,740	$1,868	$2,096	$2,376
b. Multi-Family	1,921	2,310	2,877	2,765	3,173
c. Alterations and Additions	1,193	1,429	1,591	1,550	1,692
Residential Building Valuations Subtotal	$4,621	$5,479	$6,336	$6,411	$7,241
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$246	$269	$347	$345	$498
b. Retail Buildings	385	829	472	541	688
c. Hotels and Motels	145	359	327	332	89
d. Industrial Buildings	128	122	85	154	132
e. Alterations and Additions	2,012	3,155	2,629	2,774	2,999
f. Other	669	1,507	1,025	618	876
Non-Residential Building Valuations Subtotal	$3,585	$6,241	$4,885	$4,764	$5,282
Total Building Valuations (in millions)	$8,206	$11,720	$11,221	$11,175	$12,523

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2017 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	36,468	277,123
2	University of Southern California	Education-Private University	Los Angeles, CA	20,163	20,499
3	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,600	67,000
4	Providence Health & Services	Health Care	Renton, WA	15,255	87,634
5	Target Corp.	Retailer	Minneapolis, MN	15,000	341,000
6	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	14,970	443,000
7	Walt Disney Co.	Entertainment	Burbank, CA	13,000	195,000
8	Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	13,000	273,000
9	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,500	208,000
10	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,242	12,330
11	NBCUniversal	Entertainment	New York	12,000	N/A
12	AT&T Inc.	Telecommunications	Dallas, TX	11,500	264,000
13	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	406,000
14	UPS	Transportation and Freight	Atlanta, GA	10,131	434,000
15	Wells Fargo	Diversified Financial Services	San Francisco, CA	9,001	271,000
16	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	9,000	144,081
17	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,702	9,670
18	Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	8,384	150,000
19	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	110,000
20	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	168,000
21	Dignity Health	Hospitals	San Francisco, CA	6,274	57,264
22	Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	6,000	218,000
23	Amgen Inc.	Biotechnology	Thousand Oaks, CA	5,616	19,200
24	SoCalGas	Natural Gas Utility	Los Angeles, CA	5,600	8,500
25	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,500	63,000

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2017

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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Independent Auditor's Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2017, 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), the 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	70%	72%	16%

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, 2017, 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, Regional Park and Open Space District Fund, and Mental Health Services Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, the schedule of net pension liability and related ratios, the schedule of County's contributions and the schedule of funding progress – other postemployment benefits on pages 151 through 153 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 15, 2017

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 negative $1.138 billion. Net position is classified into three categories and the unrestricted component is negative $22.112 billion.

During the current year, the County's net position decreased by a total of $636 million. Net position related to governmental activities decreased by $755 million, while net position related to business-type activities increased by $119 million.

At the end of the current year, the County's General Fund reported a total fund balance of $3.651 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $212 million, restricted fund balance of $70 million, committed fund balance of $430 million, assigned fund balance of $495 million, and $2.444 billion of unassigned fund balance.

The County's capital asset balances were $19.586 billion at year-end and increased by $346 million during the year.

During the current year, the County's total long-term debt decreased by $91 million. Newly issued and accreted long-term debt of $260 million were less than the long-term debt maturities of $351 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 pension and Other Postemployment Benefits (OPEB) 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 Funds 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 are 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 net pension liability and related ratios, the County's pension contributions and 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $1.138 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2017 and 2016 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 10,670,204	$ 9,733,525	$ 2,523,199	$ 1,838,199	$ 13,193,403	$ 11,571,724
Capital assets	16,427,686	16,194,139	3,157,869	3,045,644	19,585,555	19,239,783
Total assets	27,097,890	25,927,664	5,681,068	4,883,843	32,778,958	30,811,507
Deferred outflows of resources	3,139,442	1,240,744	539,905	206,764	3,679,347	1,447,508
Current and other liabilities	2,781,663	2,252,076	476,147	452,338	3,257,810	2,704,414
Long-term liabilities	26,753,872	22,932,611	6,532,381	5,497,786	33,286,253	28,430,397
Total liabilities	29,535,535	25,184,687	7,008,528	5,950,124	36,544,063	31,134,811
Deferred inflows of resources	873,620	1,440,671	178,415	224,935	1,052,035	1,625,606
Net position:						
Net investment in capital assets	15,165,318	14,982,488	2,305,050	2,269,835	17,470,368	17,252,323
Restricted	3,391,358	3,320,163	112,775	92,699	3,504,133	3,412,862
Unrestricted (deficit)	(18,728,499)	(17,719,601)	(3,383,795)	(3,446,986)	(22,112,294)	(21,166,587)
Total net position	$ (171,823)	$ 583,050	$ (965,970)	$ (1,084,452)	$ (1,137,793)	$ (501,402)

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 $937 million for governmental activities and by $685 million for business-type activities. For governmental activities, there was an increase of $1.111 billion in pooled cash and investments, largely due to the improved cash position of the County's General Fund, which grew by $968 million over the prior year. For business-type activities, current and other assets increased by $685 million, as hospital accounts receivable were higher in the current year by $440 million.

Deferred Outflows of Resources

In the current year, deferred outflows of resources were $3.139 billion and $540 million for governmental and business-type activities, respectively. These amounts were almost all pension related and changes from the prior year are due to the changes in the total pension liability and in the pension plan's fiduciary net position that must be recognized as pension expense in future years. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68 and 71. Employer contributions subsequent to the measurement date of the net pension liability (June 30, 2016) are also required to be recorded as deferred outflows. The total pension related deferred outflows increased by $2.234 billion primarily because the actual pension plan investment earnings were less than the projected earnings used in the actuarial valuation.

Liabilities

Current and other liabilities increased by $530 million for governmental activities. The largest component of this increase is $456 million for advances payable, largely due to higher advances for health, mental health, public protection and social services programs. In addition, accounts payable were higher by $55 million primarily due to increases in amounts owed for the Managed Care Rate Supplement intergovernmental transfer payments. For business-type activities, a net increase of $24 million in current and other liabilities was largely associated with increases in accounts payable for the hospitals.

Long-term liabilities increased by $3.821 billion for governmental activities and by $1.035 billion for business-type activities. Net pension liabilities increased in the current year by $2.449 billion and $375 million for governmental and business-type activities, respectively. Liabilities for other postemployment benefits (OPEB) increased for both governmental and business-type activities by $1.169 billion and $249 million, respectively. For business-type activities, amounts owed by the County's hospitals to third party payors was higher by $377 million as discussed in Note 14. Liabilities were also higher for workers' compensation and compensated absences. Specific disclosures related to pension liabilities, OPEB and other changes in long-term liabilities are discussed and referenced in Notes 8, 9, and 11 to the basic financial statements, respectively.

Deferred Inflows of Resources

In the current year, deferred inflows of resources were \$874 million and \$178 million for governmental and business-type activities, respectively. These amounts were almost all pension related and changes from the prior year are due to the changes in the total pension liability and in the pension plan's fiduciary net position that must be recognized as pension expense in future years. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68 and 71. The total pension related deferred inflows decreased by \$581 million primarily because the actual pension plan investment earnings recognized in the prior year were greater than the projected earnings used in the actuarial valuation. In the current year, the investment earnings were less than projected, and the difference is now being recognized as a deferred outflow. Pension matters are discussed in more detail in Note 8 to the basic financial statements.

For service concession arrangements, there were also \$90 million of deferred inflows of resources recognized in the current year, which represents an increase of \$8 million from the prior year. This amount represents the present value of installment payments associated with private operators of twenty County golf courses, as discussed in Note 7 to the basic financial statements.

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, \$17.470 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 and related deferred outflows of resources 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 \$3.504 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)

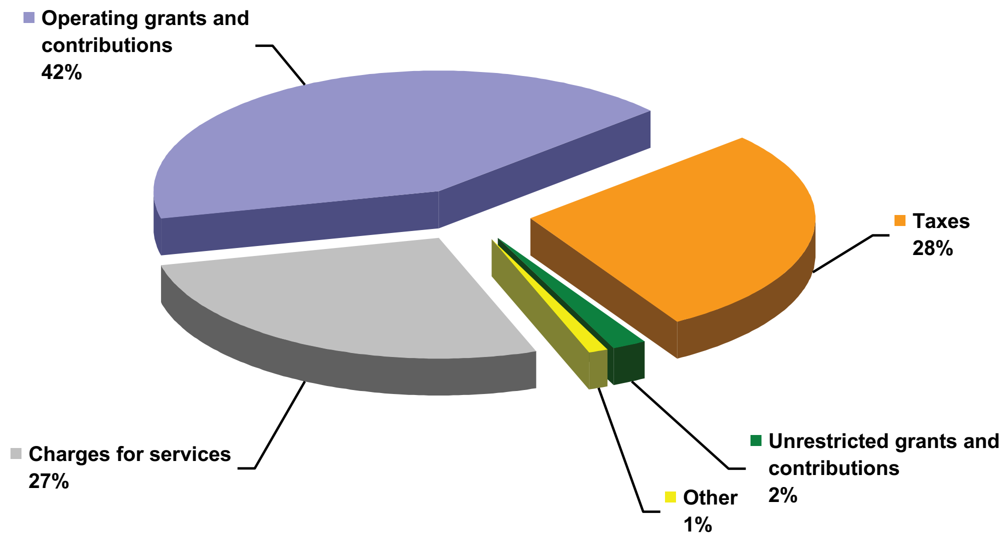
The County's total unrestricted net position is negative $22.112 billion. Both governmental and business-type activities reported deficits in this category of $18.728 billion and $3.384 billion, respectively. OPEB related liabilities of $14.527 billion continued to be the most significant factor associated with the reported deficits, along with pension liabilities totaling $10.273 billion.

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

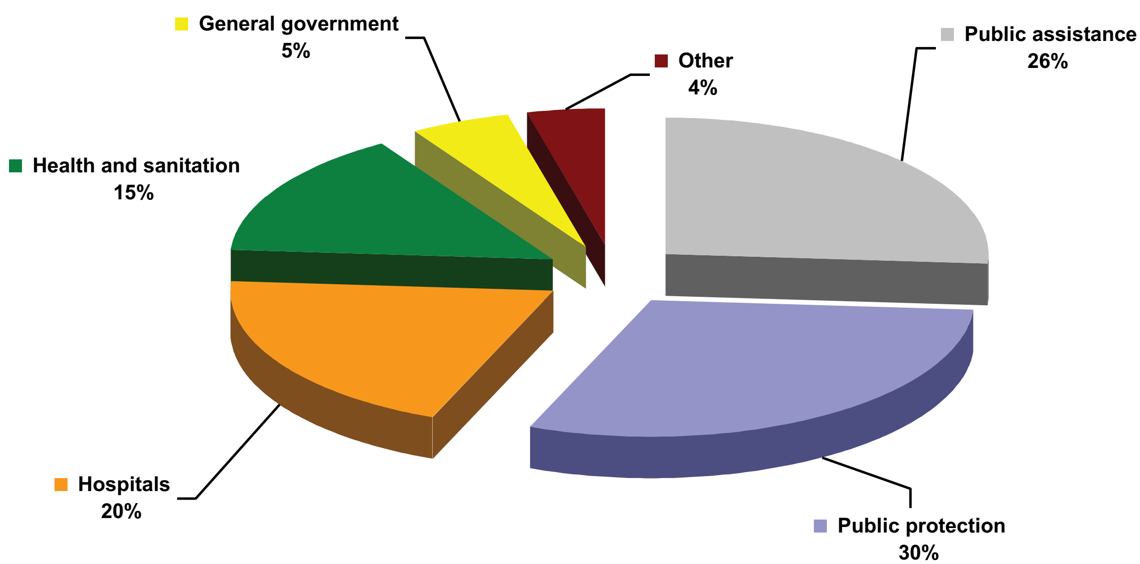
Summary of Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 2,779,483	$ 2,608,084	$ 3,959,188	$ 3,245,260	$ 6,738,671	$ 5,853,344
Operating grants and contributions	9,795,607	9,296,996	457,686	315,070	10,253,293	9,612,066
Capital grants and contributions	64,055	24,860	1,195	5,582	65,250	30,442
General revenues:						
Taxes	6,826,908	6,415,494	5,676	5,309	6,832,584	6,420,803
Unrestricted grants and contributions	428,435	374,264			428,435	374,264
Investment earnings	53,363	122,763	898	1,463	54,261	124,226
Miscellaneous	178,922	141,146	122	61	179,044	141,207
Total revenues	20,126,773	18,983,607	4,424,765	3,572,745	24,551,538	22,556,352
Expenses:						
General government	1,354,561	1,235,949			1,354,561	1,235,949
Public protection	7,532,191	7,098,459			7,532,191	7,098,459
Public ways and facilities	397,231	375,295			397,231	375,295
Health and sanitation	3,868,785	3,417,720			3,868,785	3,417,720
Public assistance	6,441,552	6,191,975			6,441,552	6,191,975
Education	127,901	141,195			127,901	141,195
Recreation and cultural services	276,625	388,284			276,625	388,284
Interest on long-term debt	104,899	93,022			104,899	93,022
Hospitals			4,990,891	4,309,615	4,990,891	4,309,615
Waterworks			90,517	86,463	90,517	86,463
Aviation			2,776	5,661	2,776	5,661
Total expenses	20,103,745	18,941,899	5,084,184	4,401,739	25,187,929	23,343,638
Excess (deficiency) before transfers	23,028	41,708	(659,419)	(828,994)	(636,391)	(787,286)
Transfers	(777,901)	(581,699)	777,901	581,699		
Changes in net position	(754,873)	(539,991)	118,482	(247,295)	(636,391)	(787,286)
Net position - beginning	583,050	1,123,041	(1,084,452)	(837,157)	(501,402)	285,884
Net position – ending	$ (171,823)	$ 583,050	$ (965,970)	$ (1,084,452)	$ (1,137,793)	$ (501,402)

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017



Governmental Activities

Revenues from governmental activities increased by $1.143 billion (6.0%) 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 $499 million. For health and sanitation programs, there was net revenue growth of $377 million. New revenues of $273 million were associated with the Whole Person Care Los Angeles program. State and federal funding for mental health programs grew by $33 million. Revenues for public assistance programs grew by $83 million as there were higher levels of administrative and program costs which are primarily funded from federal and State reimbursement. Pursuant to Assembly Bill 85 (AB85), the County is subject to State withholding of revenues known as "1991 County Health Realignment Funds." The amounts withheld are based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up, two years after the fiscal year in which the amounts were withheld. For the current year, there was a net increase of $115 million from State Health Realignment revenues for health services.

- Taxes, the County's largest general revenue source, were $411 million higher than the prior year and were mostly attributable to increased property taxes, which grew by $397 million. The County's assessed property tax roll grew by 5.6% in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments from redevelopment dissolution were $273 million and increased by $34 million from the prior year. Redevelopment dissolution also provides residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was $213 million, an increase of $46 million compared to the prior year.

Expenses related to governmental activities increased by $1.162 billion (6.1%) during the current year. There were significant cost increases for salaries and wages, which grew by $334 million. There were general salary increases of 3% during the current year, which became effective for most employees at staggered effective dates throughout the fiscal year. Expenses were also higher for non-salary costs associated with health services, public health and mental health, as costs for contracted services and intergovernmental transfer payments increased by $244 million. Depreciation expense was $516 million in the current year, an increase of $104 million from the prior year amount of $412 million. Pension costs for governmental activities were $1.120 billion, or $633 million higher than the prior year amount of $487 million. Note 8 to the basic financial statements contains additional information related to pension costs.

Business-type Activities

Revenues from business-type activities for the current year were $4.425 billion, an increase of $852 million (23.8%) from the previous year. The most significant increase was in charges for services and operating grants and contributions for the County's hospitals, where revenue grew by $716 million and $143 million, respectively. 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. In its second year, $1.378 billion was recognized for the Medi-Cal Demonstration Project, which provides federal funding to the County for health-care programs that shift the focus from hospital-based and inpatient care to outpatient, primary, and preventative care. In addition, the County's hospitals recognized $770 million of federal funds under the Affordable Care Act for the Hospital Presumptive Eligibility program.

Expenses related to business-type activities increased from the previous year by a net total of $682 million (15.5%), and were associated entirely with the County's hospitals. Specifically, intergovernmental transfer expenses that are required in order to be eligible for various hospital revenue sources were higher by $526 million. Costs for salaries and employee benefits were also higher in the current year by $188 million and attributable to similar factors previously mentioned for the governmental activities. For all Hospital facilities, the average patient census during the current year was 1,149 patients per day, which was slightly lower than the 1,171 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 $7.460 billion, an increase of $393 million in comparison with the prior year. Of the total fund balances, $226 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.533 billion is classified as restricted, $549 million as committed, and $708 million as assigned. The remaining balance of $2.444 billion is classified as unassigned and is entirely associated with the General Fund.

Governmental Funds-Continued

Revenues from all governmental funds for the current year were $20.065 billion, an increase of $1.142 billion (6.0%) from the previous year. Expenditures for all governmental funds in the current year were $18.930 billion, an increase of $534 million (2.9%) from the previous year. In addition, other financing uses exceeded other financing sources by $741 million as compared to $219 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 $267 million (7.9%). At the end of the current fiscal year, the General Fund's total fund balance was $3.651 billion. Of this amount, $212 million is classified as nonspendable, $70 million as restricted, $430 million as committed, $495 million as assigned and the remaining $2.444 billion is classified as unassigned.

General Fund revenues during the current year were $17.082 billion, an increase of $892 million (5.5%) from the previous year. General Fund expenditures during the current year were $16.573 billion, an increase of $710 million (4.5%) from the previous year. Other financing sources/uses-net was negative $242 million in the current year as compared to negative $132 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $330 million and property taxes comprised $232 million of this increase. Residual property tax revenues, which are associated with redevelopment dissolution, were $185 million in the current year, or $41 million higher than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were $30 million higher in the current year.

- Intergovernmental revenues increased by $438 million overall, and were primarily associated with State and federal revenue increases of $258 and $154 million, respectively. State and federal revenue growth were attributable to higher levels of reimbursable program and administrative costs for public assistance, children and family services, health, and mental health programs. There was a net revenue increase of $115 million from the State Health Realignment for health services.

- Charges for services increased by a total of $149 million. There was a $105 million increase in revenues associated with health services administration activities from the State Medi-Cal Demonstration Project Global Payment Program, Health Way LA program, and services rendered to the County hospitals. The Registrar-Recorder provides election services to various cities and revenues increased by $25 million due to the November 2016 Presidential and March 2017 elections. There was also an $8 million increase in revenues for services provided by the Department of Public Health, primarily for services for environmental inspection fees and Children's Medical Services.

Governmental Funds-Continued

- General fund expenditures increased by a total of $710 million, or 4.5%. Within this total, current expenditures increased by $709 million, and debt service and capital outlay expenditures increased by $1 million. The most significant increase in current expenditures was reflected in the health and sanitation program, where expenditures grew by $299 million, and this was primarily due to an increase of $246 million for managed care and health services administration intergovernmental transfer expenditures. There were also increased costs of $79 million for medical services in the County jails, which were transferred to the County's Department of Health Services. Public assistance expenditures were higher by $142 million, of which $123 million was for salary and benefit increases and $21 million was for increased spending on the affordable housing program. Public protection programs were higher by $127 million, of which $102 million pertained to salaries and employee benefits, largely due to negotiated salary increases. General government spending increased by $120 million and was associated with $44 million in salary and benefit increases, an increase of $46 million was related to costs associated with capital improvements, and $28 million associated with additional election costs.

The Fire Protection District reported a year-end fund balance of $206 million, which represented a decrease of $16 million from the previous year. Revenues increased by $52 million, of which $37 million was related to property taxes and primarily associated with growth in assessed property values and $11 million was for charges for services. Expenditures were also higher by $49 million, nearly all of which was related to equipment purchases.

The Flood Control District reported a year-end fund balance of $469 million, which was $46 million higher than the previous year. Current year revenues were higher by $30 million while expenditures were higher by $25 million.

The Public Library Fund reported a year-end fund balance of $74 million, which was $9 million higher than the previous year. Revenue growth of $4 million was primarily from higher property taxes and expenditures were lower by $2 million.

The Regional Park and Open Space District reported a year-end fund balance of $278 million, which was $35 million lower than the previous year. Current year revenues were lower by $11 million and were associated with decreased charges for services, while expenditures were higher by $7 million.

The Mental Health Services Act (MHSA) Special Revenue fund, formerly classified as a nonmajor governmental fund, is being reported as a major fund in the current year. The MHSA Special Revenue Fund reported a year-end fund balance of $1.051 billion, which was $189 million higher than the previous year. Current year revenues were higher by $111 million, primarily from an increase in State revenues, while transfers out were higher by $63 million.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. 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 $101 million for Rancho Los Amigos National Rehabilitation Center to $158 million for the LAC+USC Medical Center. The total subsidy amount was $539 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 $370 million. During the current year, the County's hospital operations experienced higher levels of patient care revenues and operating expenses in comparison to the prior year as previously discussed.

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 ($122 million), Harbor-UCLA Medical Center ($50 million), and Olive-View UCLA Medical Center ($36 million). The total current year amount of $208 million in Measure B transfers was nearly the same as the prior year amount of $209 million.

Waterworks Funds reported year-end net position of $801 million, which was $9 million lower than the previous year. Current year operating revenues were lower by $3 million while operating expenses were higher by $4 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 $158 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 76,424	$ 5,335,399	$ 5,337,375	$ 1,976
Intergovernmental revenues	165,229	10,156,636	9,342,484	(814,152)
Charges for services	118,082	1,869,174	1,803,063	(66,111)
All other revenues	10,639	590,018	604,650	14,632
Other sources and transfers in	(948)	778,929	432,530	(346,399)
Total	$ 369,426	$ 18,730,156	$ 17,520,102	$ (1,210,054)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately $369 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $165 million. There was $279 million to augment federal funds budgeted for the Whole Person Care (WPC) Los Angeles program pursuant to the Medi-Cal 2020 Federal Waiver program in the health department. State Health Realignment estimated revenues were reduced by $117 million. Net additions of $37 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution successor agencies. There was also an increase of $27 million from federal and State funds for the children and family social services programs. Budgeted State revenues for capital projects were increased by $15 million to reflect additional grant funding. There were other net increases to budgeted intergovernmental revenues of $8 million.
- The budget for tax revenues increased by $76 million. Of this increase, $71 million increase was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.
- The budget for charges for services increased by $118 million. Of this increase, $92 million was associated with revenue received for the General Fund's health services administration activities related to the WPC Medi-Cal 2020 Federal Waiver program and $21 million for services associated with the November 2016 Presidential Election and March 2017 Special Election. There were other net additions to budgeted charges for services of $5 million.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $17.520 billion. This amount was $1.210 billion, or 6.5%, 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 $814 million lower than the amount budgeted. Approximately $352 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. Budgeted intergovernmental revenues of $186 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Mental health programs accounted for approximately $121 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. The Sheriff’s and Probation Departments under-realized revenues of $69 million due to lower than expected reimbursement of salaries and services and supplies associated with federal programs. Public health related programs experienced budgeted revenue shortfalls of $58 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Office of Diversion and Re-entry budget under-realized $30 million related to reimbursable expenditures for housing subsidies. The remaining difference of $2 million was related to a variety of other programs.

- The actual amount of “other sources and transfers in” was $346 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 $233 million lower than budgeted. In addition, “transfers in” totaling $79 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. Costs associated with Probation Department programs funded by the Other Public Protection Special Revenue Funds were $17 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $17 million.

- Actual charges for services were $66 million lower than the amount budgeted. The primary variance was associated with public health programs related to substance abuse prevention control and children’s medical services, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues by $66 million.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance- Positive
General government	$ (137,313)	$ 2,048,658	$ 1,163,269	$ 885,389
Public protection	54,772	5,875,482	5,582,394	293,088
Health and sanitation	122,202	4,074,572	3,704,197	370,375
Public assistance	34,349	6,746,980	6,103,048	643,932
All other expenditures	111,332	1,224,099	445,381	778,718
Transfers out	12,209	445,670	425,878	19,792
Contingencies	43,232	70,607		70,607
Fund balance changes-net	128,643	68,910	(61,869)	130,779
Total	$ 369,426	$ 20,554,978	$17,362,298	$ 3,192,680

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately $369 million. The most significant changes occurred in the following areas:

- General government appropriations decreased by $137 million. Provisional appropriations decreased by $155 million and were transferred to other functional categories to fund capital projects, jail facilities and libraries of $107 million; increase in public protection programs of $31 million; to fund financial and cash flow assistance to the Los Angeles Regional Interoperability Communication System Joint Powers Authority of $8 million; and other various programs of $9 million. This was offset by an increase of appropriations to the Registrar-Recorder to fully fund costs of the November 2016 Presidential and 2017 March Special elections of $16 million and $2 million for other general governmental programs.

- Net fund balance budgetary changes of $129 million had the effect of reducing the available (unassigned) fund balance component. At the end of the year, the restricted fund balance increased by $40 million for utility users' taxes that were not expended and remained restricted for programs in unincorporated areas. Committed fund balance of $28 million was increased for reserve for rainy day funds and $31 million for Board Budget Policies and Priorities. The remaining variance of $30 million was attributable to varous other fund balance accounts.

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations were increased by $122 million. An increase of $148 million was to fund the intergovernmental transfers expenditures for the WPC and Medicaid Coverage Expansion programs. This was offset by a $28 million decrease in appropriation for the transitional costs for medical services in the County's jails which was transferred from the Sheriff's department to the Department of Health Services. The remaining variance of $2 million was related to other health and sanitation programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $3.193 billion lower (15.5%) than the final total budget of $20.555 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 general government function reported actual expenditures that were $885 million less than the amount budgeted. Of this amount, $665 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. Salaries and employee benefits savings of $74 million were due to hiring delays and vacancies. The County's utility budget had budgetary savings of $27 million due to continued implementation of the Countywide energy efficiency programs. The remaining $119 million was spread across County departments comprising general government and was mostly related to savings in the areas of services and supplies.

- The category referred to as "all other expenditures" reflected actual spending of $779 million less than the budgeted amount. Of this variance, $758 million was in the capital outlay category, related to numerous capital improvements anticipated in the budget that remained in the planning and development stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- Actual public assistance expenditures were $644 million lower than the final budget. Salaries and employee benefits savings of $101 million were due to hiring delays and vacancies. Social service and children and family vendor and assistance payments were lower than budget by $456 million. Administrative costs in these areas were due to lower than anticipated costs for professional, contracted, and information technology services and delays in hiring. There were also direct program savings associated with lower than anticipated caseloads. There were $74 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $13 million was related to other public assistance programs.

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

- Overall expenditures for the health and sanitation category were $370 million less than the budgeted amount. Salaries and employee benefits savings of $74 million were due to hiring delays and vacancies. In addition, appropriations related to mental health services exceeded actual expenditures by $276 million, primarily due to lower than anticipated costs for contracted services. The remaining variance of $20 million was due to lower than expected services and supplies and contracted costs related to other health and sanitation programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2017 were $19.586 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 $346 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	$ 7,547,098	$ 7,531,873	$ 15,225
Buildings and improvements	5,544,109	5,208,076	336,033
Infrastructure	4,536,386	4,669,187	(132,801)
Equipment	559,203	547,396	11,807
Software	431,623	418,427	13,196
Capital assets, in progress	967,136	864,824	102,312
Total	$ 19,585,555	$ 19,239,783	$ 345,772

The most significant increase in capital assets was in buildings and improvements, which grew by $336 million. Major capital projects included the Zev Yaroslavsky Family Support Center, totaling $137 million, the Rancho Los Amigos National Rehabilitation Center Wellness Center, totaling $12 million, and the Stoneview Nature Center Project, totaling $11 million, which were completed in the current year. In addition, various refurbishment projects and projects reclassified from construction-in-progress to buildings and improvements contributed to the increase.

In addition, the County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. There was significant construction-in-progress at Rancho Los Amigos National Rehabilitation Center, as $97 million was capitalized for various projects, including the seismic retrofit and new outpatient facilities projects. There was also $11 million of newly capitalized construction-in-progress costs for the Martin Luther King, Jr. New Parking Structure Project and $91 million of capitalized costs for various refurbishment construction-in-progress projects. Furthermore, the Department of Public Social Services' Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS) Phase II was completed at the end of the current year and $72 million was reclassified from software-in-progress to completed software. During the current year, the LEADER legacy system was removed as a software asset and was replaced with LRS. As of June 30, 2017, there were $112 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, decreased by $91 million, as newly issued debt and accretions of $260 million were less than the debt maturities of $351 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 Obligations Notes (LRON) of $195 million were issued for governmental and business-type activities in the amounts of $35 million and $160 million, respectively. For governmental activities, debt was issued to finance a new animal care facility, fire station, and museum of art building. For business-type activities, debt was issued to finance hospital improvements.

- New debt of $63 million was issued to finance the acquisition of equipment for governmental and business-type activities in the amounts of $45 million and $18 million, respectively. Equipment debt totaling $70 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 $800 million in tax and revenue anticipation notes. The notes matured and were redeemed on June 30, 2017. 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	Aa1	AA+	AA-
Facilities	Aa3	AA	AA-
Equipment/Non-Essential Leases	Aa2	AA	AA-
Operating/Non-Essential Leases	Aa2	AA	AA-
Short-Term	MIG1	SP-1+	F1+
Regional Park and Open Space District Bonds	Aa1	AA	AAA

During the current year, the County's bond ratings were upgraded by Moody's assigned ratings for General Obligation Bonds, Facilities, Equipment/Non-Essential Leases, and Operating/Non-Essential Leases from the previous year. A bond rating for the Flood Control District Revenue Bonds is no longer being reported since the bonds were fully redeemed.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2017-18 Budget on June 26, 2017. The Budget was adopted based on estimated fund balances that would be available at the end of 2016-17. The Board updated the Budget on September 26, 2017 to reflect final 2016-17 fund balances and other pertinent financial information. For the County's General Fund, the 2017-18 Budget utilized $1.982 billion of fund balance, which exceeded the previously estimated fund balance of $1.480 billion. Of the additional fund balance of $502 million, $250 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining $252 million was used to fund $56 million for Information Technology improvement projects, $49 million of capital improvement projects, $39 million to augment the County's "Rainy Day Reserve," $18 million for Homeless and Affordable Housing programs, $10 million to address stormwater and urban runoff regulatory and compliance requirements, and various other program initiatives of $80 million.

The County's 2017-18 Budget anticipates the uncertainty of budget proposals from both the federal and State governments that could create significant short and long-term budget challenges for the County. The County is cautiously optimistic that growth will be positive, as assessed property values and unemployment levels continue to trend favorably. The budget addresses homeless and housing programs, child welfare services, the Medi-Cal 2020 healthcare programs, the mental health issues in the County jail system, unfunded liabilities for retiree healthcare benefits, housing, and addressing outdated technology systems, significant deferred maintenance, and capital improvement needs.

The County's budget outlook, while favorable, continues to be influenced by the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports a positive short-term outlook, foreseeing State budget stability through the end of FY 2018-19 along with adequate reserves. The State is increasingly prepared to weather a moderate recession, assuming no significant changes are made to State policies and programs. For the longer term, the State's outlook is subject to considerable uncertainty, as the State's budget depends on many volatile and unpredictable conditions, including decisions by the federal government or State executive branch and revenue growth.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

On March 7, 2017, the voters of Los Angeles County successfully passed a ballot measure (Measure H) to combat homelessness and established a quarter-cent countywide sales tax for a period of ten years. Measure H is estimated to generate $266 million in revenue during the nine months in which it is effective in FY 2017-18, and approximately $355 million in the following fiscal year.

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 90012-3873.

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2017 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 6,311,686	104,088	$ 6,415,774	$ 487,887
Other	1,760,873	28,270	1,789,143	
Total pooled cash and investments	8,072,559	132,358	8,204,917	487,887
Other investments (Note 5)	43,757		43,757	268,021
Taxes receivable	226,547	797	227,344	
Accounts receivable - net (Note 14)		2,157,723	2,157,723	23,148
Interest receivable	35,054	489	35,543	563
Other receivables	2,100,294	220,855	2,321,149	42,228
Internal balances (Note 15)	113,945	(113,945)		
Inventories	68,989	23,299	92,288	14,078
Restricted assets (Note 5)	9,059	101,623	110,682	
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,053,187	461,047	8,514,234	96,320
Capital assets, net of accumulated depreciation	8,374,499	2,696,822	11,071,321	89,894
Total capital assets	16,427,686	3,157,869	19,585,555	186,214
TOTAL ASSETS	27,097,890	5,681,068	32,778,958	1,022,139
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	3,139,442	539,905	3,679,347	21,134
LIABILITIES				
Accounts payable	655,405	348,807	1,004,212	39,226
Accrued payroll	455,858	95,576	551,434	
Other payables	108,156	12,172	120,328	7,120
Accrued interest payable	18,494	19,135	37,629	
Advances payable	1,543,750	457	1,544,207	309
Long-term liabilities: (Note 11)				
Due within one year	811,252	773,568	1,584,820	6,006
Due in more than one year	25,942,620	5,758,813	31,701,433	82,903
TOTAL LIABILITIES	29,535,535	7,008,528	36,544,063	135,564
DEFERRED INFLOWS OF RESOURCES (Note 20)	873,620	178,415	1,052,035	8,888
NET POSITION				
Net investment in capital assets	15,165,318	2,305,050	17,470,368	142,941
Restricted for:				
Capital projects	49,526		49,526	
Debt service	293,331	17,956	311,287	295
Permanent funds - nonspendable	2,165		2,165	
Permanent funds - spendable	134		134	
General government	212,281		212,281	
Public protection	969,384		969,384	
Public ways and facilities	345,755	94,819	440,574	
Health and sanitation	1,228,755		1,228,755	
Recreation	282,460		282,460	
Community development				272,439
First 5 LA				422,015
Other	7,567		7,567	
Unrestricted (deficit)	(18,728,499)	(3,383,795)	(22,112,294)	61,131
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (171,823)	(965,970)	$ (1,137,793)	$ 898,821

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, 2017 (in thousands)

		PROGRAM REVENUES		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,354,561	556,361	46,852	36,365
Public protection	7,532,191	1,311,858	1,543,758	21,257
Public ways and facilities	397,231	26,597	170,712	482
Health and sanitation	3,868,785	715,414	2,711,866	56
Public assistance	6,441,552	11,379	5,320,135	
Education	127,901	3,188	84	
Recreation and cultural services	276,625	154,686	2,200	5,895
Interest on long-term debt	104,899			
Total governmental activities	20,103,745	2,779,483	9,795,607	64,055
Business-type activities:				
Hospitals	4,990,891	3,877,494	457,582	
Waterworks	90,517	75,599	84	56
Aviation	2,776	6,095	20	1,139
Total business-type activities	5,084,184	3,959,188	457,686	1,195
Total primary government	$ 25,187,929	6,738,671	10,253,293	65,250
DISCRETELY PRESENTED COMPONENT UNITS	$ 585,138	27,365	498,649	4,147

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 (DEFICIT), JULY 1, 2016, AS RESTATED (Note 2)
NET POSITION (DEFICIT), JUNE 30, 2017

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
FUNCTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ (714,983)		$ (714,983)	
Public protection	(4,655,318)		(4,655,318)	
Public ways and facilities	(199,440)		(199,440)	
Health and sanitation	(441,449)		(441,449)	
Public assistance	(1,110,038)		(1,110,038)	
Education	(124,629)		(124,629)	
Recreation and cultural services	(113,844)		(113,844)	
Interest on long-term debt	(104,899)		(104,899)	
Total governmental activities	(7,464,600)		(7,464,600)	
Business-type activities:				
Hospitals		(655,815)	(655,815)	
Waterworks		(14,778)	(14,778)	
Aviation		4,478	4,478	
Total business-type activities		(666,115)	(666,115)	
Total primary government	(7,464,600)	(666,115)	(8,130,715)	
DISCRETELY PRESENTED COMPONENT UNITS				$ (54,977)
GENERAL REVENUES:				
Taxes:				
Property taxes	6,165,847	5,676	6,171,523	
Utility users taxes	49,572		49,572	
Voter approved taxes	364,700		364,700	
Documentary transfer taxes	95,022		95,022	
Other taxes	37,779		37,779	
Sales and use taxes, levied by the State	113,988		113,988	
Grants and contributions not restricted to special programs	428,435		428,435	
Investment income	53,363	898	54,261	2,210
Miscellaneous	178,922	122	179,044	5,954
TRANSFERS - NET	(777,901)	777,901		
Total general revenues and transfers	6,709,727	784,597	7,494,324	8,164
CHANGE IN NET POSITION	(754,873)	118,482	(636,391)	(46,813)
NET POSITION (DEFICIT), JULY 1, 2016, AS RESTATED (Note 2)	583,050	(1,084,452)	(501,402)	945,634
NET POSITION (DEFICIT), JUNE 30, 2017	$ (171,823)	(965,970)	$ (1,137,793)	$ 898,821

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
ASSETS					
Pooled cash and investments: (Notes 1 and 5)					
Operating	$ 2,479,833	191,412	511,344	76,537	286,471
Other	1,669,779	16,771	5,007	1,922	947
Total pooled cash and investments	4,149,612	208,183	516,351	78,459	287,418
Other investments (Notes 4 and 5)	4,483			117	
Taxes receivable	159,429	38,587	11,228	5,932	681
Interest receivable	23,292	510	1,551	251	970
Other receivables	1,907,645	39,387	3,584	1,607	4,466
Due from other funds (Note 15)	308,556	3,843	23,461	656	38
Advances to other funds (Note 15)	167,179		6,474		
Inventories	48,824	11,131	1	561	
TOTAL ASSETS	6,769,020	301,641	562,650	87,583	293,573
DEFERRED OUTFLOWS OF RESOURCES (Note 20)					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 6,769,020	301,641	562,650	87,583	293,573
LIABILITIES					
Accounts payable	$ 600,827	6,725	3,330	1,361	1,442
Accrued payroll	392,096	41,265		3,998	
Other payables	102,289	2,752		547	
Due to other funds (Note 15)	126,140	18,169	28,106	3,154	9,671
Advances payable	1,433,485		54,152		
Third party payor (Notes 11 and 14)	42,051				
TOTAL LIABILITIES	2,696,888	68,911	85,588	9,060	11,113
DEFERRED INFLOWS OF RESOURCES (Note 20)	421,159	26,792	7,863	4,299	4,068
FUND BALANCES (Note 21)					
Nonspendable	212,281	11,131	1	561	
Restricted	70,157	194,807	469,099	15,553	278,392
Committed	429,440				
Assigned	494,783		99	58,110	
Unassigned	2,444,312				
TOTAL FUND BALANCES	3,650,973	205,938	469,199	74,224	278,392
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 6,769,020	301,641	562,650	87,583	293,573

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
				Pooled cash and investments: (Notes 1 and 5)
$ 1,111,844	1,599,664		$ 6,257,105	Operating
1,451	58,512		1,754,389	Other
1,113,295	1,658,176		8,011,494	Total pooled cash and investments
	78,052	(38,895)	43,757	Other investments (Notes 4 and 5)
	10,690		226,547	Taxes receivable
3,462	4,687		34,723	Interest receivable
	43,588		2,000,277	Other receivables
6,465	35,151		378,170	Due from other funds (Note 15)
	11,414		185,067	Advances to other funds (Note 15)
	1		60,518	Inventories
1,123,222	1,841,759	(38,895)	10,940,553	TOTAL ASSETS
	228,142		228,142	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
$ 1,123,222	2,069,901	(38,895)	$ 11,168,695	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
$	33,152		$ 646,837	Accounts payable
	80		437,439	Accrued payroll
			105,588	Other payables
72,230	203,569		461,039	Due to other funds (Note 15)
	55,805		1,543,442	Advances payable
	246		42,297	Third party payor (Notes 11 and 14)
72,230	292,852		3,236,642	TOTAL LIABILITIES
	8,110		472,291	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,166		226,140	Nonspendable
1,050,992	1,492,710	(38,895)	3,532,815	Restricted
	119,251		548,691	Committed
	154,812		707,804	Assigned
			2,444,312	Unassigned
1,050,992	1,768,939	(38,895)	7,459,762	TOTAL FUND BALANCES
$ 1,123,222	2,069,901	(38,895)	$ 11,168,695	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

JUNE 30, 2017 (in thousands)

Fund balances - total governmental funds (page 29)		$ 7,459,762
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	$ 7,362,462	
Construction-in-progress	690,725	
Buildings and improvements - net	3,636,653	
Equipment - net	317,744	
Intangible software - net	407,743	
Infrastructure - net	3,878,859	16,294,186
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	$ 17,360	
Deferred outflows from pension contributions	1,063,930	
Deferred outflows from changes in proportionate share of contributions	95,923	
Deferred outflows from net difference between projected and actual investment earnings on pension plan investments	1,847,036	
Deferred inflows from service concession arrangements	(90,076)	
Deferred inflows from net difference between projected and actual economic experience	(735,044)	
Deferred inflows from changes in proportionate share of contributions	(15,181)	2,183,948
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	$ 158,259	
Deferred inflows from long-term receivables	85,890	244,149
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	$ 562	
Accrued interest on long-term receivables	103	665
Installment receivables from service concession arrangements.		90,076
Accrued interest payable is not recognized in governmental funds.		(18,337)
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	$ (1,354,873)	
Unamortized premiums on bonds and notes	(83,846)	
Accreted interest on bonds and notes	(158,759)	
Capital lease obligations	(151,941)	
Accrued compensated absences	(1,406,670)	
Workers' compensation	(2,256,349)	
Litigation and self-insurance	(212,540)	
Pollution remediation obligations	(22,081)	
Net pension liability	(8,512,689)	
OPEB obligation	(11,565,053)	
Third party payor liability	(19,207)	(25,744,008)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		(682,264)
Net position of governmental activities (page 25)		$ (171,823)

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	$ 5,333,532	812,898	139,246	87,715	
Licenses, permits and franchises	59,197	18,238	1,167		
Fines, forfeitures and penalties	183,400	2,747	951	436	567
Revenue from use of money and property:					
Investment income (loss) (Note 5)	40,244	(41)	1,687	259	1,068
Rents and concessions (Note 10)	115,382	100	14,805	14	
Royalties	252		548		
Intergovernmental revenues:					
Federal	3,673,996	5,691			
State	5,638,232	15,256	5,771	506	
Other	64,987	3,956	1,745	252	
Charges for services	1,800,657	212,751	129,155	2,139	14,837
Miscellaneous	172,055	2,957	263	1,125	
TOTAL REVENUES	17,081,934	1,074,553	295,338	92,446	16,472
EXPENDITURES					
Current:					
General government	1,159,100				
Public protection	5,546,279	1,086,143	233,359		
Public ways and facilities					
Health and sanitation	3,460,315				
Public assistance	6,034,942				
Education				130,022	
Recreation and cultural services	341,272				51,502
Debt service:					
Principal	7,718	20		6	
Interest and other charges	23,361	2		33	
Capital outlay	63	183		158	
TOTAL EXPENDITURES	16,573,050	1,086,348	233,359	130,219	51,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	508,884	(11,795)	61,979	(37,773)	(35,030)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	437,318	9,669	2,229	47,912	
Transfers out (Note 15)	(680,922)	(14,135)	(18,213)	(1,457)	
Issuance of debt (Note 11)					
Capital leases (Note 10)	63	183		158	
Sales of capital assets	1,388	263	80	6	
TOTAL OTHER FINANCING SOURCES (USES)	(242,153)	(4,020)	(15,904)	46,619	
NET CHANGE IN FUND BALANCES	266,731	(15,815)	46,075	8,846	(35,030)
FUND BALANCES, JULY 1, 2016, AS RESTATED (Note 2)	3,384,242	221,753	423,124	65,378	313,422
FUND BALANCES, JUNE 30, 2017	$ 3,650,973	205,938	469,199	74,224	278,392

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
$	362,646		$ 6,736,037	Taxes
	19,952		98,554	Licenses, permits and franchises
	54,736		242,837	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,925	12,214	(2,313)	57,043	Investment income (loss) (Note 5)
	27,289		157,590	Rents and concessions (Note 10)
	1		801	Royalties
				Intergovernmental revenues:
	32,866		3,712,553	Federal
521,464	209,596		6,390,825	State
	15,341		86,281	Other
	166,678		2,326,217	Charges for service
	79,817		256,217	Miscellaneous
525,389	981,136	(2,313)	20,064,955	TOTAL REVENUES
				EXPENDITURES
				Current:
	16,768		1,175,868	General government
	68,959		6,934,740	Public protection
	361,137		361,137	Public ways and facilities
2,862	172,688		3,635,865	Health and sanitation
	8,010		6,042,952	Public assistance
	34		130,056	Education
	8,790		401,564	Recreation and cultural services
				Debt service:
	118,632	(11,715)	114,661	Principal
	92,191	(2,313)	113,274	Interest and other charges
	19,593		19,997	Capital outlay
2,862	866,802	(14,028)	18,930,114	TOTAL EXPENDITURES
522,527	114,334	11,715	1,134,841	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	165,653		662,781	Transfers in (Note 15)
(333,825)	(393,266)		(1,441,818)	Transfers out (Note 15)
	34,642		34,642	Issuance of debt (Note 11)
			404	Capital leases (Note 10)
	912		2,649	Sales of capital assets
(333,825)	(192,059)		(741,342)	TOTAL OTHER FINANCING SOURCES (USES)
188,702	(77,725)	11,715	393,499	NET CHANGE IN FUND BALANCES
862,290	1,846,664	(50,610)	7,066,263	FUND BALANCES, JULY 1, 2016, AS RESTATED (Note 2)
$ 1,050,992	1,768,939	(38,895)	$ 7,459,762	FUND BALANCES, JUNE 30, 2017

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, 2017 (in thousands)

Net change in fund balances - total governmental funds (page 33)		$ 393,499
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	$ 693,502	
Less - current year depreciation expense	(480,741)	212,761
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.		(3,607)
Contribution of capital assets is not recognized in the governmental funds.		26,364
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.		(1,951)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		3,847
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	$ (98)	
Change in unamortized premiums	1,245	1,147
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(35,046)
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	$ 45,530	
Notes, loans, and lease revenue obligation notes	49,672	
Assessment bonds	11,715	
Other long-term notes, loans and capital leases	7,744	114,661
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	$ (177,026)	
Change in litigation and self-insurance	(9,386)	
Change in pollution remediation obligations	(5,086)	
Change in accrued compensated absences	(80,223)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	(14,571)	
Change in OPEB obligation	(1,124,264)	
Change in third party payor liability	(19,207)	
Change in accrued interest payable	4,773	
Change in accretion of bonds and notes	8,424	
Change in accretion of tobacco settlement bonds	(3,178)	
Transfer of capital assets from governmental fund to enterprise fund	(35)	(1,419,779)
The portion of internal service funds that is reported with governmental activities.		(46,769)
Change in net position of governmental activities (page 27)		$ (754,873)

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, 2017 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 5,258,975	5,335,399	5,337,375	1,976
Licenses, permits and franchises	56,870	56,870	59,197	2,327
Fines, forfeitures and penalties	205,256	205,256	183,400	(21,856)
Revenue from use of money and property:				
Investment income	37,759	38,331	79,792	41,461
Rents and concessions	122,043	124,043	115,382	(8,661)
Royalties	570	570	252	(318)
Intergovernmental revenues:				
Federal	4,036,855	4,244,268	3,685,987	(558,281)
State	5,923,091	5,835,415	5,600,943	(234,472)
Other	31,461	76,953	55,554	(21,399)
Charges for services	1,751,092	1,869,174	1,803,063	(66,111)
Miscellaneous	156,881	164,948	166,627	1,679
TOTAL REVENUES	17,580,853	17,951,227	17,087,572	(863,655)
EXPENDITURES				
Current:				
General government	2,185,971	2,048,658	1,163,269	885,389
Public protection	5,820,710	5,875,482	5,582,394	293,088
Health and sanitation	3,952,370	4,074,572	3,704,197	370,375
Public assistance	6,712,631	6,746,980	6,103,048	643,932
Recreation and cultural services	354,540	360,127	339,790	20,337
Debt service-				
Interest	6,458	6,458	6,458	
Capital outlay	751,769	857,514	99,133	758,381
TOTAL EXPENDITURES	19,784,449	19,969,791	16,998,289	2,971,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,203,596)	(2,018,564)	89,283	2,107,847
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	354	354	1,388	1,034
Transfers in	779,523	778,575	431,142	(347,433)
Transfers out	(433,461)	(445,670)	(425,878)	19,792
Appropriations for contingencies	(27,375)	(70,607)		70,607
Changes in fund balance	59,733	(68,910)	61,869	130,779
OTHER FINANCING SOURCES (USES) - NET	378,774	193,742	68,521	(125,221)
NET CHANGE IN FUND BALANCE	(1,824,822)	(1,824,822)	157,804	1,982,626
FUND BALANCE, JULY 1, 2016 (NOTE 16)	1,824,822	1,824,822	1,824,822	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	$		1,982,626	1,982,626

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, 2017 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 812,304	814,724	812,973	(1,751)
Licenses, permits and franchises	13,630	14,937	18,238	3,301
Fines, forfeitures and penalties	2,899	2,899	2,747	(152)
Revenue from use of money and property:				
Investment income	700	938	1,350	412
Rents and concessions	81	81	100	19
Intergovernmental revenues:				
Federal	17,875	17,875	5,691	(12,184)
State	18,501	18,536	15,256	(3,280)
Other		2,127	3,956	1,829
Charges for services	206,817	211,993	212,751	758
Miscellaneous	2,883	3,241	2,957	(284)
TOTAL REVENUES	1,075,690	1,087,351	1,076,019	(11,332)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	912,396	950,898	945,408	5,490
Services and supplies	183,631	159,092	143,996	15,096
Other charges	10,693	8,993	4,884	4,109
Capital assets	30,145	31,215	24,733	6,482
TOTAL EXPENDITURES	1,136,865	1,150,198	1,119,021	31,177
DEFICIENCY OF REVENUES OVER EXPENDITURES	(61,175)	(62,847)	(43,002)	19,845
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	263	(34)
Transfers in	10,155	11,105	9,669	(1,436)
Transfers out	(12,714)	(12,614)	(12,114)	500
Appropriation for contingencies		622		(622)
Changes in fund balance	42,269	42,269	45,785	3,516
OTHER FINANCING SOURCES (USES) - NET	40,007	41,679	43,603	1,924
NET CHANGE IN FUND BALANCE	(21,168)	(21,168)	601	21,769
FUND BALANCE, JULY 1, 2016 (NOTE 16)	21,168	21,168	21,168	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	$		21,769	21,769

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, 2017 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 133,443	138,742	139,265	523
Licenses, permits and franchises	865	865	1,167	302
Fines, forfeitures and penalties	1,130	1,130	951	(179)
Revenue from use of money and property:				
Investment income	2,884	2,884	5,299	2,415
Rents and concessions	7,464	7,464	14,805	7,341
Royalties	1,000	1,000	548	(452)
Intergovernmental revenues:				
State	1,158	1,158	5,771	4,613
Other	11,088	11,088	1,745	(9,343)
Charges for services	112,715	112,715	129,034	16,319
Miscellaneous	303	303	263	(40)
TOTAL REVENUES	272,050	277,349	298,848	21,499
EXPENDITURES				
Current-Public protection:				
Services and supplies	222,885	223,625	218,036	5,589
Other charges	19,636	19,636	19,428	208
Capital assets	171	171	106	65
Capital outlay	53,953	53,953	9,875	44,078
TOTAL EXPENDITURES	296,645	297,385	247,445	49,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,595)	(20,036)	51,403	71,439
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	50	50	2,309	2,259
Transfers out	(8,972)	(8,232)	(5,318)	2,914
Appropriations for contingencies		(5,299)		5,299
Changes in fund balance	(3,861)	(3,861)	3,274	7,135
OTHER FINANCING SOURCES (USES) - NET	(12,783)	(17,342)	265	17,607
NET CHANGE IN FUND BALANCE	(37,378)	(37,378)	51,668	89,046
FUND BALANCE, JULY 1, 2016 (NOTE 16)	37,378	37,378	37,378	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	$		89,046	89,046

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, 2017 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 84,952	84,952	87,750	2,798
Fines, forfeitures and penalties			436	436
Revenue from use of money and property:				
Investment income	437	437	793	356
Rents and concessions	15	15	14	(1)
Intergovernmental revenues:				
Federal	75	75		(75)
State	540	540	506	(34)
Other	165	165	252	87
Charges for services	3,194	3,194	2,139	(1,055)
Miscellaneous	973	1,815	1,125	(690)
TOTAL REVENUES	90,351	91,193	93,015	1,822
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	102,221	102,221	86,901	15,320
Services and supplies	79,456	80,299	46,826	33,473
Other charges	952	952	841	111
Capital assets	2,204	2,474	617	1,857
TOTAL EXPENDITURES	184,833	185,946	135,185	50,761
DEFICIENCY OF REVENUES OVER EXPENDITURES	(94,482)	(94,753)	(42,170)	52,583
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	6	(7)
Transfers in	54,271	54,542	47,912	(6,630)
Transfers out	(648)	(648)	(648)	
Changes in fund balance	(3,574)	(3,574)	(1,532)	2,042
OTHER FINANCING SOURCES (USES) - NET	50,062	50,333	45,738	(4,595)
NET CHANGE IN FUND BALANCE	(44,420)	(44,420)	3,568	47,988
FUND BALANCE, JULY 1, 2016 (NOTE 16)	44,420	44,420	44,420	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	$		47,988	47,988

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, 2017 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	$ 264	264	567	303
Revenue from use of money and property-Investment income	833	833	3,238	2,405
Charges for services	28,100	28,100	28,748	648
TOTAL REVENUES	29,197	29,197	32,553	3,356
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	9,694	9,694	8,380	1,314
Other charges	210,253	210,253	47,882	162,371
TOTAL EXPENDITURES	219,947	219,947	56,262	163,685
DEFICIENCY OF REVENUES OVER EXPENDITURES	(190,750)	(190,750)	(23,709)	167,041
OTHER FINANCING SOURCES (USES)				
Transfers in	33,438	33,438	32,920	(518)
Transfers out	(47,662)	(47,662)	(46,982)	680
Changes in fund balance	1,599	1,599	2,842	1,243
OTHER FINANCING SOURCES (USES) - NET	(12,625)	(12,625)	(11,220)	1,405
NET CHANGE IN FUND BALANCE	(203,375)	(203,375)	(34,929)	168,446
FUND BALANCE, JULY 1, 2016 (NOTE 16)	203,537	203,537	203,537	
FUND BALANCE, JUNE 30, 2017 (NOTE 16)	$ 162	162	168,608	168,446

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

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
MENTAL HEALTH SERVICES ACT
FOR THE YEAR ENDED JUNE 30, 2017 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property-				
Investment income	$ 4,471	4,471	11,602	7,131
Intergovernmental revenues-				
State	503,949	503,949	521,464	17,515
TOTAL REVENUES	508,420	508,420	533,066	24,646
EXPENDITURES				
Current-Health and sanitation-				
Services and supplies	26,336	26,336	908	25,428
EXCESS OF REVENUES OVER EXPENDITURES	482,084	482,084	532,158	50,074
OTHER FINANCING USES				
Transfers out	(565,736)	(565,936)	(333,825)	232,111
Appropriations for contingencies	(87,894)	(87,894)		87,894
Changes in fund balance	(245,898)	(245,698)	(245,690)	8
TOTAL OTHER FINANCING USES	(899,528)	(899,528)	(579,515)	320,013
NET CHANGE IN FUND BALANCE	(417,444)	(417,444)	(47,357)	370,087
FUND BALANCE, JULY 1, 2016	417,444	417,444	417,444	
FUND BALANCE, JUNE 30, 2017	$		370,087	370,087

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, 2017 (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	$ 1,272	729	1,642	345
Other	7,973	5,104	10,917	2,186
Total pooled cash and investments	9,245	5,833	12,559	2,531
Taxes receivable				
Accounts receivable - net (Note 14)	644,817	438,521	867,311	196,303
Interest receivable	65	39	34	5
Other receivables	16,865	15,303	27,353	4,914
Due from other funds (Note 15)	57,062	39,207	109,333	146,224
Advances to other funds (Note 15)				
Inventories	8,237	4,265	9,012	1,785
Total current assets	736,291	503,168	1,025,602	351,762
Noncurrent assets:				
Restricted assets (Note 5)	63,021	29,673	4,972	433
Other receivables (Note 14 and 15)	54,784	28,260	66,363	7,013
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	932,622	363,618	1,090,642	200,848
Equipment	100,909	77,008	115,175	26,118
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	29,180			203,800
Less accumulated depreciation	(294,118)	(180,355)	(372,716)	(133,935)
Total capital assets - net	788,790	291,056	871,988	302,664
Total noncurrent assets	906,595	348,989	943,323	310,110
TOTAL ASSETS	1,642,886	852,157	1,968,925	661,872
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	164,639	105,477	222,071	47,718
LIABILITIES				
Current liabilities:				
Accounts payable	117,769	53,923	128,658	44,718
Accrued payroll	30,008	18,363	39,732	7,473
Other payables	4,631	2,239	4,002	1,255
Accrued interest payable	14,276	4,798		
Due to other funds (Note 15)	91,947	68,010	114,749	22,624
Advances from other funds (Note 15)	16,122	32,323	58,804	57,182
Advances payable			415	18
Current portion of long-term liabilities (Note 11)	270,956	118,316	226,335	150,282
Total current liabilities	545,709	297,972	572,695	283,552
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	64,559	37,096	83,040	15,629
Bonds and notes (Note 11)	518,879	200,034		
Premiums on bonds and notes payable (Note 11)	17,172	14,103		
Workers' compensation (Notes 11 and 18)	91,212	33,055	136,740	27,353
Litigation and self-insurance (Notes 11 and 18)	20,897	1,492	41,486	101
Net pension liability (Notes 8 and 11)	427,499	286,906	594,999	132,160
OPEB obligation (Notes 9 and 11)	703,222	473,203	1,061,257	218,824
Third party payor (Notes 11 and 14)	158,850	71,001	262,797	48,683
Total noncurrent liabilities	2,002,290	1,116,890	2,180,319	442,750
TOTAL LIABILITIES	2,547,999	1,414,862	2,753,014	726,302
DEFERRED INFLOWS OF RESOURCES (Note 20)	59,694	32,544	72,486	13,691
NET POSITION				
Net investment in capital assets	273,790	101,985	871,988	173,100
Restricted:				
Debt service	3,296	9,634	4,972	
Public ways and facilities				
Unrestricted (deficit)	(1,077,254)	(601,391)	(1,511,464)	(203,503)
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (800,168)	(489,772)	(634,504)	(30,403)

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)
$ 89,971	9,170	$ 103,129	$ 55,540	Operating
1,918	162	28,260	6,494	Other
91,889	9,332	131,389	62,034	Total pooled cash and investments
797		797		Taxes receivable
9,903	868	2,157,723		Accounts receivable - net (Note 14)
286	29	458	259	Interest receivable
		64,435	9,276	Other receivables
1,598		353,424	68,009	Due from other funds (Note 15)
1,364		1,364		Advances to other funds (Note 15)
		23,299	8,471	Inventories
105,837	10,229	2,732,889	148,049	Total current assets
				Noncurrent assets:
		98,099	12,583	Restricted assets (Note 5)
		156,420		Other receivables (Note 14 and 15)
				Capital assets: (Notes 6 and 10)
11,842	134,692	184,636		Land and easements
119,091	42,227	2,749,048		Buildings and improvements
1,077	1,565	321,852	340,011	Equipment
1,322		58,922		Intangible - software
1,203,799	55,044	1,258,843		Infrastructure
34,548	8,883	276,411		Construction in progress
(657,548)	(67,024)	(1,705,696)	(192,658)	Less accumulated depreciation
714,131	175,387	3,144,016	147,353	Total capital assets - net
714,131	175,387	3,398,535	159,936	Total noncurrent assets
819,968	185,616	6,131,424	307,985	TOTAL ASSETS
		539,905	115,193	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
				LIABILITIES
				Current liabilities:
3,224	10	348,302	9,073	Accounts payable
		95,576	18,419	Accrued payroll
	45	12,172	2,568	Other payables
		19,074	218	Accrued interest payable
6,120	881	304,331	34,233	Due to other funds (Note 15)
		164,431	22,000	Advances from other funds (Note 15)
24		457	205	Advances payable
1,836	98	767,823	29,858	Current portion of long-term liabilities (Note 11)
11,204	1,034	1,712,166	116,574	Total current liabilities
				Noncurrent liabilities:
		200,324	53,217	Accrued compensated absences (Note 11)
7,503	1,715	728,131	26,085	Bonds and notes (Note 11)
		31,275		Premiums on bonds and notes payable (Note 11)
		288,360	47,377	Workers' compensation (Notes 11 and 18)
		63,976		Litigation and self-insurance (Notes 11 and 18)
		1,441,564	318,418	Net pension liability (Notes 8 and 11)
		2,456,506	505,703	OPEB obligation (Notes 9 and 11)
		541,331		Third party payor (Notes 11 and 14)
7,503	1,715	5,751,467	950,800	Total noncurrent liabilities
18,707	2,749	7,463,633	1,067,374	TOTAL LIABILITIES
		178,415	33,319	DEFERRED INFLOWS OF RESOURCES (Note 20)
				NET POSITION
706,442	173,574	2,300,879	112,777	Net investment in capital assets
				Restricted:
		17,902	186	Debt service
94,819		94,819		Public ways and facilities
	9,293	(3,384,319)	(790,478)	Unrestricted (deficit)
$ 801,261	182,867	(970,719)	$ (677,515)	TOTAL NET POSITION (DEFICIT) (Note 3)
		4,749		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (965,970)		NET POSITION (DEFICIT) 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, 2017 (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)	$ 1,168,466	715,018	1,693,046	300,964
Rentals				
Charges for services				
Other (Note 14)	164,389	78,670	119,114	95,409
TOTAL OPERATING REVENUES	1,332,855	793,688	1,812,160	396,373
OPERATING EXPENSES:				
Salaries and employee benefits	760,817	467,988	1,026,754	193,595
Services and supplies	145,746	78,323	228,673	32,571
Other professional services	195,378	125,588	356,585	45,909
Depreciation and amortization (Note 6)	33,211	22,257	29,911	5,084
Medical malpractice		2,524	5,374	437
Rent	8,697	3,330	4,795	62
TOTAL OPERATING EXPENSES	1,143,849	700,010	1,652,092	277,658
OPERATING INCOME (LOSS)	189,006	93,678	160,068	118,715
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	279	62	72	9
Interest expense	(34,813)	(11,876)	(1,444)	
Intergovernmental transfers expense (Note 14)	(384,544)	(188,190)	(470,345)	(127,900)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(419,078)	(200,004)	(471,717)	(127,891)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(230,072)	(106,326)	(311,649)	(9,176)
Capital contributions			35	
Transfers in (Note 15)	204,618	164,035	280,637	181,531
Transfers out (Note 15)	(34,683)	(9,257)	(5,775)	(1,459)
CHANGE IN NET POSITION	(60,137)	48,452	(36,752)	170,896
NET POSITION (DEFICIT), JULY 1, 2016	(740,031)	(538,224)	(597,752)	(201,299)
NET POSITION (DEFICIT), JUNE 30, 2017	$ (800,168)	(489,772)	(634,504)	(30,403)

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:
$		$ 3,877,494	$	Net patient service revenues (Note 14)
	5,758	5,758	34,013	Rentals
75,599	337	75,936	508,195	Charges for services
86	36	457,704		Other (Note 14)
75,685	6,131	4,416,892	542,208	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		2,449,154	465,185	Salaries and employee benefits
63,932		549,245	43,785	Services and supplies
2,467	426	726,353	35,870	Other professional services
23,936	2,350	116,749	43,101	Depreciation and amortization (Note 6)
		8,335		Medical malpractice
		16,884		Rent
90,335	2,776	3,866,720	587,941	TOTAL OPERATING EXPENSES
(14,650)	3,355	550,172	(45,733)	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
5,676		5,676		Taxes
364	32	818	(172)	Investment income (loss)
(182)		(48,315)	(125)	Interest expense
		(1,170,979)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
64	4	68		State
	16	16		Federal
20		20		Other
5,942	52	(1,212,696)	(297)	TOTAL NONOPERATING REVENUES (EXPENSES)
(8,708)	3,407	(662,524)	(46,030)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
56	1,139	1,230		Capital contributions
553		831,374	9,133	Transfers in (Note 15)
(845)		(52,019)	(9,451)	Transfers out (Note 15)
(8,944)	4,546	118,061	(46,348)	CHANGE IN NET POSITION
810,205	178,321		(631,167)	NET POSITION (DEFICIT), JULY 1, 2016
$ 801,261	182,867		$ (677,515)	NET POSITION (DEFICIT), JUNE 30, 2017
		421		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 118,482		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, 2017 (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	$ 1,181,152	641,867	1,703,925	230,769
Rentals received				
Rentals received from other funds				
Cash received from charges for services				
Other operating revenues	164,389	78,670	119,114	95,409
Cash received for services provided to other funds	23,481	24,570	32,606	439
Cash paid for salaries and employee benefits	(676,140)	(411,353)	(907,529)	(171,103)
Cash (paid) returned for services and supplies	24,735	19,830	(16,060)	9,860
Other operating expenses	(210,794)	(128,844)	(359,429)	(46,061)
Cash paid for services from other funds	(183,088)	(68,172)	(163,156)	(40,349)
Net cash provided by operating activities	323,735	156,568	409,471	78,964
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received/returned from other funds	691,805	358,388	984,589	242,219
Cash advances paid/returned to other funds	(723,903)	(430,933)	(1,072,166)	(278,781)
Interest paid on advances	(681)	(860)	(1,444)	(844)
Intergovernmental transfers	(384,544)	(188,190)	(470,345)	(127,900)
Intergovernmental receipts				
Transfers in	195,591	154,714	187,636	172,116
Transfers out	(34,683)	(9,257)	(15,731)	(1,459)
Net cash provided by (required for) noncapital financing activities	(256,415)	(116,138)	(387,461)	5,351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	29,731			129,997
Interest (paid) returned on capital borrowing	(34,998)	(11,366)		844
Principal payments on bonds and notes	(22,301)	(4,099)		(125,542)
Acquisition and construction of capital assets	(59,892)	(34,413)	(22,903)	(103,872)
Net cash required for capital and related financing activities	(87,460)	(49,878)	(22,903)	(98,573)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	306	67	62	7
Net increase (decrease) in cash and cash equivalents	(19,834)	(9,381)	(831)	(14,251)
Cash and cash equivalents, July 1, 2016	92,100	44,887	18,362	17,215
Cash and cash equivalents, June 30, 2017	$ 72,266	35,506	17,531	2,964

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
$		$ 3,757,713	$	Cash received from patient services
	5,758	5,758	7	Rentals received
			34,155	Rentals received from other funds
78,422	2,967	81,389	64,013	Cash received from charges for services
86	36	457,704		Other operating revenues
		81,096	453,552	Cash received for services provided to other funds
		(2,166,125)	(414,644)	Cash paid for salaries and employee benefits
(63,696)	99	(25,232)	(48,818)	Cash (paid) returned for services and supplies
(2,467)	(426)	(748,021)	(35,870)	Other operating expenses
		(454,765)		Cash paid for services from other funds
12,345	8,434	989,517	52,395	Net cash provided by operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
(1)		2,277,000	(18)	Cash advances received/returned from other funds
(25)		(2,505,808)		Cash advances paid/returned to other funds
		(3,829)		Interest paid on advances
		(1,170,979)		Intergovernmental transfers
84	20	104		Intergovernmental receipts
553		710,610	9,133	Transfers in
(845)		(61,975)	(9,451)	Transfers out
(234)	20	(754,877)	(336)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
5,632		5,632		Proceeds from taxes
	1,139	1,139		Capital contributions
		159,728	62,480	Proceeds from bonds and notes
(182)		(45,702)	(426)	Interest (paid) returned on capital borrowing
(367)	(95)	(152,404)	(80,265)	Principal payments on bonds and notes
(7,521)	(6,200)	(234,801)	(36,587)	Acquisition and construction of capital assets
(2,438)	(5,156)	(266,408)	(54,798)	Net cash required for capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
289	21	752	(222)	Investment income (loss)
9,962	3,319	(31,016)	(2,961)	Net increase (decrease) in cash and cash equivalents
81,927	6,013	260,504	77,578	Cash and cash equivalents, July 1, 2016
$ 91,889	9,332	$ 229,488	$ 74,617	Cash and cash equivalents, June 30, 2017

FOR THE YEAR ENDED JUNE 30, 2017 (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 INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 189,006	93,678	160,068	118,715
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	33,211	22,257	29,911	5,084
(Increase) decrease in:				
Accounts receivable - net	(131,576)	(120,069)	(188,212)	48
Other receivables	(20,972)	3,981	(14,357)	(3,014)
Due from other funds	11,056	20,825	112,682	(83,995)
Inventories	(615)	839	(169)	(405)
Increase (decrease) in:				
Accounts payable	5,374	3,558	(547)	10,973
Accrued payroll	1,983	1,261	1,636	191
Other payables	130	73	118	33
Accrued compensated absences	3,895	2,858	3,689	512
Due to other funds	(17,366)	25,584	50,173	(8,486)
Workers' compensation	8,997	4,101	10,967	2,447
Litigation and self-insurance	(7,632)	2,141	2,285	347
Net pension liability and related changes in deferred outflows and inflows of resources	(2,224)	(612)	(1,852)	(129)
OPEB obligation	73,208	48,768	108,168	19,072
Third party payor	177,260	47,325	134,911	17,571
TOTAL ADJUSTMENTS	134,729	62,890	249,403	(39,751)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 323,735	156,568	409,471	78,964
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Contributions of capital assets	$		35	
TOTAL	$		35	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 9,245	5,833	12,559	2,531
Restricted assets	63,021	29,673	4,972	433
TOTAL	$ 72,266	35,506	17,531	2,964

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 INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:
$ (14,650)	3,355	$ 550,172	$ (45,733)	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by operating activities:
23,936	2,350	116,749	43,101	Depreciation and amortization
				(Increase) decrease in:
2,069	2,580	(435,160)		Accounts receivable - net
1		(34,361)	(1,697)	Other receivables
753	50	61,371	11,058	Due from other funds
		(350)	470	Inventories
				Increase (decrease) in:
99	2	19,459	115	Accounts payable
		5,071	970	Accrued payroll
		354	125	Other payables
		10,954	2,578	Accrued compensated absences
137	97	50,139	(5,618)	Due to other funds
		26,512	3,021	Workers' compensation
		(2,859)		Litigation and self-insurance
		(4,817)	(350)	Net pension liability and related changes in deferred outflows and inflows of resources
		249,216	44,355	OPEB obligation
		377,067		Third party payor
26,995	5,079	439,345	98,128	TOTAL ADJUSTMENTS
$ 12,345	8,434	$ 989,517	$ 52,395	NET CASH PROVIDED BY OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$ 56		$ 91	$	Contributions of capital assets
$ 56		$ 91	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 91,889	9,332	$ 131,389	$ 62,034	Pooled cash and investments
		98,099	12,583	Restricted assets
$ 91,889	9,332	$ 229,488	$ 74,617	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 86,874	$ 19,154,906	$ 1,751,529
Other investments: (Note 5)		128,466	300
Short-term investments	1,597,771		
Equity	26,078,663		
Fixed income	14,180,511		
Private equity	5,050,442		
Real estate	6,139,832		
Hedge funds	1,437,925		
Cash collateral on loaned securities	922,584		
Taxes receivable			203,443
Interest receivable	106,444	51,080	115,482
Other receivables	964,899		
TOTAL ASSETS	56,565,945	19,334,452	2,070,754
LIABILITIES			
Accounts payable	2,078,439		
Other payables (Note 5)	1,000,972		
Due to other governments			2,070,754
TOTAL LIABILITIES	3,079,411		2,070,754
NET POSITION			
Net position restricted for pension benefits and other purposes	$ 53,486,534	$ 19,334,452	$

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, 2017 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 1,976,740	$
Member	571,079	
Contributions to investment trust funds		46,175,102
Total contributions	2,547,819	46,175,102
Investment earnings:		
Investment income	2,724,560	13,306
Net increase in the fair value of investments	3,643,561	
Securities lending income (Note 5)	11,597	
Total investment earnings	6,379,718	13,306
Less - Investment expenses:		
Expense from investing activities	150,736	
Expense from securities lending activities (Note 5)	5,177	
Total net investment expense	155,913	
Net investment earnings	6,223,805	13,306
Miscellaneous	6,372	
TOTAL ADDITIONS	8,777,996	46,188,408
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	51,023	
Services and supplies	16,181	
Total administrative expenses	67,204	
Benefit payments	3,607,062	
Distributions from investment trust funds		44,393,970
Miscellaneous	24,640	
TOTAL DEDUCTIONS	3,698,906	44,393,970
CHANGE IN NET POSITION	5,079,090	1,794,438
NET POSITION, JULY 1, 2016	48,407,444	17,540,014
NET POSITION, JUNE 30, 2017	$ 53,486,534	$ 19,334,452

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, 2017 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments			
Operating (Notes 1 and 5)	$ 76,834	411,053	$ 487,887
Other investments (Note 5)	268,021		268,021
Accounts receivable - net	23,148		23,148
Interest receivable		563	563
Other receivables	12,082	30,146	42,228
Inventories	14,078		14,078
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	94,281	2,039	96,320
Capital assets, net of accumulated depreciation	80,623	9,271	89,894
Total capital assets	174,904	11,310	186,214
TOTAL ASSETS	569,067	453,072	1,022,139
DEFERRED OUTFLOWS OF RESOURCES	21,134		21,134
LIABILITIES			
Accounts payable	20,089	19,137	39,226
Other payables	7,104	16	7,120
Advances payable	309		309
Long-term liabilities: (Note 11)			
Due within one year	5,908	98	6,006
Due in more than one year	82,408	495	82,903
TOTAL LIABILITIES	115,818	19,746	135,564
DEFERRED INFLOWS OF RESOURCES	8,888		8,888
NET POSITION			
Net investment in capital assets	131,630	11,311	142,941
Restricted for:			
Debt service	295		295
Community development	272,439		272,439
First 5 LA		422,015	422,015
Unrestricted	61,131		61,131
TOTAL NET POSITION	$ 465,495	433,326	$ 898,821

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, 2017 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	$ (455,260)	(129,878)	$ (585,138)
Program revenues:			
Charges for services	27,365		27,365
Operating grants and contributions	409,651	88,998	498,649
Capital grants and contributions	4,147		4,147
Net program (expenses) revenues	(14,097)	(40,880)	(54,977)
GENERAL REVENUES:			
Investment income	1,232	978	2,210
Miscellaneous	5,832	122	5,954
Total general revenues	7,064	1,100	8,164
CHANGE IN NET POSITION	(7,033)	(39,780)	(46,813)
NET POSITION, JULY 1, 2016, AS RESTATED (Note 2)	472,528	473,106	945,634
NET POSITION, JUNE 30, 2017	$ 465,495	433,326	$ 898,821

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The basic financial statements include blended, fiduciary 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 fiduciary component unit is reported under Fiduciary Funds in the basic financial statements. 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 Securitization Corporation (LACSC)

The various districts are included primarily because the Board is also their governing board and the County has operational responsibilities for the districts. 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.

The Los Angeles County Capital Asset Leasing Corporation (LACCAL) is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in LACCAL's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fiduciary Component Unit

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 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. LACERA also administers a cost-sharing, multi-employer OPEB or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and Other Postemployment Benefit 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. 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 or at www.LACERA.com.

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 within the Discretely Presented Component Units column of the government-wide financial statements. CDC issues a separate financial report that can be obtained at http://www.lacdc.org/about-cdc/financial-reports or by writing to the Community Development Commission at 700 W. Main Street, Alhambra, California 91801.

Los Angeles County Children and Families First - Proposition 10 Commission

Los Angeles County Children and Families First - Proposition 10 Commission also known as 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 within the Discretely Presented Component Units column of the government-wide financial statements. First 5 issues a separate financial report that can be obtained by writing to First 5 LA at 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

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. LACOE issues a separate financial report that can be obtained by writing to the Los Angeles County Office of Education at 9300 Imperial Highway, Downey, California 90242-2890.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," 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 blended and discretely presented component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the restricted net position balances were $3.391 billion and $112.78 million for governmental activities and business-type activities, respectively. For governmental activities, $654.40 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.

In accordance with GAAP, the County reports on each major fund. By definition, the general fund is always considered a major fund. Funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) an individual fund reports at least ten percent of any of the following: a) total fund assets and deferred outflows of resources, b) total fund liabilities and deferred inflows of resources, c) total fund revenues, or d) total fund expenditures/expenses; 2) an individual fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fire Protection District Fund

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

Flood Control District Fund

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

Public Library Fund

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

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.

Mental Health Services Act Fund

The Mental Health Services Act Fund is used to account for the Mental Health Services Act (MHSA) to support the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of State Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with State taxable incomes over $1.0 million. Total assets of the MHSA significantly increased and this Fund has been reclassified as a major fund for FY 2016-2017.

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). 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types-Continued

Investment Trust Funds

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

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

Agency Funds

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

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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data-Continued

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 $30.344 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, 2017. 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.

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 2016-2017 assessed valuation of the County of Los Angeles approximated $1.354 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 12,968 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the "Redevelopment Dissolution Act" was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes," are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies' remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2017, the County's share of residual property tax revenues was $213.46 million, of which $184.92 million was recognized in the County's General Fund.

Deposits and Investments

Deposits and investments as discussed in Note 5 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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Pooled Cash and Investments-Continued

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2017, 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

This account represents 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Certain buildings and equipment are being leased under capital leases as defined in GASB 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the governmental 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, business-type activities 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 subject to the threshold in the affected asset category. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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 recognizes deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position, governmental funds balance sheets, and proprietary funds statement of net position.

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, except for pension related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 20.

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 25 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 of sick leave 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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2015 rolled forward to June 30, 2016
Measurement Date (MD) - June 30, 2016
Measurement Period (MP) - July 1, 2015 to June 30, 2016

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

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

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

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

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. 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.

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

GASB 74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Requires that notes to the financial statements of all defined benefit OPEB plans that are administered through trusts that meet the specified criteria include descriptive information, such as the types of OPEB provided, the classes of plan members covered, and the composition of the OPEB plan's board. All defined benefit OPEB plans are also required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year. The required supplementary information should also present the sources of changes in the net OPEB liability, and information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll. Refer to note 9.
GASB 77	Tax Abatement Disclosures	Requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The County's FY 2016-2017 total tax abatement was immaterial. While GASB 77 is not applicable for the current period, the County will apply the statement in the future, as needed.
GASB 78	Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans	Amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement did not have an impact on the financial statements.
GASB 80	Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14	Amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement required restatement of beginning net position for CDC, reported as a Discretely Presented Component Unit.

2. NEW PRONOUNCEMENTS-Continued

GASB 82	Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73	Amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This statement had an impact on the financial statements. Refer to note 8 and the required supplementary information.

Restatement of Net Position and Fund Balances

Due to the implementation of GASB 80, CDC, a discretely presented component unit, was required to add a new blended component unit to their statements, which resulted in a restatement of net position. The adjustment to the beginning net position is presented below (in thousands):

	July 1, 2016, as previously reported	Net Position Effect of GASB 80	Net Position July 1, 2016, as restated
Government-wide-			
Discretely Presented Component Units	$ 945,544	$ 90	$ 945,634
Discretely Presented Component Units-			
CDC	472,438	90	472,528

The MHSA fund met the criteria to be reported as a major fund as of June 30, 2017 and was reclassified from the nonmajor governmental funds statements to the major governmental funds statements, resulting in a restatement of fund balances for these statements. The adjustment to the beginning fund balance is presented below (in thousands):

	July 1, 2016, as previously reported	Fund Balance Effect of New Major Fund	Net Position July 1, 2016, as restated
Government-wide:			
Major Governmental Funds-			
MHSA	$	$ 862,290	$ 862,290
Nonmajor Governmental Funds	2,708,954	(862,290)	1,846,664

3. DEFICIT NET POSITION

The following funds had a net deficit at June 30, 2017 (in thousands):

	Accumulated Deficit
Government-wide:	
Governmental Activities	$ 171,823
Business-type Activities	965,970
Enterprise Funds:	
Harbor-UCLA Medical Center	800,168
Olive View-UCLA Medical Center	489,772
LAC+USC Medical Center	634,504
Rancho Los Amigos National Rehab Center	30,403
Internal Service Fund-	
Public Works	694,537

The government-wide governmental and business-type activities, enterprise and internal service funds' deficits result primarily from the recognition of certain liabilities including accrued compensated absences, net pension liability, 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 "Various 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 the 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 FY 2004-2005 and the remaining 1997 bonds were fully refunded in FY 2007-2008. The transactions between the two component units have been accounted for as follows:

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2017, the governmental funds financial statements reflect an investment asset (referred to as “Other Investments”) held by the JPAs of $38,895,000 that has been recorded in the nonmajor governmental funds. The governmental funds financial statements do not reflect a liability for the related bonds payable ($38,895,000), 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 funds 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 ($38,895,000) and investment income and interest expense ($2,313,000 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 $38,895,000, 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, 2017 (in thousands):

5. CASH AND INVESTMENTS-Continued

	Pooled Cash and Investments	Other Investments	Restricted Assets Pooled Cash and Investments	Restricted Assets Other Investments	Total
Governmental Funds	$ 8,011,494	43,757			$ 8,055,251
Proprietary Funds	193,423		98,956	11,726	304,105
Fiduciary Funds (excluding Pension and OPEB)	20,906,435	128,766			21,035,201
Pension and OPEB Trust Funds	86,874	55,407,728			55,494,602
Discretely Presented Component Units	487,887	268,021			755,908
Total	$ 29,686,113	55,848,272	98,956	11,726	$ 85,645,067

A summary of cash and investments (by type) as of June 30, 2017 is as follows (in thousands):

Cash:	
County	
Imprest Cash	$ 2,431
Cash in Vault	211
Cash in Bank	217,467
Deposits in Transit	8,975
CDC	10,835
Total Cash	239,919
Investments:	
In Treasury Pool	29,555,987
In Specific Purpose Investment (SPI)	132,947
In Other Specific Investments	300
Held by Outside Trustees	51,000
In LACERA	55,407,728
In Discretely Presented Component Unit - CDC	257,186
Total Investments	85,405,148
Total Cash and Investments	$ 85,645,067

Cash and investments are reported as follows:

Governmental Funds	$ 8,055,251
Proprietary Funds	304,105
Investment Trust Funds	19,283,372
Agency Funds	1,751,829
Pension and OPEB Trust Funds (LACERA)	55,494,602
Discretely presented component unit:	
- First 5	411,053
- CDC	344,855
Total Cash and Investments	$ 85,645,067

County Treasurer Cash

As of June 30, 2017, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was $217.47 million, $8.98 million were deposits in transit, plus $0.21 million in cash in the Treasurer's vault.

Under California Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. California Government

5. CASH AND INVESTMENTS-Continued

County Treasurer Cash-Continued

Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. In addition, under California Government Code Section 53653, the Treasurer has discretion to waive security for the portion of any deposits as insured pursuant to federal law. Through contractual agreement, the Treasurer has opted to waive security for the portion of deposits which is federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the California Department of Business Oversight (DBO). DBO confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2017.

County Investment Pool

California Government Code Sections 53601, 53635 and 53534 authorize the County Treasurer to invest the External Investment Pool (Pool) and Specific Purpose Investments (SPI) funds in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, 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 (SEC), the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to the California Government Code. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2017, to support the value of shares in the Pool.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-six percent (86%) of the Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County's 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 SPI have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's Pool and is reported in the Specific Investment Trust Fund in the amount of $128,466,000. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investments in LAIF are governed by the California Government Code and overseen by a five member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2017, the total amount invested by all California local governments and special districts in LAIF was $22.813 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2017 had a balance of $77.559 billion. The PMIA is not SEC registered, but is required to invest according to the California Government Code. Included in the PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $2.244 billion at June 30, 2017. Collectively, these represent 2.89% of the PMIA balance of $77.559 billion. The SPI holdings in the LAIF investment pool as of June 30, 2017, were $42.67 million, which were valued using a fair value factor provided by LAIF.

The County treasurer has the following recurring fair value measurements as of June 30, 2017 (in thousands):

		Fair Value Measurement Using			
Pool	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	External Government Investment Pools
Commercial Paper	$ 7,582,027	$	$ 7,582,027	$	$
Corporate and Deposit Notes	50,122		50,122		
Los Angeles County Securities	4,923			4,923	
Negotiable Certificates of Deposit	3,499,893		3,499,893		
U.S. Agency Securities	16,906,177		16,906,177		
U.S. Treasury Securities:					
U.S. Treasury Notes	319,508		319,508		
U.S. Treasury Bills	1,193,337		1,193,337		
Total Investments	$ 29,555,987	$	$ 29,551,064	$ 4,923	$
SPI					
Local Agency Investment Fund	$ 42,672	$	$	$	$ 42,672
Los Angeles County Securities	4,483			4,483	
Negotiable Certificates of Deposit	50,104		50,104		
U.S. Agency Securities	35,688		35,688		
Total Investments	$ 132,947	$	$ 85,792	$ 4,483	$ 42,672
Other Specific Investments					
U.S. Treasury Bills	$ 300	$	$ 300	$	$
Total Investments	$ 300	$	$ 300	$	$

5. CASH AND INVESTMENTS-Continued

County Investment Pool-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:

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
Authorized Investment Type	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**
U. S. Treasury Notes, Bills and Bonds	5 years	None (1)	None	None	None	None	None	None
U.S. Agency Securities	5 years	None (1)	None	None	None	None	None	None
Local Agency Obligations	5 years	5 years (2)	None	10%*	None	10%*	None	None (2)
Asset-Back Securities	5 years	5 years	20%	20%	None	$750 million*	AA	AA (3)
Bankers' Acceptances	180 days	180 days	40%	40%	30%	$750 million*	None	P-1*
Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	$750 million*	None	P-1/A*
Commercial Paper	270 days	270 days	40%	40%	10%	$1.5 billion*	A-1/P-1	A-1/P-1
Corporate and Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	$750 million*	A	A-1/P-1/A
LAIF	N/A	N/A	None	$65 million (6)	None	None	None	None
Money Market Mutual Funds	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreement	1 year	30 days*	None	$1 billion*	None	$500 million*	None	None
Reverse Repurchase Agreement	92 days	92 days	20%	$500 million*	None	$250 million*	None	None
Forwards, Futures, and Options	N/A	N/A	None	$100 million*	None	$50 million*	None	A*
Interest Rate Swaps	N/A	90 days*	None	None	None	None	None	A*
Securities Lending Agreements	92 days	92 days	20%	20% (7)	None	None	None	None
Supranationals	5 years	5 years	30%	30%	None	None	AA	AA

1. Pursuant to the California Government Code 53601, the Board granted authority to make investments in U.S. Treasury Notes, Bills and Bonds, and U.S. Agency Securities that have maturities beyond 5 years.
2. Any obligation issued or caused to be issued on behalf of other County affiliates must have a minimum rating of A3 (Moody's) or A- (S&P) and the maximum maturity is limited to thirty years. All other Local Agencies are limited to 5 years.
3. All Asset-Backed securities must be rated at least "AA" and the issuer's corporate debt rating must be at least "A".
4. Euro Certificates of Deposit are further restricted to a maximum maturity of one year and a maximum percentage of portfolio of 10%.
5. Floating Rate Notes are further restricted to a maximum maturity of five years, maximum of 10% of the portfolio, and maximum investment in one issuer of $750 million. The maximum maturity may be seven years, provided that the Board's authorization to exceed maturities in excess of five years is in effect, of which $100 million par value may be greater than five years to maturity.
6. The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy. Bond proceeds are considered a one-time deposit, have no maximum deposit amount, and may be withdrawn 30-calendar days from the day of deposit and each subsequent 30-day period.
7. The maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

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

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2017 is as follows (in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	$ 7,582,027	$ 7,582,633	0.95% - 1.32%	07/03/17 - 10/17/17	0.07
Corporate and Deposit Notes	50,122	49,949	1.45% - 2.00%	01/12/18 - 01/24/20	1.56
Los Angeles County Securities	4,923	5,000	1.57%	06/30/19	2.00
Negotiable Certificates of Deposit	3,499,893	3,500,006	0.94% - 1.60%	07/03/17 - 01/19/18	0.14
U.S. Agency Securities	16,906,177	17,078,340	0.55% - 4.65%	08/21/17 - 05/27/22	3.05
U.S. Treasury Securities:					
U.S. Treasury Notes	319,508	322,900	0.75% - 1.25%	02/15/18 - 10/31/21	2.84
U.S. Treasury Bills	1,193,337	1,194,231	0.56% - 1.14%	09/14/17 - 05/24/18	0.51
Total	$ 29,555,987	$ 29,733,059			1.83

The unrealized loss on investments held in the Pool was $177,072,000 as of June 30, 2017. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2017 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2017.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2017 is as follows (in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	$ 42,672	$ 42,717			0.53
Los Angeles County Securities	4,483	4,275	5.00%	12/02/27	10.43
Negotiable Certificates of Deposit	50,104	50,000	1.53% - 1.77%	12/28/17 - 06/24/19	1.24
U.S. Agency Securities	35,688	37,275	0.82% - 3.13%	12/12/17 - 09/13/41	20.96
Total	$ 132,947	$ 134,267			5.74

5. CASH AND INVESTMENTS-Continued

Specific Purpose Investments and Other Specific Investments-Continued

Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	$ 300	$ 301	1.05%	11/30/17	0.42

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 five years, with the exception of U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities, which may have maturities beyond five years. The County Treasurer manages the 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 Treasurer manages the Pool's exposure to declines in fair value by limiting its weighted average maturity target to a range between 1.0 and 2.0 years, in accordance with the Investment Policy. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

42.10% of the Pool's $29.556 billion in investments at June 30, 2017, mature in six months or less. Of the remainder, 52.14% have a maturity of more than one year. At June 30, 2017, the weighted average maturity in years for the Pool was 1.83.

The California Government Code and the Investment Policy allow the 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 Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments and for the year ended June 30, 2017, there were none.

At June 30, 2017, the Pool contained floating rate notes at fair value of $305.06 million (1.03% of the 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 securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable rate notes in the SPI and Other Specific Investments.

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

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Treasurer will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasurer and are held by either the counterparty, or the counterparty's trust department or agent but not in the Treasurer's name. At year-end, all Pool, SPI and Other Specific Investment securities, except for the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (Bond), Bond Anticipation Notes (BANs) and LAIF, were either held by the Treasurer or by the custodian bank in the name of the Treasurer. The Bond and the BANs were held in the Treasurer's vault and are recorded in the Los Angeles County Securities line item. The LAIF investments were managed by the State of California and the County is considered a pool participant.

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 mitigates these risks by holding a diversified portfolio of high quality investments.

The Investment Policy establishes acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's), and F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased during the year ended June 30, 2017 met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSRO did not, in all instances, rate the investment itself (e.g., commercial paper, bankers' acceptances, corporate and deposit notes, and negotiable certificates of deposit, and U.S. Treasury bills, bonds and notes). Accordingly, for purposes of reporting the credit quality distribution of investments, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2017, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following U.S. Agency and commercial paper securities in a single issuer that represent 5% or more of total investments at June 30, 2017 (in thousands):

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Farm Credit Bank	$ 4,832,919	16.35%	$ 7,014	5.28%
Federal Home Loan Bank	3,584,941	12.13%	20,749	15.61%
Federal National Mortgage Association	3,753,311	12.70%		
Federal Home Loan Mortgage Corporation	4,735,006	16.02%		
Rabobank Nederland NY CD			25,077	18.86%
Wells Fargo Bank, NA CD			25,026	18.82%

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, 2017:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	Not Rated	Not Rated	25.66%
Corporate and Deposit Notes	AA-	A1	AA	0.08%
	AA-	Aa3	A	0.08%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.02%
Negotiable Certificates of Deposits	Not Rated	P-1	Not Rated	0.17%
	Not Rated	Not Rated	Not Rated	11.67%
U.S. Agency Securities	AA+	Aaa	AAA	40.14%
	AA+	Aaa	F1+	0.08%
	AA+	Aaa	Not Rated	11.72%
	AA+	Not Rated	AAA	1.33%
	Not Rated	Aaa	AAA	0.36%
	AA+	Not Rated	Not Rated	0.25%
	Not Rated	Aaa	Not Rated	0.08%
	Not Rated	Not Rated	Not Rated	3.24%
U.S. Treasury Securities:				
U.S. Treasury Notes	Not Rated	Aaa	AAA	1.08%
U.S. Treasury Bills	Not Rated	Not Rated	F1+	3.70%
	Not Rated	Not Rated	Not Rated	0.34%
				100.00%
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	32.10%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	3.37%
Negotiable Certificates of Deposits	Not Rated	Not Rated	Not Rated	37.69%
U.S Agency Securities	AA+	Aaa	AAA	11.14%
	AA+	Aaa	Not Rated	15.70%
				100.00%
Other Specific Investments				
U.S. Treasury Bills	Not Rated	Not Rated	F1+	100.00%
				100.00%

5. CASH AND INVESTMENTS-Continued

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.

Securities Lending Transactions

For the year ended June 30, 2017, the Los Angeles County Pool did not enter into any securities lending transactions.

Cash and Investments - Held by Outside Trustees

NPC and JPAs have been established for the purpose of rendering assistance to the County to refinance, acquire, construct, improve, lease and sell properties and equipment, including the construction of buildings, and purchase of equipment, land, and any other real or personal property, for the benefit of County residents, through the issuance of bonds, certificates of participation notes (COPs) and commercial paper.

The NPC and JPAs' cash is invested with the outside trustees. Investment practices are governed by the County's Investment Procedures and Guidelines, established pursuant to the California Government Code and the Los Angeles County Board of Supervisors' action.

Investments are stated at fair value. There were no deposits held by outside trustees as of June 30, 2017. A total of $167.34 million of investments held by outside trustees are invested in the County's investment pool. In addition, the outside trustees invested $51.00 million outside of the County's investment pool.

5. CASH AND INVESTMENTS-Continued

Cash and Investments - Held by Outside Trustees-Continued

The following is a summary of deposits and investments held by outside trustees as of June 30, 2017 (in thousands):

	Amortized Cost	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Money market mutual funds	$51,000	$51,000	0.01%-0.99%	07/01/17	0.00

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2017:

Other Investments	S&P	Moody's	Fitch	% of Portfolio
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	100.00%

LACERA Investment Portfolio

Narratives and tables presented for the Pension and OPEB Trust funds managed by the LACERA are taken directly from LACERA's Report on Audited Financial Statements for the year ended June 30, 2017 (certain terms have been modified to conform with the County's CAFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency 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, Note I and the fair value measurement disclosures are included in Note P of the LACERA's audited financial statements.

Deposits-Custodial Credit Risk

Pension and OPEB Trust Funds investments are reported at fair value at June 30, 2017, (in thousands) and are as follows:

	Fair Value
Cash collateral on loaned securities	$ 922,584
Short-term investments	1,597,771
Domestic and international equity	26,078,663
Fixed income	14,180,511
Real estate*	6,139,832
Private equity	5,050,442
Hedge funds	1,437,925
Total	$ 55,407,728

* Refer to Note J of LACERA's Report on Audited Financial Statements for year ended June 30, 2017, for additional discussion on special purpose entities.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Deposits-Custodial Credit Risk-Continued

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Pool at June 30, 2017 totaling $86,874,000. 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 or plan net position.

Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement. BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting policy that the investment staff executes either internally or through the use of prudent external experts.

The Investment Policy Statement encompasses the following:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Policy and Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending Policy
- Placement Agent Policy
- Hedge Fund Policy

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and that the investment will default on its payments or lose value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension Trust Fund at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

The majority of the Core, Core Plus, and High Yield portfolios use the following guidelines in terms of credit quality.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic Fixed Income Core and Core Plus Portfolios

A minimum of 80 percent and 70 percent of Core and Core Plus portfolios, respectively, must be invested in securities rated investment-grade by the major credit rating agencies: Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

In addition:
- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic High-Yield Fixed Income Portfolios

By definition, high-yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high-yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:
- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit criteria.

LACERA's Opportunistic Credit portfolios allow for the assumption of more credit risk than other fixed income portfolios, by investing in securities which include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, and bank loans. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic High-Yield Fixed Income Portfolios-Continued

The following is a schedule of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities for the pension plan. Whole loan mortgages included in the Pension Plan portfolio of $36 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2017
(In Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$ 2,229,347	$ 2,297,738	$ 876	$ 324,134	$	$ 234	$ 244,342	$ 5,096,671	36%
Aa			29,547	226,205	315,536	1,073	61,115	633,476	4%
A			8,907	944,815		40,495	291,383	1,285,600	9%
Baa		2,533	21,681	1,514,842	14,883	5,679	365,703	1,925,321	14%
Ba				561,566		19,718	238,352	819,636	6%
B			88	631,948	30,962	12,889	383,030	1,058,917	8%
Caa			4,344	230,454		772	121,249	356,819	3%
Ca				40,075			9,942	50,017	0%
C			1,129	270			329	1,728	0%
Not Rated		15,163	4,583	393,395	2,152,036	16,743	279,916	2,861,836	20%
Total Investment in Fixed Income Securities - Pension Plan	$ 2,229,347	$ 2,315,434	$ 71,155	$ 4,867,704	$ 2,513,417	$ 97,603	$ 1,995,361	$14,090,021	100%

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2017
(In Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/ Credit Securities	Total	Percentage of Portfolio
Aaa	$ 9,001	$ 8,028	$ 17,029	32%
Aa		7,268	7,268	13%
A		30,026	30,026	55%
Total Investment in Fixed Income Securities - OPEB Trust	$ 9,001	$ 45,322	$ 54,323	100%

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Custodial Credit Risk

LACERA's contract with its primary custodian (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, a clearing house corporation, or a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of its deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a financial institution bond, which will cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies in a cost-effective manner, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian.

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk

No more than 5 percent of the Core, Core Plus, or High-Yield portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and manager's approved commingled funds.

As of June 30, 2017, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core, Core Plus, and High-Yield portfolios is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities - Pension Plan schedule presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $36 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2017
(In Thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency and Municipal Instruments:			
U.S. Treasury	$	2,229,347	7.74
U.S. Government Agency		2,315,434	2.89
Municipal / Revenue Bonds		71,155	7.92
Subtotal U.S. Treasury, U.S. Government Agency and Municipal Instruments		4,615,936	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		387,503	0.73
Commercial Mortgage-Backed Securities		373,618	2.92
Corporate and Other Credit		4,100,817	4.20
Fixed Income Swaps		5,766	N/A
Pooled Investments		2,513,417	N/A
Subtotal Corporate Bonds and Credit Securities		7,381,121	
Non-U.S. Fixed Income		97,603	5.07
Private Placement Fixed Income		1,995,361	3.61
Subtotal Non-U.S. and Private Placement Securities		2,092,964	
Total Fixed Income Securities - Pension Plan	$	14,090,021	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust
As of June 30, 2017
(In Thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury Instruments:			
U.S. Treasury	$	9,001	0.59
Subtotal U.S. Treasury Instruments		9,001	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		5,755	0.19
Corporate and Other Credit		39,567	0.49
Subtotal Corporate Bonds and Credit Securities		45,322	
Total Fixed Income Securities - OPEB Trust	$	54,323	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate foreign currency risk, LACERA has in place a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Holdings at Fair Value - Pension Plan
As of June 30, 2017
(In Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
CFA Franc (W. African)	$ 1,151	$	$	$	$	$	$ 1,151
Ghana New Cedi	1,914						1,914
GSC	26						26
Kenyan Shilling	3,024						3,024
Moroccan Dirham	3,086						3,086
Nigerian Naira	10,639						10,639
South African Rand	212,212		772				212,984
Tunisian Dinar	1,409						1,409
AMERICAS							
Argentine Peso	204					(5,253)	(5,049)
Bermudan Dollar	9,354						9,354
Brazilian Real	166,376		40				166,416
Canadian Dollar	899,858	581	360			(14,912)	885,887
Chilean Peso	22,608						22,608
Colombian Peso	9,196						9,196
Mexican Peso	109,196	40,436	1,783			(60)	151,355
Peruvian New Sol	15,769						15,769
Uruguayan Peso		1,139					1,139
ASIA							
Australian Dollar	576,788		3,731				580,519
Chinese Renminbi	65,469						65,469
Hong Kong Dollar	980,759		9,976			685	991,420
Indian Rupee	316,121						316,121
Indonesian Rupiah	57,956		19				57,975
Japanese Yen	2,049,184	1,350	1,976			21,625	2,074,135
Malaysian Ringgit	56,348		112				56,460
New Taiwan Dollar	302,870		1,565				304,435
New Zealand Dollar	20,153	234	355			(626)	20,116
Pakistan Rupee	2,874						2,874
Philippine Peso	26,606						26,606
Singapore Dollar	164,277		5,104			(790)	168,591
South Korean Won	469,837		38				469,875
Thai Baht	84,470		10				84,480
Vietnamese Dong	23,553						23,553
EUROPE							
British Pound Sterling	1,729,802	11,224	4,924	2,020	22,057	(16,314)	1,753,713
Czech Republic Koruna	2,208						2,208
Danish Krone	189,600	892	37			(3,050)	187,479
Euro	2,860,597	36,109	13,170	180,545	262,137	(52,238)	3,300,320
Hungarian Forint	9,252						9,252
Norwegian Krone	68,322		90			(482)	67,930
Polish Zloty	33,480						33,480
Romanian New Leu	5,945						5,945
Russian Ruble	95,323	5,638	402				101,363
Swedish Krona	321,249					(6,805)	314,444
Swiss Franc	720,515		33			(9,267)	711,281
MIDDLE EAST							
Egyptian Pound	4,543						4,543
Israeli New Shekel	62,533		18			(678)	61,873
Lebanese Pound	1,062						1,062
Qatari Rial	10,605		31				10,636
Turkish Lira	70,687		2				70,689
UAE Dirham	11,511						11,511
Total Holdings Subject to Foreign Currency Risk - Pension Plan	$ 12,860,521	$ 97,603	$ 44,548	$ 182,565	$ 284,194	$ (88,165)	$ 13,381,266

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Holdings at Fair Value - OPEB Trust
As of June 30, 2017
(In Thousands)

Currency		Equity
AFRICA		
South African Rand	$	4,374
AMERICAS		
Brazilian Real		4,314
Canadian Dollar		19,198
Chilean Peso		790
Colombian Peso		304
Mexican Peso		2,491
Peruvian New Sol		243
ASIA		
Australian Dollar		13,974
Chinese RNB		18,348
Hong Kong Dollar		6,805
Indian Rupee		6,501
Indonesian Rupiah		1,701
Japanese Yen		49,454
Malaysian Ringgit		1,701
New Taiwan Dollar		9,052
New Zealand Dollar		608
Pakistan Rupee		182
Philippine Peso		790
Singapore Dollar		2,734
South Korean Won		10,693
Thai Baht		1,458
EUROPE		
British Pound Sterling		36,028
Czech Republic Koruna		122
Danish Krone		3,645
Euro		63,549
Hungarian Forint		182
Norwegian Krone		1,519
Polish Zloty		911
Russian Ruble		1,944
Swedish Krona		6,683
Swiss Franc		16,221
MIDDLE EAST		
Egyptian Pound		122
Israeli New Shekel		1,640
Qatari Rial		486
Turkish Lira		790
UAE Dirham		486
Total Holdings Subject to Foreign Currency Risk - OPEB Trust	$	290,043

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The BOI's policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, 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 securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lends LACERA's non-U.S. equities, U.S. Treasury, agency, and mortgage-backed securities. GSAL lends LACERA's U.S. equities and corporate bonds. All non-U.S. loans are collateralized at 105 percent, while the U.S. loans are collateralized at 102 percent of the loan market value.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term, highly liquid instruments with maturities that do not generally match the duration of securities on loan. The collateral is marked-to-market daily and if the market value of the securities on loan rises, LACERA receives additional collateral. Earnings generated above and beyond the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2017, there were no known 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, 2017.

As of June 30, 2017, the fair value of securities on loan was $1.352 billion, with a value of cash collateral received of $922.58 million and non-cash collateral of $495.46 million. Securities lending assets and liabilities of $922.58 million are recorded in the Pension and OPEB Trust Funds. LACERA's income, net of expenses from securities lending, was $6.42 million for the year ended June 30, 2017.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2017
(In Thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received
U.S. Equities	$ 297,066	$ 303,905	$
U.S. Fixed Income	974,874	599,557	428,428
Non-U.S. Equities	80,056	19,122	67,028
Total	$ 1,351,996	$ 922,584	$ 495,456

Derivative Financial Instruments

LACERA's Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument that represents direct ownership of an asset or an obligation of an issuer whose payments are based on or derived from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily and may trade only with counterparties with a credit rating of A3/A-, as defined by Moody's and S&P, respectively. Trades with counterparties with a minimum credit rating of BBB/Baa2 may also be allowed with the posting of initial collateral. Substitution, risk control, and arbitrage are the only derivative strategies permitted. Speculation is prohibited. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all LACERA derivatives are classified as investment derivatives. The following types of derivatives are permitted: futures contracts, currency forward contracts, option contracts, and swap agreements. Given that hedge fund managers may already have discretion to use derivatives in the funds they manage, LACERA's Derivatives Policy applies to hedge fund investments.

Futures

Futures are financial agreements to buy or sell an underlying asset at a specified future date and price. Futures are standardized instruments traded on organized exchanges, and they are marked-to-market daily. The futures exchange reduces counterparty credit risk by acting as a central counterparty. It does this by collecting a daily margin payment from one trade participant and crediting it to the other, based on price changes in the underlying asset.

Currency Forwards

Similar to futures agreements, forwards represent an agreement to buy or sell an underlying asset at a specified future date and price. However, forwards are non-standardized agreements tailored to each specific transaction. Payment for the transaction is generally delayed until the settlement or expiration date. Forward contracts are privately negotiated and do not trade on a centralized exchange; therefore, they are considered "over the counter" instruments. Currency forward contracts are used to manage currency exposure, to implement the passive currency hedge, and to facilitate the settlement of international security purchases and sales.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Currency Forwards-Continued

Currency Forwards Analysis
As of June 30, 2017
(In Thousands)

		Currency Forward Contracts			
Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	$ 19	$ 1,883	$ (7,135)	$	$ (5,233)
British Pound Sterling	172	10,263	(26,577)	(401)	(16,543)
Canadian Dollar		1,578	(16,490)		(14,912)
Danish Krone		411	(3,460)		(3,049)
Euro	262	13,459	(65,697)	(443)	(52,419)
Hong Kong Dollar		(12)	698		686
Israeli New Shekel		183	(861)		(678)
Japanese Yen		(3,695)	25,320	638	22,263
Mexican Peso		96	(156)	(182)	(242)
New Zealand Dollar	(120)	31	(657)		(746)
Norwegian Krone		66	(548)		(482)
Singapore Dollar		7	(797)		(790)
Swedish Krona		2,130	(8,934)		(6,804)
Swiss Franc		1,536	(10,803)		(9,267)
Total	$ 333	$ 27,936	$ (116,097)	$ (388)	$ (88,216)

Option Contracts

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. The cash flows the counterparties exchange are tied to a notional amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

Investment Derivatives

The Investment Derivatives schedule below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2017, classified by type.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Investment Derivatives-Continued

Investment Derivatives
As of June 30, 2017
(In Thousands)

Derivative Type	Net Increase/ (Decrease) in Fair Value For the Year Ended June 30, 2017	Fair Value at June 30, 2017	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$ (28,672)	$	$	339,359
Commodity Futures Short	241			(44,579)
Credit Default Swaps Bought	(2,225)	(6,916)	80,357	
Credit Default Swaps Written	1,659	1,900	76,486	
Equity Options Bought	(1,131)	124		71
Fixed Income Futures Long	(12,938)			762,545
Fixed Income Futures Short	12,104			(534,113)
Fixed Income Options Bought	(1,754)	1,490		103,625
Fixed Income Options Written	3,079	(1,088)		(491,241)
Foreign Currency Options Bought	(760)	378		199,331
Foreign Currency Options Written	272	(494)		(58,795)
Futures Options Bought	(7,922)	2,318		10,517
Futures Options Written	7,641	(1,346)		(9,612)
FX Forwards	92,137	(88,164)	8,501,246	
Index Futures Long	(45)			
Pay Fixed Interest Rate Swaps	44,630	2,512	849,472	
Receive Fixed Interest Rate Swaps	(1,325)	(550)	52,951	
Rights	1,003	275	1,130	
Total Return Swaps Bond	(5,813)	(216)	42,935	
Total Return Swaps Equity	(18,295)	6,992	(416,628)	
Warrants	39	39	31,412	
Total	$ 81,925	$ (82,746)	$ 9,219,361	277,108

All investment derivative positions are included as part of Investments at Fair Value in the statement of fiduciary net position. All changes in fair value are reported as part of the Net Increase/(Decrease) in the fair value of investments in the statement of changes in fiduciary net position.

Investments information was provided either by investment managers or LACERA's custodian bank, State Street Bank and Trust.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that have unrealized gains and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. LACERA requires investment managers to have Master Agreements in place that permit netting in order to minimize credit risk. Netting arrangements provide LACERA with a legal right of set off in the event of bankruptcy or default by the counterparty. Collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure.

The schedule below displays the fair value of investment derivatives with each counterparty's S&P, Fitch and Moody's credit rating by counterparty's name alphabetically.

Counterparty Credit Risk Analysis
As of June 30, 2017
(In Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	$ 22	A+	A+	A1
Barclays	51	A-	A	A1
Barclays Bank PLC	353	A-	A	A1
Barclays De Zoete Wedd	10	A-	A	A1
BNP Paribas SA	474	A	A+	A1
Citibank N.A.	2,293	A+	A+	A1
Credit Suisse FOB CME	3,147	A	A	A1
Credit Suisse FOB ICE	237	A	A	A1
Credit Suisse FOB LCH	2,785	A	A	A1
Credit Suisse International	6,745	A	A	A1
Credit Suisse Securities (USA) LLC	234	A	A	A1
Deutsche Bank AG	6,998	A-	A-	Baa2
Goldman Sachs Bank USA	38	BBB+	A	A3
Goldman Sachs CME	2,168	BBB+	A	A3
Goldman Sachs International	12,720	A+	A	A1
JP Morgan Chase Bank	802	A+	AA-	Aa3
JP Morgan Securities INC	1,888	A-	A+	A3
Macquarie Bank Limited	1,229	A	A	A2
Merrill Lynch Capital Services	128	BBB+	A	Baa1
Merrill Lynch International	596	BBB+	A	Baa1
Morgan Stanley and Co. International PLC	98	BBB+	A	A3

5. CASH AND INVESTMENTS-Continued

LACERA Investments Portfolio-Continued

Counterparty Credit Risk-Continued

Royal Bank of Scotland PLC	8,463	BBB+	BBB+	A3
Societe Generale	769	A	A	A2
Standard Chartered Bank	57	A	A+	A1
State Street Bank and Trust Company	79	AA-	AA	Aa3
UBS AG	156	A+	A+	A1
UBS AG London	13,735	A+	A+	A1
Westpac Banking Corporation	10,764	AA-	AA-	Aa3
Total	$ 77,039			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table (in thousands):

Interest Rate Risk Analysis
As of June 30, 2017
(In Thousands)

		Investment Maturities (in years)					
Investment Type	Notional Value	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10	No Maturity
Credit Default Swaps Bought	$ 80,357	$ (6,916)	$	$(6,916)	$	$	$
Credit Default Swaps Written	76,486	1,900	31	1,844	30	(5)	
Fixed Income Futures Long	762,545						
Fixed Income Futures Short	(534,113)						
Fixed Income Options Bought	103,625	1,490	585	905			
Fixed Income Options Written	(491,241)	(1,088)	(382)	(690)		(16)	
Pay Fixed Interest Rate Swaps	849,472	2,512		1,656	3,953	(3,097)	
Receive Fixed Interest Rate Swaps	52,951	(550)	(25)	(340)	(101)	(84)	
Total Return Swaps Bond	42,935	(216)	(216)				
Total Return Swaps Equity	(416,628)	6,992	7,065	(150)			77
Total	$ 526,389	$ 4,124	$ 7,058	$(3,691)	$ 3,882	$(3,202)	$ 77

Hedge Funds

The hedge fund category of investments is not a separate asset class but is comprised of strategies that: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives. LACERA employs two hedge fund of funds managers with specialized knowledge and expertise to construct four hedge fund portfolios. The hedge fund of fund managers identify, select, implement, and monitor these investment strategies in the portfolios consistent with LACERA's stated objectives, constraints, and Investment Policy.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds-Continued

In September 2011, LACERA began investing in hedge funds with a goal of reducing the volatility of the Pension Trust Fund without materially decreasing Pension Trust Fund returns. This initial investment consisted of a portfolio of hedge funds invested in a diversified strategy.

In December 2012, LACERA began investing in a second portfolio of hedge funds focused on opportunistic credit strategies.

In April 2015, LACERA began investing in a third portfolio, managed in a diversified strategy by Goldman Sachs Asset Management (GSAM). Within this portfolio, LACERA directly invests in underlying fund vehicles, while GSAM maintains discretion over fund selection and overall portfolio development.

In January 2016, LACERA began investing in a fourth portfolio, also focused on opportunistic credit strategies and managed by Grosvenor Capital Management (GCM).

The three hedge fund portfolios managed by GCM are each structured in a limited partnership in which LACERA is the sole limited partner, and each was created to hold the interests in the underlying hedge funds. GCM serves as General Partner and owns a 0.01 percent stake in each partnership.

Each underlying fund investment in the entire hedge fund program is in an entity legally structured to limit liability for each investor to the capital invested with that investor.

The investment performance for this strategy is measured separately from other asset classes. The fair value of assets invested in hedge funds as of June 30, 2017 was $1.44 billion.

Fair Value

For the fiscal year ended June 30, 2016, LACERA adopted GASB Statement No. 7 (GASB 72), Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by GAAP in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

Equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities, classified in Level 2 of the fair value hierarchy, are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities, classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Fund, Private Equity, and Real Estate Funds

Investments in hedge fund, private equity, and real estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP) in accordance with fair value principles in accordance with GAAP. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported as a practical expedient by LACERA.

Real Estate Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every three years.

Investments and Derivatives Measured at Fair Value - Pension Plan
As of June 30, 2017
(In Thousands)

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 387,503	$	$ 387,503	$
Commercial Mortgage-Backed Securities	373,618		373,618	
Corporate and Other Credit	4,100,816	19	4,095,607	5,190
Municipal/Revenue Bonds	71,155		71,155	
Non-U.S. Fixed Income	97,603		97,603	
Pooled Investments	37	37		
Private Placement Fixed Income	1,995,362	924	1,989,137	5,301
U.S. Government Agency	2,315,433		2,315,076	357
U.S. Treasury	2,229,347		2,229,347	
Whole Loan Mortgages	36,167			36,167
Total Fixed Income Securities	11,607,041	980	11,559,046	47,015
Equity Securities				
Non-U.S. Equity	1,844,424	1,844,009		415
Pooled Investments	261,997	261,997		
U.S. Equity	3,266,281	3,261,231	3,827	1,223
Total Equity Securities	5,372,702	5,367,237	3,827	1,638
Real Estate	5,296,802			5,296,802
Collateral from Securities Lending	922,584		922,584	
Total Investments by Fair Value Level	$ 23,199,129	$ 5,368,217	$ 12,485,457	$ 5,345,455

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Real Estate Investments-Continued

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments Measured at NAV				
Fixed Income	$ 2,513,380			
Equity	20,098,859			
Hedge Funds	1,437,925			
Private Equity	5,050,442			
Real Estate	843,030			
Total Investments Measured at NAV	29,943,636			
Total Investments	$ 53,142,765			
Derivatives				
Foreign Exchange Contracts	$ (88,164)	$	$ (88,164)	$
Foreign Fixed Income Derivatives	255		255	
U.S. Equity Derivatives	(490)	(308)	(182)	
U.S. Fixed Income Derivatives	5,511	1,358	4,153	
Total Derivatives	$ (82,888)	$ 1,050	$ (83,938)	$

Investments Measured at the Net Asset Value
As of June 30, 2017
(In Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds (1)	$ 2,513,380	$	Daily, Monthly or Not Eligible	1-30 days or NA
Commingled Equity Funds (2)	20,098,859	28,809	Daily, Monthly or Not Eligible	1-30 days or NA
Hedge Funds				
Commodities (3)	16,056		Monthly	30 days
Credit (4)	584,766		Monthly, Quarterly, Semi-Annual; Self-Liquidating	45-180 days
Equity Long / Short (5)	243,054		Monthly, Quarterly, Annual	20-90 days
Event Driven (6)	71,690		Quarterly, Annual	45-90 days
Macro and Tactical Trading (7)	231,003		Monthly, Quarterly	5-93 days
Multi-Strategy (8)	51,636		Monthly, Quarterly, Self-Liquidating	60-90 days
Relative Value (9)	172,034		Monthly, Quarterly	15-90 days
Other (10)	67,686		Daily or Not Eligible	N/A
Private Equity (11)	5,050,442	3,969,408	Not Eligible	N/A
Real Estate (11)	843,030	139,047	Not Eligible	N/A
Total Investments Measured at the NAV	$29,943,636			

(1) *Commingled Fixed Income Funds* 14 fixed income funds are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; two of the funds representing 7% of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from 3 to 7 years.

(2) *Commingled Equity Funds* 15 equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of the funds representing 3% of Commingled Equity assets have liquidity available subject to lock up periods that limit or prohibit redemptions for the next three to four years.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Real Estate Investments-Continued

(3) *Commodities Hedge Funds* Consisting of 2 funds, this strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.
Credit Hedge Funds Consisting of 32 funds, this strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit. These investments are valued at NAV per share. When considering liquidity terms, approximately 49% of assets in this strategy category are available within 12 months. Twelve funds in this category are self-liquidating funds that have an agreed upon investment duration. By the end of each fund's stated timeframe, distributions are expected to be made to investors.

(4) *Equity Long / Short Hedge Funds* Consisting of 18 funds, this strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.

(5) *Event Driven Hedge Funds* Consisting of 5 funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share. When considering liquidity terms, approximately 93% of assets in this strategy category are available within 12 months. One fund in this category is self-liquidating and not all of its capital is expected to be received within the next 12 months.

(6) *Macro and Tactical Trading Hedge Funds* Consisting of 16 funds, this strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.

(7) *Multi-Strategy Hedge Funds* The three funds that make up this group aim to pursue varying strategies in order to diversify risks and reduce volatility. These investments are valued at NAV per share. When considering liquidity terms, approximately 52% of assets in this strategy category are available within 12 months. One fund in this category is self-liquidating.

(8) *Relative Value Hedge Funds* Consisting of 11 funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing and/or selling these instruments. These investments are valued at NAV per share. When considering liquidity terms, approximately 98% of assets in this strategy category are available within 12 months.

(9) *Other* This category contains three funds where all liquid capital has been redeemed and remainder balances represent designated or illiquid investments that will be distributed over time. In addition to these funds, cash held by managers and accrued expenses in the fund of funds vehicles were also included and consisted of approximately 99% of the total.

(10) *Private Equity and Real Estate Funds* LACERA's Private Equity portfolio consists of 245 funds, investing primarily in Buyout Funds, with some exposure to Venture Capital, Special Situations, and Non-U.S. Funds. The Real Estate portfolio, comprised of 22 funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

Investments Measured at Fair Value - OPEB Trust
As of June 30, 2017
(In Thousands)

Investments by Fair Value Level	Total	Quoted prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 5,755	$	$ 5,755	$
Corporate and Other Credit	39,567		39,567	
U.S. Treasury	9,001		9,001	
Total Fixed Income Securities	54,323		54,323	
Equity Securities				
Pooled Investments	607,593	607,593		
Total Equity Securities	607,593	607,593		
Total Investments by Fair Value Level	$ 661,916	$ 607,593	$ 54,323	$

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows (in thousands):

Governmental Activities	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 2,406,891	9,655	(19)	$ 2,416,527
Easements	4,940,402	10,862	(5,329)	4,945,935
Software in progress	60,075	55,753	(93,822)	22,006
Construction in progress-buildings and improvements	336,142	196,027	(202,410)	329,759
Construction in progress-infrastructure	309,641	103,902	(74,583)	338,960
Subtotal	8,053,151	376,199	(376,163)	8,053,187
Capital assets, being depreciated:				
Buildings and improvements	5,103,121	504,196	(2,775)	5,604,542
Equipment	1,554,173	122,437	(65,988)	1,610,622
Software	846,888	97,011	(328,294)	615,605
Infrastructure	7,832,258	68,505	(26,332)	7,874,431
Subtotal	15,336,440	792,149	(423,389)	15,705,200
Less accumulated depreciation for:				
Buildings and improvements	$ (1,782,389)	(186,521)	1,021	$ (1,967,889)
Equipment	(1,114,333)	(109,655)	64,610	(1,159,378)
Software	(456,468)	(60,826)	309,432	(207,862)
Infrastructure	(3,842,262)	(159,185)	5,875	(3,995,572)
Subtotal	(7,195,452)	(516,187)	380,938	(7,330,701)
Total capital assets, being depreciated, net	8,140,988	275,962	(42,451)	8,374,499
Governmental activities capital assets, net	$ 16,194,139	652,161	(418,614)	$ 16,427,686
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 153,058			$ 153,058
Easements	31,522	56		31,578
Construction in progress-buildings and improvements	123,111	122,238	(12,369)	232,980
Construction in progress-infrastructure	35,855	9,392	(1,816)	43,431
Subtotal	343,546	131,686	(14,185)	461,047
Capital assets, being depreciated:				
Buildings and improvements	2,661,548	87,500		2,749,048
Equipment	330,976	30,639	(6,821)	354,794
Software	58,922			58,922
Infrastructure	1,257,027	1,816		1,258,843
Subtotal	4,308,473	119,955	(6,821)	4,421,607

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less accumulated depreciation for:				
Buildings and improvements	$ (774,204)	(67,388)		$ (841,592)
Equipment	(223,420)	(29,408)	5,993	(246,835)
Software	(30,915)	(4,127)		(35,042)
Infrastructure	(577,836)	(23,480)		(601,316)
Subtotal	(1,606,375)	(124,403)	5,993	(1,724,785)
Total capital assets, being depreciated, net	2,702,098	(4,448)	(828)	2,696,822
Business-type activities capital assets, net	$ 3,045,644	127,238	(15,013)	$ 3,157,869
Total capital assets, net	$ 19,239,783	779,399	(433,627)	$ 19,585,555

Depreciation Expense

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

Governmental activities:	
General government	$ 40,703
Public protection	176,830
Public ways and facilities	90,613
Health and sanitation	45,703
Public assistance	31,670
Education	7,266
Recreation and cultural services	87,955
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	35,447
Total depreciation expense, governmental activities	$ 516,187
Business-type activities:	
Hospitals	$ 90,463
Waterworks	23,936
Aviation	2,350
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,654
Total depreciation expense, business-type activities	$ 124,403

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2017, was as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 92,611			$ 92,611
Construction in progress-buildings and improvements	3,621	1,448	(3,399)	1,670
Subtotal	96,232	1,448	(3,399)	94,281
Capital assets, being depreciated:				
Buildings and improvements	224,678	3,802	3,147	231,627
Equipment	9,332	349	(599)	9,082
Subtotal	234,010	4,151	2,548	240,709
Less accumulated depreciation for:				
Buildings and improvements	$ (147,903)	(4,566)		$ (152,469)
Equipment	(7,213)	(1,089)	685	(7,617)
Subtotal	(155,116)	(5,655)	685	(160,086)
Total capital assets being depreciated, net	78,894	(1,504)	3,233	80,623
CDC capital assets, net	$ 175,126	(56)	(166)	$ 174,904

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2017, was as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,739	27		2,766
Subtotal	14,815	27		14,842
Less accumulated depreciation for:				
Buildings and improvements	$ (2,678)	(243)		$ (2,921)
Equipment	(2,583)	(67)		(2,650)
Subtotal	(5,261)	(310)		(5,571)
Total capital assets being depreciated,net	9,554	(283)		9,271
First 5 LA capital assets, net	$ 11,593	(283)		$ 11,310

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 golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included these 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, 2017, the present value of the installment payments under contract is estimated to be $90.08 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rates of 5.12% and 3.55% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 4 months to 22 years as of June 30, 2017. The FY 2016-2017 total monthly installment payments are approximately $681,000. 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 acquisition value of the golf courses, including buildings and land, is reported at $23.60 million as of June 30, 2017.

8. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the County Employees’ Retirement Law of 1937 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Los Angeles Superior Court
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

Benefits are authorized in accordance with the California Constitution, the CERL, the bylaws, and procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

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 or at www.LACERA.com.

Contributions

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 2016-2017:

July 1, 2016 - June 30, 2017	A	B	C	D	E	G
General Members	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%
Safety Members	32.25%	25.94%	21.93%			

The rates were determined by the actuarial valuation performed as of June 30, 2015. Some of the assumptions used in the actuarial valuation performed as of June 30, 2016 were updated, including lowering the investment rate of return from 7.50% to 7.25%. The LACERA Board of Investments adopted the recognition of the increase in the calculated employer contribution rates due to the new assumptions over a three year period. As a result, the employer contribution rates used in fiscal year 2017-2018 will increase from 1.48% to 2.20% over the rates used in 2016-2017 and may increase again during the following two fiscal years.

8. PENSION PLAN-Continued

Contributions-Continued

Employee rates vary by option and employee entry age from 5% to 16% of their annual covered salary.

During fiscal year 2016-2017, the County contributed the full amount of the Actuarial Determined Contribution, as determined by the actuarial valuations, in the form of semi-monthly cash payments in the amount of $1.301 billion.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a liability of $10.273 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68 and 71. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net pension liability was based on a projection of the County's future contribution effort to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2016, the County's proportionate share was 96.17%, which was an increase of 0.09% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $1.310 billion which is reported as $1.120 billion for governmental activities and $190.33 million for business-type activities. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$	$ 2,258,100
Change in experience	898,630	
Change in proportion and differences between County contributions and proportionate share of contributions	63,329	103,176
Contributions made subsequent to measurement date		1,300,711
Total	$ 961,959	$ 3,661,987

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 68. Investment gains or losses are recognized in pension expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is 8 years.

8. PENSION PLAN-Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to pension, will be recognized in pension expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2018	$ 146,782
2019	146,784
2020	869,816
2021	558,829
2022	(133,969)
Thereafter	(188,925)

Deferred outflows of $1.301 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Actuarial Assumptions

Valuation Timing	June 30, 2015, rolled forward to June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Inflation	3.00%
Investment Rate of Return	7.63%, net of investment expense
Cost of Living Adjustments	Based on changes in the Consumer Price Index from the previous January 1 to the current January 1, to the nearest 0.50% to 1.00%, limited to a maximum of 3.00%.
Mortality	Various rates based on RP-2000 mortality tables and using static projection of improvement to 2025 using Projection Scale AA. See June 30, 2015 actuarial valuation for details. It can be found at www.LACERA.com.
Experience Study	Covers the three year period ended June 30, 2013.

8. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.50%, net of all expenses) was determined using a building block method in which a median, or expected, geometric rate of return was developed for each major asset class. The median rates were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages.

For the year ended June 30, 2016:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (Geometric)
Global Equity	41.40%	8.20%
Fixed Income	27.80%	5.10%
Real Estate	11.00%	7.10%
Private Equity	10.00%	9.40%
Commodities	2.80%	4.10%
Hedge Funds	5.00%	5.60%
Other Opportunities	0.00%	7.00%
Cash	2.00%	2.30%
TOTAL	100.00%	7.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.63%. This is equal to the 7.50% long-term investment return assumption adopted by LACERA (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net pension liability calculated using the discount rate of 7.63%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.63%) or 1-percentage point higher (8.63%) than the current rate (in thousands):

	1% Decrease (6.63%)	Discount Rate (7.63%)	1% Increase (8.63%)
Net Pension Liability	$17,454,587	$10,272,671	$ 4,266,892

8. PENSION PLAN-Continued

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2016 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Deferred Compensation Plans

The County offers to its employees three deferred compensation plans created in accordance with Sections 401 and 457 of the Internal Revenue Code. One or more of these plans are available to substantially all employees and allow participants to defer a portion of their current income until future years.

Plan Description and Funding Policy

The Deferred Compensation and Thrift Plan was established as a Section 457 defined contribution plan covering employees who have achieved full time and permanent employment status. The Plan is designed to permit these employees to voluntarily defer a portion of their compensation and provide for retirement and death benefits. The plan is funded by employer and employee contributions. As of June 30, 2017, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2017, were $226.27 million.

The Savings Plan is a Section 401(k) defined contribution plan covering eligible full-time permanent employees of the County not covered by collective bargaining agreements and who desire to participate in the Plan. Employees eligible for voluntary participation in this plan are also eligible for participation in the Deferred Compensation and Thrift Plan. The plan is funded by employer and employee contributions. As of June 30, 2017, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2017, were $60.04 million.

The Pension Savings Plan is a Section 457 defined contribution plan covering part-time, temporary and seasonal County employees who are not eligible to participate in the retirement programs provided through the LACERA. The Plan was established in lieu of employee coverage under Social Security. Participation in the plan is mandatory and employees must contribute a minimum of 4.5% of their eligible earnings and the County makes a contribution equal to 3% of compensation. Participants may contribute additional amounts beyond the required 4.5%. Total employer contributions for the year ended June 30, 2017, were $7.82 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Wells Fargo Bank, N.A. and invested at the direction of the participants. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

LACERA administers a cost-sharing, multi-employer OPEB or Retiree Healthcare Program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and the South Coast Air Quality Management District.

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.

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 or www.LACERA.com.

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.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable 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 Board entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2016-2017, the County made contributions of $528.91 million on a pay-as-you-go basis. Included in this amount was $56.20 million for Medicare Part B reimbursements and $7.40 million in death benefits. Additionally, $44.50 million was paid by member participants. The County also made payments of $38.58 million for long-term disability benefits. During FY 2016-2017, the County also contributed $61.14 million in excess of the pay-as-you-go amounts. As of June 30, 2017, the net position of the OPEB Trust Fund was $742.88 million.

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

Annual OPEB Cost and Net OPEB Obligation

The County's Annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The OPEB cost and OPEB obligation were determined by the OPEB health care actuarial valuation as of July 1, 2016, and the OPEB long-term disability actuarial valuation as of July 1, 2015. The following table shows the ARC, the amount actually contributed and the net OPEB obligation (in thousands):

	Retiree Health Care	LTD	Total
Annual OPEB required contribution (ARC)	$ 1,885,600	$ 89,253	$ 1,974,853
Interest on Net OPEB obligation	575,321	12,169	587,490
Adjustment to ARC	(504,674)	(11,199)	(515,873)
Annual OPEB cost (expense)	1,956,247	90,223	2,046,470
Less: Contributions made	590,053	38,582	628,635
Increase in Net OPEB obligation	1,366,194	51,641	1,417,835
Net OPEB obligation, July 1, 2016	12,784,915	324,512	13,109,427
Net OPEB obligation, June 30, 2017	$ 14,151,109	$ 376,153	$ 14,527,262

Retiree Health Care Trend Information (in thousands)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 2,097,128	21.46%	$ 11,263,053
June 30, 2016	2,102,048	27.60%	12,784,915
June 30, 2017	1,956,247	30.16%	14,151,109

LTD Trend Information (in thousands)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 80,125	49.82%	$ 271,752
June 30, 2016	90,066	41.42%	324,512
June 30, 2017	90,223	42.76%	376,153

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 2.23%. The actuarial value of assets was $552.90 million. The actuarial accrued liability (AAL) was $24.792 billion, resulting in an unfunded AAL of $24.239 billion. The covered payroll was $6.966 billion and the ratio of the unfunded AAL to the covered payroll was 347.98%. Covered payroll represents the pensionable payroll of employees that are provided pensions through the pension plan.

As of July 1, 2015, 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 $1.090 billion, resulting in an unfunded AAL of $1.090 billion. The covered payroll was $6.949 billion and the ratio of the unfunded AAL to the covered payroll was 15.69%.

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; with some differences in the methods and assumptions used. In both valuations, the projected unit credit cost method was used. The valuation of OPEB health care benefits assumed an annual investment rate of return of 4.50%, a projected general wage increase of 3.25% per annum, and an annual inflation rate of 2.75%. The valuation of OPEB long-term disability benefits assumed an annual investment rate of return of 3.75%, a projected general wage increase of 3.50% per annum, and an annual inflation rate of 3.00%. The increases in salary due to promotions and longevity do not affect the amount of the OPEB program benefits. The valuation for OPEB health care included an actuarial asset valuation, however, the valuation for OPEB long-term disability benefits did not. 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, 2016, OPEB actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	4.40%	4.40%
LACERA Medical Over 65	4.60%	4.40%
Part B Premiums	6.80%	4.35%
Dental (all)	2.00%	3.70%

For the year ended June 30, 2017, LACERA implemented GASB 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Implementation of GASB 74 required changes and additions in the Notes to the Basic Financial Statements, Required Supplementary Information (RSI), and Other Supplementary Information in LACERA's financial report. Significant changes include more extensive note disclosures and new RSI schedules related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

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, 2017 (in thousands):

Year Ending June 30	Governmental Activities
2018	$ 89,169
2019	77,154
2020	57,717
2021	40,360
2022	27,430
2023-2027	75,722
2028-2032	51,605
2033-2037	18,734
2038-2042	14,278
2043-2047	14,278
2048-2052	3,570
Total	$ 470,017

Rent expenses related to operating leases were $96,136,000 for the year ended June 30, 2017.

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, 2017 (in thousands):

Year Ending June 30	Governmental Activities
2018	$ 23,059
2019	22,967
2020	22,830
2021	22,579
2022	22,221
2023-2027	96,461
2028-2032	80,967
2033-2037	43,165
2038-2042	1,431
Total	335,680
Less: Amount representing interest	183,739
Present value of future minimum lease payments	$ 151,941

The following is a schedule of property under capital leases by major classes at June 30, 2017 (in thousands):

	Governmental Activities
Land	$ 18,695
Buildings and improvements	139,555
Equipment	58,097
Accumulated depreciation	(58,937)
Total	$ 157,410

Future rent revenues to be received from noncancelable subleases are $930,000 as of June 30, 2017.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, asset development projects and Whiteman Airport. 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. Whiteman Airport lease is for hanger space. The asset development leases cover remaining periods ranging generally from 5 to 81 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 18 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 51 years and are accounted for in the General Fund. The airport lease covers a remaining period of 15 years and is accounted for in the Aviation Enterprise Fund.

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is $616,835,000. The carrying value of the capital assets associated with the regional park and Whiteman Aiport operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2017 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2018	$ 42,533	$ 182
2019	42,072	187
2020	43,399	192
2021	43,315	197
2022	43,113	201
Thereafter	1,566,964	2,055
Total	$ 1,781,396	$ 3,014

The following is a schedule of rental income for these operating leases for the year ended June 30, 2017 (in thousands):

	Governmental Activities	Business-type Activities
Minimum rentals	$ 42,440	$ 174
Contingent rentals	20,237	
Total	$ 62,677	$ 174

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, pension (see Note 8), 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.

11. LONG-TERM OBLIGATIONS-Continued

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

	Original Par Amount of Debt	Balance June 30, 2017
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.00% to 5.25%	$ 275,535	$ 41,718
NPC Bonds, 2.00% to 5.00%	48,740	30,107
Public Buildings Bonds and Notes, 0.32% to 7.62%	1,075,096	1,102,737
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	404,296
NPC Bond Anticipation Notes, 1.57%	3,557	3,557
Marina del Rey Loans, 4.50% to 4.70%	23,500	14,085
Lease Revenue Obligation Notes, 0.85% to 0.97%	34,642	34,642
Total	$ 1,780,897	$ 1,631,142

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

	Original Par Amount of Debt	Balance June 30, 2017
NPC Bonds, 2.00% to 5.00%	$ 18,540	$ 11,648
Public Buildings Bonds and Notes, 0.32% to 7.62%	774,228	767,034
NPC Bond Anticipation Notes, 1.57%	1,443	1,443
Lease Revenue Obligation Notes, 0.85% to 0.97%	159,728	159,728
Waterworks District Loans, 2.28%	8,869	7,689
Aviation Loan, 2.95%	2,000	1,813
Total	$ 964,808	$ 949,355

Assessment Bonds

The Regional Park and Open Space District (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.

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

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 $41,978,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $14,028,000 and $28,899,000, respectively.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2018	$ 12,320	$ 1,692
2019	12,955	1,039
2020	13,620	352
Subtotal	38,895	$ 3,083
Add: Unamortized bond premiums	2,823	
Total assessment bonds	$ 41,718	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established 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 2016-2017, LACCAL, an Internal Service Fund, issued lease revenue bonds of $37,480,000 primarily to retire BANs of $70,000,000. The difference was paid with lease revenue collected. The allocation of debt between governmental activities and business-type activities was $26,986,000 and $10,494,000, respectively.

Principal and interest requirements on Certificates of Participation (COPs) and Bonds (NPC bonds, 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):

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2018	$ 43,544	$ 66,791	$ 21,862	$ 45,595
2019	40,057	66,076	20,980	44,717
2020	34,892	65,375	19,430	43,783
2021	39,571	56,608	18,728	42,815
2022	50,020	46,521	19,340	41,779
2023-2027	174,862	201,612	110,903	189,984
2028-2032	180,960	152,268	141,290	149,123
2033-2037	174,232	100,504	180,043	96,822
2038-2042	182,198	46,555	194,917	32,372
2043-2047	87,765	8,137	19,185	460
Subtotal	1,008,101	$ 810,447	746,678	$ 687,450
Add: Accretions	43,720			
Unamortized bond premiums	81,023		32,004	
Total certificates of participation and bonds	$ 1,132,844		$ 778,682	

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 2017 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.

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2018	$	$ 19,592
2019		19,592
2020		19,593
2021		19,593
2022	29,710	17,136
2023-2027		85,680
2028-2032	46,370	72,585
2033-2037	62,196	64,767
2038-2042	53,157	42,665
2043-2047	97,824	21,564
Subtotal	289,257	$ 382,767
Add: Accretions	115,039	
Total tobacco settlement asset-backed bonds	$ 404,296	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

BANs are issued by the 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 2016-2017, LACCAL, an Internal Service Fund, issued additional BANs in the amount of $17,957,000 as reflected in governmental activities and $7,043,000 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 $3,410,000 and $5,473,000 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

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. During FY 2016-2017, the County did not obtain any additional loans. As of June 30, 2017, total loans drawn are $3,396,000 on the Sepulveda Feeder Interconnection project and $5,473,000 on the Marina del Rey Waterline Replacement project.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of $4,020,000. To partially finance the acquisition, the Aviation Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for $2,000,000 with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by rental income. During FY 2016-2017, the County did not obtain any additional airport development loans.

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 two irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON, and one revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by sixteen 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 12, 2019. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the two LOCs is $300,000,000, which consists of $100,000,000 of Series A (Bank of the West), and $200,000,000 of Series B (U.S. Bank). The maximum principal amount of the Series C (Wells Fargo) direct placement revolving credit facility is $200,000,000. 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 0.35% of the maximum principal amount of the LOC. For Series B, the letter of credit fee is equal to 0.43% of the maximum principal amount of the LOC. The commitment fee for the Series C revolving notes issued through the Wells Fargo credit facility is equal to 0.30% of the maximum principal amount. As of June 30, 2017, $194,370,000 of LRON issued under the program were outstanding, including $13,100,000 of Series A, $181,270,000 of Series B, and $0 of Series C.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are 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 2016-2017, the County redeemed $18,530,000 and reissued $31,142,000 for governmental activities and reissued $131,428,000 for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional $31,800,000 of new County LRON, which is reported as $3,500,000 for governmental activities and $28,300,000 for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2017 is $194,370,000, which is reported as $34,642,000 for governmental activities and $159,728,000 for business-type activities. The average interest rate on LRON issued in FY 2016-2017 was 0.67%.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for governmental activities and NPC BANS, Waterworks District Loans, Aviation Loan and LRON for business-type activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2018	$ 35,553	$ 634	$ 160,012	$ 141
2019	4,509	593	1,923	220
2020	995	550	491	208
2021	1,039	505	503	196
2022	1,086	458	516	184
2023-2027	6,210	1,513	2,774	725
2028-2032	2,892	197	3,129	369
2033-2037			1,325	46
Total notes, loans, and LRON	$ 52,284	$ 4,450	$ 170,673	$ 2,089

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	$ 38,895	$ 3,083	$	$
Certificates of participation and bonds	1,008,101	810,447	746,678	687,450
Tobacco settlement asset-backed bonds	289,257	382,767		
Notes, loans, and LRON	52,284	4,450	170,673	2,089
Subtotal	1,388,537	$ 1,200,747	917,351	$ 689,539
Add: Accretions	158,759			
Unamortized premiums on bonds payable	83,846		32,004	
Total bonds and notes	$ 1,631,142		$ 949,355	

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. Accordingly, the trust account assets and the related debt service payments for the defeased bonds are not reflected in the County's statement of net position. At June 30, 2017, there were no outstanding bonds and certificates of participation considered defeased.

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2017 (in thousands):

	Balance July 1, 2016	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,471,906	79,585	162,954	$ 1,388,537	$ 91,417
Add: Unamortized premium on bonds payable	85,091		1,245	83,846	1,688
Total bonds and notes payable	1,556,997	79,585	164,199	1,472,383	93,105
Interest accretion on capital appreciation bonds payable	164,005	3,178	8,424	158,759	12,801
Other long-term liabilities:					
Capital lease obligations (Note 10)	158,410	404	6,873	151,941	6,502
Accrued compensated absences	1,380,265	185,107	102,306	1,463,066	89,843
Workers' compensation (Note 18)	2,129,688	566,513	386,466	2,309,735	405,714
Litigation and self-insurance (Note 18)	203,154	74,950	65,564	212,540	157,696
Pollution remediation obligation (Note 19)	16,995	7,245	2,159	22,081	3,294
Net pension liability (Note 8)	6,381,654	2,449,453		8,831,107	
OPEB obligation (Note 9)	10,902,137	1,168,619		12,070,756	
Third party payor	39,306	77,854	55,656	61,504	42,297
Total governmental activities	$22,932,611	4,612,908	791,647	$ 26,753,872	$ 811,252
Business-type activities:					
Bonds and notes payable	$ 917,589	177,265	177,503	$ 917,351	$ 181,874
Add: Unamortized premium on bonds payable	32,905		901	32,004	729
Total bonds and notes payable	950,494	177,265	178,404	949,355	182,603
Other long-term liabilities:					
Accrued compensated absences	202,709	26,012	15,058	213,663	13,339
Workers' compensation (Note 18)	303,306	62,510	35,998	329,818	41,458
Litigation and self-insurance (Note 18)	91,838	7,446	10,305	88,979	25,003
Net pension liability (Note 8)	1,066,720	374,844		1,441,564	
OPEB obligation (Note 9)	2,207,290	249,216		2,456,506	
Third party payor (Note 14)	675,429	377,067		1,052,496	511,165
Total business-type activities	$ 5,497,786	1,274,360	239,765	$ 6,532,381	$ 773,568

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, pension and OPEB, 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 2016-2017, thereby decreasing liabilities for Bonds and Notes by $5,246,000 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, 2017, was as follows (in thousands):

	July 1, 2016	Additions	Maturities	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 19,444	672	2,581	$ 17,535	$ 3,382
Compensated absences	869	1,046	1,059	856	770
Capital lease obligations	611	32	614	29	6
Claims payable	4,369	1,980	2,112	4,237	424
Net pension liability	7,918	8,049		15,967	
OPEB obligation	15		4	11	
Total governmental activities	$ 33,226	11,779	6,370	$ 38,635	$ 4,582
Business-type activities:					
Bonds and notes payable	$ 37,457	183	635	$ 37,005	$ 665
Compensated absences	718	961	945	734	661
Net pension liability	5,946	5,996		11,942	
Total business-type activities	$ 44,121	7,140	1,580	$ 49,681	$ 1,326
Total long-term obligations	$ 77,347	18,919	7,950	$ 88,316	$ 5,908

12. SHORT-TERM DEBT

On July 1, 2016, the County issued $800,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.67%. 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 2016. The notes matured and were redeemed on June 30, 2017.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2017, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $33,107,000 and limited obligation improvement bonds totaling $3,530,000. 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, 2017, the amount of industrial development and other conduit bonds outstanding was $69,060,000.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a joint powers authority between the County and the Public Works Financing Authority, was established to issue bonds that would enable successor agencies to former redevelopment agencies within the County to refund their outstanding tax allocation bonds in order to achieve 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 of successor agencies. 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, 2017, the amount of redevelopment refunding bonds outstanding was $717,846,000.

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: Medi-Cal 2020

On December 30, 2015, the federal Centers for Medicaid and Medicare Services (CMS) approved the special terms and conditions (STCs) for Medi-Cal 2020 - a five-year renewal of California's Section 1115(a) Medi-Cal Demonstration Project, which provides California with new federal funding through programs with an intent to shift focus away from hospital-based and inpatient care, towards outpatient, primary, and preventative care. Medi-Cal 2020 covers the period January 1, 2016 to December 31, 2020.

Revenues for the public hospitals under Medi-Cal 2020 are comprised of:

1) Global Payment Program
2) Public Hospitals Redesign and Incentives in Medi-Cal
3) Whole Person Care

Global Payment Program

The Global Payment Program (GPP) is a payment reform program that aims to change the way county-owned and operated Public Hospital Systems (PHS) in California are compensated for providing care to the remaining uninsured. The program encourages a shift away from cost-based, hospital-centric models of care, through financial incentives to provide cost-effective primary and specialty care.

The GPP funds are comprised of Disproportional Share Hospital (DSH) funds that otherwise would have been allotted to a PHS, and Safety Net Uncompensated Care Pool (SNCP). DSH is a federal program to support safety-net hospital caring for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients. The GPP lifts restrictions that have historically impeded providing services for the remaining uninsured in the most appropriate setting for each patient, and now includes non-traditional methods of care delivery that have not been covered under either program.

The shift from volume to value is done through a value-based point methodology, which takes into account both the value of care to the patient, and the recognition of costs to the health care system.

Each participating PHS has an opportunity to earn a global budget for care to the remaining uninsured, and must meet service thresholds to receive full funding. Points are assigned to services in the following categories:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Global Payment Program-Continued

- Traditional Outpatient (e.g., primary or specialty care visit, dental, ER/urgent care, mental health visit)
- Non-Traditional Outpatient (e.g., health coaching, care navigation, community wellness encounters)
- Technology-Based Outpatient (e.g., nurse advice line, email consultation, provider-to-provider eConsult for specialty care)
- Inpatient and Facility Stays (e.g., trauma care, ICU stays, recuperative care, respite care, sober center stays, skilled nursing facility stays).

The County provides funding for the State of California's (State's) share of the program by "using Intergovernmental Transfers (IGTs)" to draw down federal matching funds.

The estimated GPP revenues and related IGTs recorded in FY 2016-2017, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 294,714	$ 186,310
Olive View-UCLA	119,930	74,866
LAC+USC	502,550	289,122
Rancho	87,150	75,685
Total	$ 1,004,344	$ 625,983

The General Fund received $78.40 million for GPP, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Public Hospital Redesign and Incentives in Medi-Cal

The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is the successor to the 2010 Bridge to Reform waiver's Delivery System Reform Incentive Program (DSRIP), a pay-for-performance program that improves care delivery to prepare California's PHS for an influx of newly covered patients through the implementation of the Affordable Care Act (ACA).

PRIME directs PHS, district, and municipal hospitals to use evidence-based quality improvement methods to achieve ambitious, year-over-year performance targets. All federal funding for this program is contingent on meeting these targets.

Efforts within PRIME include (1) increasing the capability to furnish patient-centered, data driven, team-based care, (2) improving the capacity to provide point-of-care services, complex care management and population health management, (3) improving population and health outcomes, (4) high quality care that integrates physical and behavioral health services in the most appropriate setting and (5) moving towards value-based payments. The estimated revenues below, in thousands, were recorded as "other operating revenues" in FY 2016-2017:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Public Hospital Redesign and Incentives in Medi-Cal-Continued

	PRIME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 139,747	$ 91,327
Olive View-UCLA	66,726	36,229
LAC+USC	74,652	59,371
Rancho	92,102	25,927
Total	$ 373,227	$ 212,854

The General Fund received $52.48 million for PRIME, and were recorded as “Intergovernmental Revenue Federal” on the governmental funds statement.

Whole Person Care

Whole Person Care (WPC) pilot program focuses on coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources.

WPC program is on a calendar year basis, starting with 2016. The General Fund received $142.51 million for WPC revenues, which were recorded as "Intergovernmental Revenue Federal" on the governmental funds statements. In addition, the General Fund recorded $71.23 million of WPC IGT expenditures, which were recorded as health and sanitation expenditures on the governmental funds statement.

Medi-Cal Demonstration Project: Bridge to Reform

Bridge to Reform was approved in November 2010 by CMS, pursuant to Section 1115(a) of the Social Security Act. This waiver affected many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State drew down federal matching funds. Bridge to Reform covered the period November 1, 2010 to October 31, 2015, with a temporary extension to December 31, 2015.

The estimated Bridge to Reform revenues for DSH and SNCP included amounts collected and accrued for FY 2016-2017 as adjusted for over/under-realization of revenues for FYs 2006-2007 through 2014-2015.

The County also provided funding for the State's share of the DSH program by using IGTs to draw down federal matching funds. The IGTs made during FY 2016-2017 were for services provided in FYs 2013-2014. The amounts reported below, in thousands, also include IGTs returned by the State for overpayment.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Bridge to Reform-Continued

	Program Revenues		
	DSH	SNCP	Intergovernmental Transfers Expense
Harbor-UCLA	$ (12,415)	$ 3,439	$ 904
Olive View-UCLA	2,376	1,230	(4,376)
LAC+USC	25,958	7,245	(4,158)
Rancho	(2,706)	1,245	(2,871)
Total	$ 13,213	$ 13,159	$ (10,501)

Managed Care for Seniors and Persons with Disabilities

Under the Medi-Cal Demonstration Project, in an effort to provide more coordinated care and contain costs, Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) are required to enroll in managed care plans, rather than using a fee for service system. In FY 2016-2017, an estimated $320.66 million of SPD revenues were recorded as part of net patient service revenue.

The Medi-Cal Demonstration Project 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 $147.59 million in FY 2016-2017.

The General Fund received $0.60 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection went into effect, the Hospital Presumptive Eligibility program also provided individuals with temporary Medi-Cal benefits while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

The Medicaid Coverage Expansion (MCE), also known as the Optional Medicaid Expansion 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 Federal Property Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100% from July 1, 2016 through December 31, 2016, and 95% effective January 1, 2017.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Affordable Care Act-Continued

Medicaid Coverage Expansion-Continued

During FYs 2015-2016 and 2016-2017, LA Care Health Plan (LA Care), one of the health plans which subcontracts with the County to provide services for their Medi-Cal managed care members, continued to pay the County managed care capitation payments based on the FY 2014-2015 contract rates. The two organizations worked together to determine the new rates and the negotiated rates have been finalized in October 2017 but the agreements have not yet been executed. For the MCE capitated lives, the official MCE rates decreased for these two fiscal years. The County will pay back LA Care in FY 2017-2018 approximately $494.33 million ($228.96 million and $265.37 million for the respective two fiscal years), which was reflected as third party payor liability due within one year. Refer to Third Party Payor Liability section of this Note below for additional information.

In FY 2016-2017, the total estimated MCE revenues and related estimated IGTs, including prior year over/under-realization were as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
MCE	$ 601,505	$ 16,297
MCRS - MCE	168,068	4,230
Total	$ 769,573	$ 20,527

The General Fund received $0.49 million for MCE, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Other Medi-Cal Programs

Medi-Cal Fee-For-Service

The Medi-Cal Demonstration Project restructured the financing method by which the State draws down federal matching funds for the inpatient hospital fee-for service (FFS) to cost-based reimbursement. The nonfederal share of the Medi-Cal FFS are provided by the hospitals primarily through certified public expenditures (CPE) whereby the hospital expends its local funding for services to draw down the federal financing participation, currently provided at a 50% match. For FY 2016-2017, an estimated $344.99 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Physician State Plan Amendment

The Medi-Cal Demonstration Project payment for inpatient and other facility services excluded professional services. State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Medi-Cal 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.

Revenues of $28.02 million were recognized and recorded as part of net patient service revenue during FY 2016-2017 and included adjustments for the over/under-realization of revenues associated with FY 2006-2007 and FYs 2013-2014 through 2016-2017.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). CBRC revenues in FY 2016-2017 were $261.66 million. As of June 30, 2017, the County estimated that approximately $156.42 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. Refer to Third Party Payor Liability section of this Note for additional information.

The General Fund received $0.45 million for CBRC, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Medi-Cal Cost Report Settlements

In FY 2016-2017, the County recognized favorable audit settlements of $40.73 million for FY 2014-2015. The County's various level appeals to the Office of Administrative Appeals of certain audit adjustments have been favorably resolved resulting in $17.48 million of final settlement revenues.

The State auditors are in the process of auditing the FY 2012-2013 and FY 2015-2016 CBRC cost reports and audit reports and settlements are expected by January 2018.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements

The State is obtaining CMS' approval to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to LA Care and Health Net Health Plans for FYs 2015-2016 and 2016-2017. The supplements are funded by IGTs made by the County. The County does not receive the supplemental payments directly from the State; rather, the State contracts with LA Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payments, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State a 20% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2016-2017, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	$ 253,834	$ 145,866
Health Net	47,936	28,657
Total	$ 301,770	$ 174,523

Revenues from the various Medi-Cal programs represent approximately 83% of the hospitals' patient care revenue for the year ended June 30, 2017.

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of $1.052 billion (see Note 11) as of June 30, 2017, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are $511.17 million. Due to a decrease in MCE rates for FYs 2015-2016 and 2016-2017, the County will pay back LA Care in FY 2017-2018 approximately $494.33 million ($228.96 million and $265.37 million for the respective two fiscal years). In addition, it is estimated that the County's Hospitals will pay $16.84 million in additional CBRC unallowable costs in FY 2017-2018. The noncurrent liabilities for third party payors are $541.33 million. The primary programs associated with third party payors liabilities include DSH ($240.27 million), Medi-Cal Inpatient ($83.29 million), SNCP ($54.95 million), GPP ($53.98 million), Medicare ($30.43 million), and SPD ($27.29 million).

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2017 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$ 3,281,948	$ 1,988,695	$ 4,706,662	$ 788,053	$ 10,765,358
Less: Allowance for uncollectible amounts	2,637,131	1,550,174	3,839,351	591,750	8,618,406
Accounts receivable - net	$ 644,817	$ 438,521	$ 867,311	$ 196,303	$ 2,146,952

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, 2017 is as follows (in thousands):

Estimated cost of charity care	$ 578,382
Charity care at established rates	1,141,571
Charges forgone	1,123,754

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. The redirection is based on the assumption that the counties will decrease their cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio is 80% State and 20% County for FYs 2014-2015 and beyond. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2016-2017, the State withheld $5.61 million from the County's Health Realignment funds. This amount withheld is expected to be reconciled against actual revenues and expenses for FY 2016-2017 within two years. The redirection amount will be subject to the State's review and approval. The financial impact of the potential redirection of realignment funding in future years is not yet known.

In FY 2015-2016, the State withheld $100.73 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2015-2016 services in FY 2016-2017, the projected redirection amount is $291.41 million. As a result, the "Intergovernmental Revenue State" revenue has been reduced by $190.68 million in the County's General Fund in FY 2016-2017.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Realignment-Continued

In FY 2014-2015, the State withheld $238.23 million from County's Health Realignment funds. However, based on updated revenues realized for FY 2014-2015 services in FY 2016-2017, the County determined that an additional $127.28 million will most likely be returned to the State. As a result, the "Intergovernmental Revenue State" revenue has been reduced by $127.28 million in the County's General Fund in FY 2016-2017.

In FY 2013-2014, the State withheld $87.50 million from County's Health Realignment funds. However, pursuant to Section 17612.3(d) of the Welfare and Institutions Code, the State Department of Health Care Services (DHCS) completed its reconciliation in July 2016 of the FY 2013-2014 final redirection and determined that the redirection amount for the County of Los Angeles is zero and all $87.50 million was returned to the County. The General Fund received the returned funds which were recorded as "Intergovernmental Revenues State" on the governmental fund statement.

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 (MLK-LA), to operate a new hospital at the MLK-MACC site. The hospital will: 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. The new MLK Community Hospital opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with $50.00 million of coordination start-up funds, $39.10 million of grant funding, and $82.00 million of long-term loan funding, which includes a 30-year loan in the amount of $50.00 million, a 10-year revolving line of credit in the amount of $20.00 million, and a 2-year loan in the amount of $12.00 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of $40.00 million to assist MLK-LA with post-hospital opening expenses. All the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of $48.20 million. In addition, the DHS has committed to make ongoing annual payments of $18.00 million for indigent care support, and $50.00 million of intergovernmental transfers for the benefit of the MLK Hospital.

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, 2017.

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, 2017 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 17,705
	Flood Control District	3,774
	Public Library	3,153
	Regional Park and Open Space District	9,671
	Mental Health Services Act	72,230
	Nonmajor Governmental Funds	58,478
	Harbor-UCLA Medical Center	52,641
	Olive View-UCLA Medical Center	30,778
	LAC+USC Medical Center	44,574
	Rancho Los Amigos Nat'l Rehab Center	9,051
	Waterworks Enterprise Funds	876
	Nonmajor Aviation Funds	11
	Internal Service Funds	5,614
		308,556
Fire Protection District	General Fund	3,205
	Nonmajor Governmental Funds	638
		3,843
Flood Control District	General Fund	3,138
	Nonmajor Governmental Funds	6,967
	Waterworks Enterprise Funds	1,177
	Nonmajor Aviation Funds	169
	Internal Service Funds	12,010
		23,461
Public Library	General Fund	619
	Fire Protection District	3
	Nonmajor Governmental Funds	34
		656

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Regional Park and Open Space District	General Fund	$ 38
Mental Health Services Act	General Fund	6,465
Nonmajor Governmental Funds	General Fund	9,233
	Fire Protection District	15
	Flood Control District	38
	Public Library	1
	Nonmajor Governmental Funds	10,661
	Internal Service Funds	15,203
		35,151
Harbor-UCLA Medical Center	General Fund	19,969
	Fire Protection District	46
	Nonmajor Governmental Funds	23,130
	Olive View-UCLA Medical Center	195
	LAC+USC Medical Center	1,887
	Rancho Los Amigos Nat'l Rehab Center	11,835
		57,062
Olive View-UCLA Medical Center	General Fund	24,634
	Fire Protection District	97
	Nonmajor Governmental Funds	14,205
	Harbor-UCLA Medical Center	42
	LAC+USC Medical Center	10
	Rancho Los Amigos Nat’l Rehab Center	219
		39,207
LAC+USC Medical Center	General Fund	37,319
	Fire Protection District	74
	Nonmajor Governmental Funds	66,926
	Harbor-UCLA Medical Center	2,036
	Olive View-UCLA Medical Center	1,531
	Rancho Los Amigos Nat’l Rehab Center	1,443
	Internal Service Funds	4
		109,333

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	$ 5,983
	Fire Protection District	37
	Harbor-UCLA Medical Center	36,541
	Olive View-UCLA Medical Center	35,506
	LAC+USC Medical Center	68,157
		146,224
Waterworks Enterprise Funds	General Fund	71
	Fire Protection District	125
	Internal Service Funds	1,402
		1,598
Internal Service Funds	General Fund	15,466
	Fire Protection District	67
	Flood Control District	24,294
	Nonmajor Governmental Funds	22,530
	Harbor-UCLA Medical Center	687
	LAC+USC Medical Center	121
	Rancho Los Amigos Nat'l Rehab Center	76
	Waterworks Enterprise Funds	4,067
	Nonmajor Aviation Funds	701
		68,009
Total Interfund Receivables/Payables		$ 799,603

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 augment funding for programs operated in the General Fund and hospitals.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2017 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 1,076
	Public Library	45,024
	Nonmajor Governmental Funds	95,188
	Harbor-UCLA Medical Center	152,263
	Olive View-UCLA Medical Center	128,270
	LAC+USC Medical Center	158,241
	Rancho Los Amigos Nat’l Rehab Center	100,721
	Internal Service Funds	139
		680,922
Fire Protection District	General Fund	2,270
	Nonmajor Governmental Funds	11,865
		14,135
Flood Control District	Nonmajor Governmental Funds	12,895
	Internal Service Funds	5,318
		18,213
Public Library	General Fund	148
	Nonmajor Governmental Funds	1,309
		1,457
Mental Health Services Act	General Fund	333,825
Nonmajor Governmental Funds	General Fund	101,075
	Fire Protection District	8,593
	Public Library	2,888
	Nonmajor Governmental Funds	22,313
	Harbor-UCLA Medical Center	52,355
	Olive View-UCLA Medical Center	35,765
	LAC+USC Medical Center	122,396
	Rancho Los Amigos Nat'l Rehab Center	44,974
	Internal Service Funds	2,907
		393,266
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	4,961
	Rancho Los Amigos Nat'l Rehab Center	29,722
		34,683

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	$ 3,143
	Rancho Los Amigos Nat'l Rehab Center	6,114
		9,257
LAC+USC Medical Center	Nonmajor Governmental Funds	5,775
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	1,459
Waterworks Enterprise Funds	Nonmajor Governmental Funds	76
	Internal Service Funds	769
		845
Internal Service Funds	Flood Control District	2,229
	Nonmajor Governmental Funds	6,669
	Waterworks Enterprise Funds	553
		9,451
Total Interfund Transfers		$ 1,503,288

Interfund Advances

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 $110.20 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2017 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$	$ 16,122	$ 16,122
	Olive View-UCLA Medical Center	4,063	28,260	32,323
	LAC+USC Medical Center		58,804	58,804
	Rancho Los Amigos Nat'l Rehab Center	50,169	7,013	57,182
	Internal Service Funds	2,748		2,748
		56,980	110,199	167,179
Flood Control District	Internal Service Funds	6,474		6,474
Nonmajor Governmental Funds	Internal Service Funds	11,414		11,414
Waterworks Enterprise Funds	Internal Service Funds	1,364		1,364
Total Interfund Advances		$ 76,232	$ 110,199	$186,431

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 funds 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 and the portion of unassigned fund balance reserved for the "Rainy Day" fund 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.

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

- 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.

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in FY 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 are 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, 2017.

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

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

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	$ 1,982,626	$ 21,769	$ 89,046	$ 47,988	$ 168,608	$ 370,087
Budgetary fund balances	1,615,971	191,111	384,774	26,921	111,173	687,517
Subtotal	3,598,597	212,880	473,820	74,909	279,781	1,057,604
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	177,805	1,483	2,776	737		
Accrual of compensated absences	78,639					
Unamortized balance of sale of tobacco settlement revenue	(228,142)					
Change in revenue accruals	(133,216)	(17,481)	(7,397)	(2,894)	(1,389)	(6,612)
Change in OPEB	157,290	9,056		1,472		
Subtotal	52,376	(6,942)	(4,621)	(685)	(1,389)	(6,612)
Fund balance - GAAP basis	$ 3,650,973	$ 205,938	$469,199	$ 74,224	$ 278,392	$1,050,992

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2017, there were contractual commitments of approximately $7.27 million for various general government construction projects and approximately $104.54 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2017, LACERA had outstanding capital commitments to various investment managers, approximating $4.500 billion.

17. OTHER COMMITMENTS-Continued

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, 2017, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 462,464	$ 462,464
Fire Protection District	67,227			67,227
Flood Control District	43,011			43,011
Public Library			10,791	10,791
Regional Park and Open Space District	101,038			101,038
Mental Health Services Act	3,721			3,721
Nonmajor Governmental Funds	83,898	2,885	9,932	96,715
Total Encumbrances	$ 298,895	$ 2,885	$ 483,187	$ 784,967

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as property, aviation, employee fidelity, boiler and machinery, cyber, catastrophic workers’ compensation, art objects, volunteers, special events, public official bonds, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been settlements related to these programs that exceeded self-insured retention in the last three years. Losses did not exceed coverage in FY 2014-2015, FY 2015-2016 or FY 2016-2017.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, natural disasters, inverse condemnation, non-tort and tort liability. 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 recovery/subrogation of approximately 10% of the total liability expenditures. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

18. RISK MANAGEMENT-Continued

As indicated in the following table, the County's workers' compensation balance as of June 30, 2017 was approximately $2.640 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2017. Approximately $67,804,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2017, the County's best estimate of these liabilities is $2.941 billion. Changes in the reported liability since July 1, 2015 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
2015-2016				
Workers' Compensation	$ 2,167,899	$ 672,439	$ (407,344)	$ 2,432,994
Other	266,853	97,924	(69,785)	294,992
Total	$ 2,434,752	$ 770,363	$ (477,129)	$ 2,727,986
2016-2017				
Workers' Compensation	$ 2,432,994	$ 629,023	$ (422,464)	$ 2,639,553
Other	294,992	82,396	(75,869)	301,519
Total	$ 2,727,986	$ 711,419	$ (498,333)	$ 2,941,072

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $204.83 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 a pollution remediation obligation (liability).

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.

19. POLLUTION REMEDIATION-Continued

As of June 30, 2017, the County's estimated pollution remediation obligation totaled $22,081,000. This obligation was associated with the County's government-wide governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liability was 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 the estimated obligation when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligation.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide and the proprietary funds statement of net position as of June 30, 2017 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 and changes in the net pension liability as discussed in Note 8. The unamortized losses on refunding of debt are a deferred charge on refunding resulting 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.

– 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 and from changes in the net pension liability as discussed in Note 8.

Government-wide
Statement of Net Position (in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
Unamortized losses on refunding of debt	$ 17,360		$ 17,360
Pensions	3,122,082	539,905	3,661,987
Total government-wide deferred outflows of resources	$ 3,139,442	539,905	$ 3,679,347
Deferred inflows of resources:			
Service concession arrangements	$ 90,076		$ 90,076
Pensions	783,544	178,415	961,959
Total government-wide deferred inflows of resources	$ 873,620	178,415	$ 1,052,035

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds
Statement of Net Position (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total	ISF Funds
Deferred outflows of resources- Pensions	$ 164,639	105,477	222,071	47,718	$ 539,905	$ 115,193
Deferred inflows of resources- Pensions	$ 59,694	32,544	72,486	13,691	$ 178,415	$ 33,319

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2017 are described as follows:

- The intra-entity sales of future tobacco settlement revenues are 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. 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.

Governmental Funds
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	$					228,142	$ 228,142
Deferred inflows of resources:							
Tobacco settlement revenues	$ 228,142						$ 228,142
Property tax revenues	108,044	25,977	7,763	4,299	4,068	8,108	158,259
Other long-term receivables	84,973	815	100			2	85,890
Total governmental funds deferred inflows of resources	$ 421,159	26,792	7,863	4,299	4,068	8,110	$ 472,291

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, 2017 (in thousands) are as follows:

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
Fund Balances:							
Nonspendable:							
Inventories	$ 48,824	11,131	1	561			1
Long-term receivables	163,457						
Permanent fund principal							2,165
Total Nonspendable	212,281	11,131	1	561			2,166
Restricted for:							
Purpose of fund		194,807	469,099	15,553	278,392	1,050,992	1,020,597
Purpose of utility user tax	60,581						
Grand Avenue project	4,600						
Sheriff Pitchess landfill	2,976						
La Alameda project	2,000						
Capital projects							84,663
Debt service							387,316
Endowments and annuities							134
Total Restricted	70,157	194,807	469,099	15,553	278,392	1,050,992	1,492,710
Committed to:							
Purpose of fund							42,531
Capital projects and extraordinary maintenance	100,190						76,720
Health services-tobacco settlement	44,180						
Budget uncertainties	100,483						
Low to moderate income housing							
Assessor tax system	2,907						
Health services operations	16,000						
Interoperable and countywide communication	7,005						
Services to unincorporated areas	11,877						
Financial system	9,121						
Department of children and family services	8,840						
Health services future financial requirements	6,513						
Affordable Housing	5,558						
Public works-permit tracking system	5,402						

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
TTC remittance processing and mailroom equipment	$ 8,400						
Information technology enhancements	66,863						
Live scan	2,000						
Board budget policies and priorities	33,548						
TTC unsecured property tax system	463						
Sheriff unincorporated patrol	90						
Total Committed	429,440						119,251
Assigned to:							
Purpose of fund			99	58,110			111,658
Future purchases	493,352						
Capital projects							43,154
Imprest cash	1,431						
Total Assigned	494,783		99	58,110			154,812
Unassigned	2,444,312						
Total Fund Balances	$3,650,973	205,938	469,199	74,224	278,392	1,050,992	1,768,939

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 10.00% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10.00%) of excess fund balance, less Board approved carryovers, will be set aside in the Rainy Day Fund and/or OPEB trust fund each year until the 10.00% cap is met. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.

When the Reserve cap of 10.00% is reached, the annual 10.00% of excess fund balance amount should be deposited into the OPEB trust fund to be made available for unfunded retiree health obligations. 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 $409,309,000 is reported as unassigned fund balance in the General Fund.

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 3, 2017, the County issued $800,000,000 in 2017-2018 TRANS, which will mature on June 29, 2018. The TRANS are collateralized by taxes and other revenues attributable to the 2017-2018 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.90%.

Lease Revenue Obligation Notes

On October 2, 2017, the Los Angeles County Capital Asset Leasing Corporation issued an additional $30,000,000 in Lease Revenue Obligation Notes (LRON) with an initial weighted average interest rate of 0.94%. The proceeds are being used to fund capital requirements of various capital projects. The LRON are supported and secured by two separate series of letters of credit, a revolving credit agreement, and pledged County properties.

LACCAL Lease Revenue Bond Anticipation Notes

On October 16, 2017, the LACCAL issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 1.752%. The rates are adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2020. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Net Pension Liability and Related Ratios
Last 10 Fiscal Years[1]
(Dollar amounts in thousands)

	06/30/2016	06/30/2015	06/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	81.749%	86.296%	86.804%
County's proportionate share of the collective net pension liability	$ 10,272,671	$ 7,448,374	$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.170%	96.081%	95.897%
Covered payroll	$ 6,986,004	$ 6,948,738	$ 6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered payroll	147.046%	107.190%	104.269%

Schedule of County's Contributions
Last 10 Fiscal Years[1]
(Dollar amounts in thousands)

	2017	2016	2015
Actuarially Determined Contribution (ADC)	$1,300,711	$ 1,389,628	$ 1,437,555
Less: Contributions in relation to the ADC	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 7,320,575	$6,986,004[2]	$ 6,948,738
Contributions as a percentage of total covered payroll	17.768%	19.892%	20.688%

(1) Historical information is required only for measurement periods for which GASB 68 and 71 is applicable. Eventually, 10 years of data will be shown.
(2) The amount previously reported for June 30, 2016, $7,279,091, included the covered payroll for County and Superior Court employees. The amount shown above, $6,986,004, represents the covered payroll only for County employees.

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

There were no plan changes after June 30, 2013.

Changes of assumptions

None

COUNTY OF LOS ANGELES
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[1] (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	$ 0	$ 25,733,300	$ 25,733,300	0%	$ 6,619,816	388.73%
July 1, 2014	483,800	27,287,900	26,804,100	1.77%	6,672,228	401.73%
July 1, 2016	552,900	24,791,900	24,239,000	2.23%	6,965,700	347.98%

Long-Term Disability

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[1] (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
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%
July 1, 2015	0	1,090,408	1,090,408	0%	6,948,738	15.69%

(1) Covered payroll represents the pensionable payroll of employees that are provided pensions through the pension plan.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

COUNTY OF LOS ANGELES

CALIFORNIA

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Squire Patton Boggs (US) LLP, Bond Counsel to the County, proposes to render its final opinion in substantially the following form:

[Closing Date]

County of Los Angeles
Los Angeles, California

County of Los Angeles
2018-19 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Los Angeles (the "County") in connection with the issuance of $700,000,000 aggregate principal amount of the County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes, dated the date hereof. The Notes are being issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the County on May 15, 2018 (the "Resolution") and the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2018-19 Tax and Revenue Anticipation Notes, dated the date hereof (the "Financing Certificate"). In such connection, we have reviewed: the Resolution; the Financing Certificate; a tax certificate of the County with exhibits, dated the date hereof (the "Tax Certificate"); the opinion of counsel to the County; certificates of the County and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Financing Certificate.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes is concluded with their issuance on this date, and we disclaim any obligation to update this opinion. We have assumed and relied upon, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by and validity thereof against any parties other than the County. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications and have assumed compliance with the covenants of the County in the Financing Certificate, the Tax Certificate and other relevant documents to which it is a party. The accuracy of certain of those representations and certifications, and compliance by the County with certain of their covenants, may be necessary for interest on the Notes to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Notes may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Notes and the Financing Certificate and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Notes constitute the valid and binding obligations of the County.

2. The Financing Certificate has been duly authorized, executed and delivered by and constitutes the valid and binding obligation of the County.

3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the County for the fiscal year ending June 30, 2019 and lawfully available for the payment of the Notes, and the interest thereon, and are secured by a pledge of certain moneys, all as specified in the Resolution and the Financing Certificate.

4. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). Interest on the Notes is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Notes.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES
CALIFORNIA

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and County and the Underwriters take no responsibility for the completeness or accuracy thereof. The County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company, New York, NY, will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and other payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the County's designated agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the DTC account of the County's designated agent.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Resolution and Financing Certificate with respect to certificated Notes will apply.

12. The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Notes are not subject to redemption prior to maturity.

NONE OF THE COUNTY OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR REDEMPTION.

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COUNTY OF LOS ANGELES • 2018-19 Tax and Revenue Anticipation Notes

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Printed by: ImageMaster, LLC
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