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

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings:
Fitch: "AA-"
Moody's: "Aa2"
S&P: "AA"
(See "RATINGS" herein.)

$37,480,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2017 SERIES A
(LAC-CAL Equipment Program)

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

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2017 Series A (LAC-CAL Equipment Program) (the "Bonds"), are being issued to finance the acquisition of certain equipment, machinery, vehicles and other tangible personal property to be leased to the County of Los Angeles, California (the "County") pursuant to a Lease Agreement, dated as of June 1, 2017 (the "Lease") by and between the County, as lessee, and the Los Angeles County Capital Asset Leasing Corporation, as lessor (the "Corporation"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County pursuant to the Lease and from certain other sources, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued in authorized denominations of $5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on December 1, 2017. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS" herein and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

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

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

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

The Bonds will be offered when, as and if issued subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. Certain legal matters will be passed upon for the County and the Corporation by County Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about June 29, 2017.

Dated: June 20, 2017

MATURITY SCHEDULE

$37,480,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2017 SERIES A
(LAC-CAL Equipment Program)

Maturity	Principal Amount	Interest Rate	Yield	CUSIP†
December 1, 2017	$8,520,000	5.00%	0.80%	54466LFK8
June 1, 2018	7,875,000	5.00	0.80	54466LFL6
December 1, 2018	7,745,000	5.00	0.82	54466LFM4
June 1, 2019	6,800,000	5.00	0.95	54466LFN2
December 1, 2019	3,780,000	5.00	1.00	54466LFP7
June 1, 2020	2,145,000	5.00	1.04	54466LFQ5
December 1, 2020	615,000	5.00	1.05	54466LFR3

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2017 SERIES A
(LAC-CAL Equipment Program)

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

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

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Corporation.

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

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

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$37,480,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2017 SERIES A
(LAC-CAL Equipment Program)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in the Indenture and the Lease. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Definitions."

General Description

This Official Statement, including the cover page and attached Appendices (the "Official Statement"), provides certain information concerning the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2017 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $37,480,000. The Bonds will be issued pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the California Government Code and an Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to (1) redeem certain bond anticipation notes of the County (the "BANs"), whose proceeds were originally used to finance the acquisition of certain equipment, machinery, vehicles, and other tangible personal property (as more fully described herein, the "Equipment"), (ii) fund the Reserve Fund established pursuant to the Indenture and (iii) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Equipment will be leased pursuant to the Lease Agreement, dated as of June 1, 2017 (the "Lease"), by and between the Corporation and the County of Los Angeles (the "County").

General Terms of the Bonds

The Bonds are dated and will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1, commencing on December 1, 2017 (each, an "Interest Payment Date"). The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Bonds will be delivered in book-entry form only and when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds are not subject to optional redemption prior to maturity, but are subject to extraordinary redemption as described herein. See "THE BONDS" herein.

Security and Sources of Payment for the Bonds

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

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

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

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,083 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 additional economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Limited Liability

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

Continuing Disclosure

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

ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES:	
Principal Amount of Bonds	$37,480,000.00
Original Issue Premium	2,119,808.20
County Contribution	32,503,760.85
TOTAL SOURCES	$72,103,569.05
USES:	
Redemption of BANs	$70,896,866.65
Debt Service Reserve Fund	1,000,000.00
Costs of Issuance Account [(1)]	192,954.74
Underwriter's Discount	13,747.66
TOTAL USES	$72,103,569.05

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

THE BONDS

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

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on each Interest Payment Date, commencing on December 1, 2017. The Bonds will be delivered in book-entry form only and when issued, authenticated and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive Bonds representing their ownership interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Redemption

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

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

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected proportionately among maturities, and within a maturity, the Trustee shall select Bonds for redemption by lot.

The portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

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

The Trustee shall give notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the owners of Bonds designated for redemption at their addresses appearing on the Bond Register as of the close of business on the day before such notice is given. Neither failure to receive any such notice nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of any Bond. Such redemption notice shall also be given at least 30 days before the redemption date, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to DTC and to one of the Information Services. Neither failure to give the notice described in the immediately preceding sentences nor any defect in the notices shall in any manner affect the redemption of any Bond.

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

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

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

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

Base Rental and Additional Rental

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

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

Lease Payment Date[(1)]	Principal Component	Interest Component	Base Rental Payment
December 1, 2017	$8,520,000	$791,244.44	$9,311,244.44
June 1, 2018	7,875,000	724,000.00	8,599,000.00
December 1, 2018	7,745,000	527,125.00	8,272,125.00
June 1, 2019	6,800,000	333,500.00	7,133,500.00
December 1, 2019	3,780,000	163,500.00	3,943,500.00
June 1, 2020	2,145,000	69,000.00	2,214,000.00
December 1, 2020	615,000	15,375.00	630,375.00

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

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

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

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

Reserve Fund

Amounts on deposit in the Reserve Fund established pursuant to the Indenture are pledged to pay principal of and interest on the Bonds. The Reserve Fund will initially be funded from the proceeds of the Bonds in the amount of $1,000,000. The Reserve Requirement means, as of any date of calculation, the lesser of (i) $1,000,000 or (ii) the total remaining unpaid principal and interest on the Bonds. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts if available to make up the deficiencies. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is less than the Reserve Requirement, the Trustee shall promptly notify the Lessor and Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture - Funds and Accounts."

Substitution of Equipment Components

The County shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Equipment description for the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the then existing description attached to Lease. As a result of any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease – Substitution of Equipment Components."

Abatement

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

Insurance

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

No Acceleration Upon an Event of Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture – Events of Default and Remedies of Owners" and RISK FACTORS - "No Acceleration Upon an Event of Default; Limitations on Remedies".

Investment of Funds and Accounts

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

Description of the Equipment

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

THE CORPORATION

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

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

RISK FACTORS

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

Not a Pledge of Taxes

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

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Equipment is available for its use and possession, the County will take such action as may be necessary to include all Base Rental payments due under the Lease in any Fiscal Year during the term of the Lease in its annual budgets for the Fiscal Year and to make the necessary annual appropriations for all such Base Rental payments, except to the extent such payments are abated in accordance with the Lease. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rental payments.

Additional Obligations of the County

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

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Equipment, taxes and other governmental charges levied against the Equipment) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due. The County's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution.

No Acceleration Upon an Event of Default; Limitations on Remedies

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

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

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

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Equipment. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. If the County's self-insurance reserves are inadequate or if the County receives insufficient commercial insurance proceeds to repair or replace any portion of the Equipment which is damaged or destroyed, the amount of Base Rental payable under the Lease could be abated. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Abatement" herein and "-Abatement" below.

Abatement

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

Such reduced or abated Base Rental, together with other moneys available to the Trustee, may not be sufficient, after depletion of amounts in the Reserve Fund and expiration of rental interruption insurance with respect to the Equipment, if any, to pay principal of and interest on the Bonds in the amounts and at the rates set forth thereon. In such an event, all Bondowners would forfeit the right to receive a pro rata portion of interest attributable to abated Base Rental in any year of abatement and, to the extent Bonds matured during a period of abatement, such Bondowners would forfeit the right to receive a pro rata portion of principal attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not constitute a default under the Lease or the Indenture.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles, as now or hereinafter enacted, that may affect the enforcement of creditors' rights.

The County and the Corporation are not subject to the involuntary procedures under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County and the Corporation may seek voluntary protection from their respective creditors for purposes of adjusting their respective debts. In the event of such entities was to become a debtor under the Bankruptcy Code, the affected entity would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the affected entity, or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the affected entity, or otherwise enforcing the obligations of the affected entity, and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of the Bondowners; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the affected entity's various obligations without the consent of the Trustee or all of the Bondowners, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Bondowners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interest of creditors. The provisions of the transaction documents that require the County to make payments directly to the Trustee rather than to the Corporation may no longer be enforceable, and all payments may be required to be made to the Corporation. In addition, in a bankruptcy of the Corporation, the assignment by the Corporation to the Trustee of the Lease could be characterized as a pledge rather than an absolute assignment. Such a characterization could result in delays or reductions in payments on the Bonds or other losses to the Bondowners.

In addition, if the Lease were determined to constitute a true lease by bankruptcy court (rather than a financing lease in connection with the extension of credit), the County or the Corporation, as the case may be, may be able to either reject the Lease, assume or assume and assign the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the affected entity an event of default thereunder. In the event the affected entity rejects the Lease, as applicable, the Trustee, on behalf of the Bondowners, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim could be treated in a manner under a Plan over the objections of the Trustee or Bondowners. Moreover, such rejection may terminate the Lease and the obligations of the County to make payments under the Lease but could result in the affected entity remaining in possession of the Equipment, notwithstanding its rejection of the Lease.

No Liability of Corporation to the Bondowners

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

Economic Conditions in the State of California

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

TAX MATTERS

Opinion of Bond Counsel

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

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

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

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

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

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

Bond Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

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

CERTAIN LEGAL MATTERS

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

MUNICIPAL ADVISOR

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

LITIGATION

No litigation is pending, or to the best knowledge of the County and the Corporation, threatened against the County or the Corporation concerning the validity of the Bonds or challenging any action taken by the County or the Corporation in connection with the authorization of the Indenture or the Lease or any other document relating to the Bonds to which the County or the Corporation is or is to become a party or the performance by the County or the Corporation of any of their obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make Base Rental payments. See also Note 18 of "Notes to the Basic Financial Statements" included in APPENDIX B, which discusses this liability as of June 30, 2016. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

RATINGS

Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "AA-"," Moody's Investors Service ("Moody's") has assigned the Bonds a rating of "Aa2" and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds a rating of "AA." Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective rating agencies at: Fitch, Inc., One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The County undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate"), the County has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the County by not later than April 1 of each year, commencing April 1, 2018, for the prior fiscal year, in the form of an annual report (the "Annual Report"), and, no later than ten (10) business days after their occurrence, to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the County with the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the County's continuing disclosure obligations are set forth in Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12.

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

UNDERWRITING

The Certificates were sold at competitive bid on June 19, 2017. The Bonds were awarded to Goldman Sachs & Co. LLC (the "Underwriter"), at a purchase price of $39,586,060.54, which amount is equal to the original principal amount of the Bonds of $37,480,000, plus an original issue premium of $2,119,808.20, less an underwriting compensation in the amount of $13,747.66. The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page of this Official Statement.

ADDITIONAL INFORMATION

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

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

This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County and the Board of Directors of the Corporation.

ANTOINETTE CHANDLER
ASSISTANT TREASURER AND TAX COLLECTOR
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COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES
CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,083 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 10.2 million in 2016, 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, 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, which was designed to improve the operational efficiency of County governance. The new governance structure 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.

Over the last several years, the County has experienced significant changes to its elected leadership, senior management personnel and governance structure. 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 on December 1, 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 on December 5, 2016.

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, which will facilitate more effective decision making and greater responsiveness to the Board of Supervisors' policy objectives.

COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan was designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided 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, 162 debris basins, an estimated 120,000 catch basins, 42 sediment placement sites, and over 3,357 miles of storm drains and channels. County lifeguards monitor 31 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily inmate population of approximately 17,900 inmates.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 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 63,000 acres of parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 18 major regional parks, 162 local and community regional parks, 29 public swimming pools, over 350 miles of horse and hiking trails, and 20 golf courses. The County also maintains botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, providing County residents with a valuable environmental and educational resource.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has received national recognition as one of the best large employers in the nation. In 2016, the County was ranked number 39 on the Forbes Magazine ("Forbes") list of the 500 Best Large Employers in America. Of the top 500 employers on the Forbes list, the County was the highest ranked county government and the fourth highest rated government entity.

The County has a total workforce of approximately 95,360. Approximately 88.2% of the County workforce is 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 56.8% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-five (25) collective bargaining units that represent 23.5% of County employees; and the Independent Unions (the "Independent Unions"), which encompass twelve (12) collective bargaining units that represent 7.9% 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 Board of Supervisors has approved Memoranda of Understanding ("MOUs") with all of its collective bargaining units covering wages, salaries and fringe benefits. All of the MOUs covering wages and salaries have three-year terms and provide 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.

The two (2) MOUs covering fringe benefits, which expire on September 30, 2018, include provisions to change 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).

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.

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 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, 2016 was 170,885, consisting of 72,545 active vested members, 22,899 active non-vested members, 61,914 retired members and 13,527 terminated vested (deferred) members. Of the 95,444 active members (vested and non-vested), 82,916 are general members in General Plans A through G, and 12,528 are safety members in Safety Plans A through C.

Of the 61,914 retired members, 50,034 are general members in General Plans A through E, and 11,880 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, 2016, approximately 56% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 90% 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, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2017-18 for new employees hired on and after January 1, 2013 is 19.55% for General Plan G and 25.24% for Public Safety Plan C. The new employer contribution rates are lower than the comparative rates of 19.68% for General Plan D participants and 26.27% 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 annual valuations to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability ("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 a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman. The two most significant changes in the 2009 Funding Policy are described as follows:

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

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

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

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

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"). The 2013 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.75% and 3.25% to 3.5% and 3.0%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2013, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2013 Actuarial Valuation, with the exception of the assumed rate of return, which 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, 2015 Actuarial Valuation (the “2015 Actuarial Valuation”), LACERA reported a rate of return on Retirement Fund assets of 4.3%, which was lower than the 7.50% assumed rate of return. With the weaker than assumed investment performance, the market value of Retirement Fund Assets increased by $1.096 billion or 2.3% to $48.818 billion as of June 30, 2015. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $3.674 billion or 8.4% from $43.645 billion to $47.328 billion as of June 30, 2015. The 2015 Actuarial Valuation reported that the AAL increased by $1.877 billion to $56.819 billion, but the UAAL decreased by $1.797 billion to $9.490 billion from June 30, 2014 to June 30, 2015.

Due to the recognition of significant deferred actuarial investment gains, which more than offset the weaker than assumed investment performance, the Funded Ratio increased from 79.5% to 83.3% as of June 30, 2015.

The 2015 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2016. The County’s required contribution rate decreased from 19.33% to 17.77% of covered payroll in Fiscal Year 2016-17. The decrease in the contribution rate is comprised of a decrease in the funding requirement to finance the UAAL over 30 years from 10.04% to 8.49%, and a decrease in the normal cost contribution rate from 9.29% to 9.28%.

The 2015 Actuarial Valuation did not include $980 million of net deferred investment gains that will be partially recognized and available to offset any future actuarial investment losses over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 85.0% as of June 30, 2015, and the required County contribution rate would have been 16.97% for Fiscal Year 2016-17.

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.

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 increase in the Funded Ratio to 83.30% as of June 30, 2015, represented the second consecutive year of improved funding for the Retirement Fund since June 30, 2007. The Funded Ratio as of June 30, 2016 decreased to 79.35% from the prior year, primarily due to changes in the actuarial assumptions for the 2016 Actuarial Valuation.

The 2016 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2017. The County’s required contribution rate will increase 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 is 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 partial recognition of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions recommended by Milliman for the 2016 Actuarial Valuation. The Board of Investments approved a gradual phase-in of the increase in the contribution rate over a three-year period, with the remaining balance of the increase reflected in higher contribution rates for Fiscal Years 2018-19 and 2019-20. 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 be 21.21%.

The 2016 Actuarial Valuation does 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.

As of March 31, 2017, LACERA reported a 9.9% fiscal year to date 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, 2017 were 24.9% domestic equity, 23.6% international equity, 23.3% fixed income, 11.8% real estate, 9.2% private equity, 2.0% commodities, 2.8% hedge funds and 2.4% 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”) on page A-11.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2014-15 and 2015-16, the County’s total contributions to the Retirement Fund were $1.430 billion and $1.384 billion, respectively. In Fiscal Year 2016-17, the County’s required contribution payments are projected to decrease by over $48 million to $1.336 billion. For Fiscal Year 2017-18, the County is estimating retirement contribution payments to LACERA of $1.512 billion, which would represent a 13.2% or $175.7 million increase from Fiscal Year 2016-17.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2018 is presented in Table 3 (“County Pension and OPEB Payments”) on page A-11.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") was $470.71 million as of June 30, 2012. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve to fund the establishment of a trust to help address the County's substantial liability related to other post-employment benefits ("OPEB"). As of June 30, 2016, the remaining balance in the County Contribution Credit Reserve was $21.891 million, all of which is attributable to the Los Angeles Superior Court.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2016, $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 2015 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would have increased from 19.70% to 20.19% for Fiscal Year 2017-18, and the Funded Ratio would have decreased from 79.4% to 78.4% as of June 30, 2016. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $35 million in Fiscal Year 2017-18.

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 has been 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, 2016 the County reported a Net Pension Liability of $7.448 billion, which represents a $491 million or 7% increase from the $6.957 billion Net Pension Liability reported as of June 30, 2015.

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.

In Fiscal Years 2014-15 and 2015-16, the total "pay as you go" payments from the County to LACERA for retiree health care benefits were $450.2 million and $507.7, respectively. In Fiscal Year 2016-17, payments to LACERA for OPEB are projected to increase by $21.8 million or 4.3% to $529.5 million. For Fiscal Year 2017-18, the County is projecting $558.3 million in OPEB payments to LACERA, which would represent a 5.4% or $28.8 million increase from Fiscal Year 2016-17.

Financial Reporting for Other Postemployment Benefits

GASB had previously issued two statements that address financial reporting requirements for 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 will be implemented with the issuance of LACERA’s Fiscal Year 2016-2017 financial statements and will expand the OPEB-related note disclosures and supplementary information contained therein.

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, 2016, the County’s Statement of Net Position recognized $13.109 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.

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

For the Fiscal Year ended June 30, 2016, the County reported a net OPEB obligation of $13.109 billion, which represents 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.

The June 30, 2016 OPEB ARC of $2.192 billion, which includes $2.102 billion for retiree health care benefits and $90.0 million for long-term disability benefits, represents a $14.861 million or 0.68% increase from the $2.177 billion obligation as of June 30, 2015. The OPEB ARC was partially offset by $617.0 million in total County contribution payments, resulting in an increase in the net OPEB obligation of $1.575 billion in Fiscal Year 2015-16. The total County contribution payments in Fiscal Year 2015-16 were 28.2% of the OPEB ARC, which represents an increase from the 22.5% funding level in Fiscal Year 2014-15.

Funding for Other Postemployment Benefits

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the “OPEB Trust”) between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve for the initial funding of the OPEB Trust.

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. For Fiscal Year 2016-17, the County is projecting a contribution to the OPEB Trust in the amount of $61.175 million, which will be funded by a $25.0 million Net County Cost ("NCC") contribution from the General Fund and $36.175 million of subvention revenue received from Federal, State and other local government entities. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately $60 million per year, including an annual $25 million increase in the NCC contribution from the General Fund and a $35 million annual increase funded by subvention revenue. For Fiscal Year 2017-18, the County is projecting a deposit to the OPEB Trust in the amount of $120.833 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, 2017, the balance of the OPEB Trust was $689.8 million, of which $664.0 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.

In Fiscal Years 2014-15 and 2015-16, the County made total DBP payments of $39.9 million and $37.3 million, respectively. For Fiscal Year 2016-17, the County is estimating total DBP payments of $38.4 million. For Fiscal Year 2017-18, the County is projecting total DBP payments in the amount of $41.3 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 potential liability exposure to the County is estimated to be $15 million.

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al* was a Federal class action lawsuit filed by the American Civil Liberties Union alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff’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 Sherrif’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.

Health and Social Services Cases

In February, 2014, Sutherland Health Care Solutions, a County contract provider that provides claim and billing services to the Department of Health Services was the victim of a commercial burglary in which a number of desktop computers were stolen. The burglary resulted in the breach of approximately 338,000 individual patient accounts. Four separate class action lawsuits were originally filed against the County and Sutherland Health Care Solutions: *A. Doe v. Sutherland Healthcare Solutions, et al., Harasim et al., v. County of Los Angeles, et al., Rogers, et al., v. Sutherland Healthcare Solutions, Inc. et al, and Kamon, et al, v. Sutherland Healthcare Solutions, Inc. et.al*. The plaintiffs in *Rogers* voluntarily dismissed its case, reducing the number of pending cases to three, which have been consolidated. Under the State's California Medical Information Act, the plaintiff can assert both nominal and actual damages, as well as seek attorneys' fees. While the plaintiffs may also assert punitive damages, the County would not be subject to payment on such claims. Nominal damages and attorneys' fees could exceed $700 million. Should the State claim regulatory damages and civil penalties, those amounts could be $2,500 for each violation. The defendants have filed a motion for summary judgment and discovery is ongoing. Sutherland Health Care Solutions is indemnifying the County to the fullest extent possible and the County faces no monetary liability exposure.

In September 2015, Antelope Valley Hospital ("AVH"), a non-County public hospital which voluntarily contracts with the County as a participant in the County's trauma hospital network, sued the County alleging that AVH is experiencing significant financial difficulties as a result of the County failing to properly allocate certain local parcel tax funds, commonly known as Measure B or trauma tax funds to AVH. The County collects approximately $275 million annually pursuant to Measure B, which was a voter-approved initiative, and allocates those funds between the County's directly operated trauma hospitals and a network of 12 non-County trauma hospitals. Measure B funds are to be used for trauma services, emergency medical services and bioterrorism response, and the initiative does not specify how the funds are to be allocated. In July 2016, the County defeated a writ petition filed by AVH challenging the County's allocation methodology for Measure B funds. In January 2017, AVH's remaining causes of action were dismissed and a notice of entry of judgment was filed. The County expects AVH to appeal.

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 and the court awarded the plaintiff $195,000 in costs. As the prevailing party, the plaintiff is also entitled to reasonable attorneys' fees. The fee motion is scheduled for June 16, 2017 and the plaintiff is requesting an award in the range of $7 million to $28 million. The County intends to oppose the fee motion and projects that any attorneys' fees, if awarded, will be between $4.3 million to $5.6 million.

Tax Cases

In 2008, 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 litigation concerning this issue. The estimated County General Fund exposure from the lawsuits by the other three districts is $18 million. The estimated County General Fund exposure from the LAUSD lawsuit is $52 million. The total estimated County exposure (including separate agencies governed by the same County officials) is $80.7 million. The County has reserved $80.7 million for the expected resolution of these lawsuits, of which $76.3 million is associated with the General Fund, $509,790 is associated with the Public Library Fund, $2.7 million is associated with the Flood Control District Fund, and $1.2 million is associated with the Fire Protection District Fund. A settlement of the lawsuits is currently being negotiated. The next status conference is scheduled for May 18, 2017, and a trial date, if necessary, is scheduled for June 19, 2017.

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. Activity has recently resumed in this case, and a motion for class certification is scheduled for May 23, 2017. The County will oppose the class certification on the basis that at most the plaintiff and 14 people who opted out of a previously settled case are potentially part of the class. The plaintiffs seek $32 million in refunds and the County has set aside reserves of $9 million. The County does not expect the potential liability from this case to materially affect its ability to repay its lease and debt obligations. The case may be tried before the end of 2017.

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.

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
06/30/2009	$30,498,981	$39,541,865	$44,468,636	$4,926,771	88.92%
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	50,809,425	11,770,061	76.83%
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%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2016.

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

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2008-09	$30,498,981	-18.3%	66.8%
2009-10	33,433,888	11.8%	69.9%
2010-11	39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%
2013-14	47,722,277	16.8%	86.0%
2014-15	48,818,350	4.3%	85.0%
2015-16	47,846,694	1.1%	76.1%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2016.

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

	Payments to LACERA				
Fiscal Year	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)	Pension Bonds Debt Service	Total Pension & OPEB Payments
2010-11	$898,803	$406,937	$0	$372,130	$1,677,870
2011-12	1,026,867	424,030	0	0	1,450,897
2012-13	1,118,514	441,062	448,819	0	2,008,395
2013-14	1,262,754	446,979	0	0	1,709,733
2014-15	1,430,462	450,202	0	0	1,880,664
2015-16	1,383,897	507,698	72,489	0	1,964,084
2016-17	1,336,243 *	529,490 *	61,145 *	0	1,926,878
2017-18	1,511,973 *	558,291 *	120,833 *	0	2,191,097

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

COUNTY OF LOS ANGELES
CALIFORNIA

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

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

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

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

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

The General County Budget accounts for approximately 77.7% of the 2017-18 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 2017-18 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 1.2% of the 2017-18 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 7.6% of the 2017-18 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 2.4% of the 2017-18 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 2016-17 is $22,168,221,209. The 2016-17 Final Adopted Budget included proceeds from taxes of $8,235,779,667, 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.

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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.

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

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-23 of this Appendix A, $4.757 billion of the $23.324 billion 2017-18 Recommended General County Budget is received from the Federal government and $6.148 billion is funded by the State. The remaining $12.419 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 16, 2017, President Trump released his "America First" budget blueprint, which outlines his Federal Fiscal Year (FFY) 2018 discretionary spending plan, and a $30 billion FFY 2017 supplemental appropriations request for the Departments of Defense and Homeland Security. The President's FFY 2018 budget blueprint neither covers mandatory spending, such as Social Security, Medicare, and Medicaid, nor revenues. Instead, it only presents broadly described discretionary spending proposals for Federal departments and major agencies without specifying proposed funding levels for individual programs and activities. The budget blueprint calls for

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a $54 billion increase in FFY 2018 discretionary defense spending that would be offset by a corresponding reduction of $54 billion in non-defense spending.

If the budget blueprint were to be enacted, the County would experience an estimated 16.2% reduction in Federal funding for the Department of Health and Human Services (HHS) and a 13.2% reduction in Federal funding for the Department of Housing and Urban Development, which are the two departments through which the County receives most of its discretionary Federal funding. The budget blueprint would also eliminate funding for a number of programs through which the County receives funding, including the Community Development Block Grant, HOME Investment Partnership Program, Community Services Block Grant, and the State Criminal Alien Assistance Program, and other important programs. However, the likelihood of the proposals taking effect in the FFY 2018 Federal Budget may be reduced because the President lacks line-item veto authority and there may be insufficient votes in both houses of Congress to pass the necessary appropriations legislation.

On May 5, 2017, President Trump signed the FFY 2017 Omnibus Appropriations Act, which provides continued funding for Federal programs and operations through the end of FFY 2017 on September 30, 2017. The FFY 2017 Omnibus Appropriations Act will not significantly affect the overall revenue received by the County, as the majority of County programs will continue to be funded at or near the current levels for FFY 2017. President Trump has not yet released his detailed proposed FFY 2018 Federal Budget. There is significant uncertainty regarding the FFY 2018 Federal Budget process, and the future impact on Federal funding for County programs and services cannot be predicted at this time.

STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election (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.

The Fiscal Year 2017-18 Proposed State Budget (the "2017-18 Proposed State Budget") estimated base AB 109 funding at $1.221 billion. The California State Association of Counties submitted a recommendation to the State for a long-term funding distribution formula among the counties. Based on this funding formula, the County expects to receive approximately $410.5 million in Fiscal Year 2017-18, which will provide funding for all County AB 109 programs. In addition, the Board of Supervisors has authorized the use of AB 109 reserves, accumulated from prior-year unused AB 109 funding, to fund pilot programs designed to reduce recidivism and long-term incarceration costs among inmates with mental health illness and substance abuse disorders.

Redevelopment Agencies

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

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

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

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453 million in Fiscal Year 2009-10. In Fiscal Years 2014-15 and 2015-16, the County General Fund received $151.1 million and $144.3 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2016-17 is $171.4 million, while the 2017-18 Recommended Budget includes a projected $186.0 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.

2016-17 STATE BUDGET

On June 27, 2016, Governor Brown signed the Fiscal Year 2016-17 State Budget Act (the "2016-17 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2015-16 of $4.874 billion, total revenues and transfers of $120.310 billion, total expenditures of $122.468 billion, and a year-end surplus of $2.716 billion for Fiscal Year 2016-17. Of the projected year-end surplus, $966 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.750 billion will be deposited to the Special Fund for Economic Uncertainties. The 2016-17 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $6.714 billion. The total revenues and transfers of $120.310 billion represent a $5.277 billion, or 4.6% increase from the Fiscal Year 2015-16 State Budget Act, and reflects the continued improvement in the financial condition of the State.

The 2016-17 State Budget Act and related legislation included an agreement to adopt the "No Place Like Home" proposal which would securitize Proposition 63 Mental Health Services Act revenue to provide $2.0 billion in funding to finance permanent supportive housing for homeless persons with mental illness; repeal of the CalWORKs Maximum Family Grant Rule; rate increases for child care providers, and the direction of an additional $2.0 billion to the State's Rainy Day Fund, as proposed by the Governor.

The County will not experience a loss of funding or program reductions from any of the provisions in the 2016-17 State Budget Act. On the contrary, the 2016-17 State Budget Act included a number of County-supported proposals which are favorable to County programs and the residents they serve.

2017-18 STATE BUDGET

On January 10, 2017, Governor Brown released his Fiscal Year 2017-18 Proposed State Budget (the "Proposed State Budget"), The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2016-17 of $1.027 billion, total revenues and transfers of $124.027 billion, total expenditures of $122.520 billion, and a year-end surplus of $2.534 billion for Fiscal Year 2017-18. Of the projected year-end surplus, $980 million would be allocated to the Reserve for Liquidation of Encumbrances and $1.554 billion would be deposited to the Special Fund for Economic Uncertainties. In accordance with the 2014-15 State Budget Act, the Proposed State Budget continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $7.869 billion.

The Proposed State Budget indicated that revenues were below the amounts forecasted in the 2016-17 State Budget Act, with the State projecting future ongoing budget deficits of between $1.0 billion to $2.0 billion annually without corrective action. The Proposed State Budget included $3.2 billion in corrective actions to close the budget shortfall and rebuild the State's operating reserve. The corrective actions included a proposal to eliminate the Coordinated Care Initiative (CCI) and In-home Support Services (IHSS) Maintenance of Effort (MOE), which would have resulted in projected State General Fund savings in Fiscal Year 2017-18 of $626.2 million. The elimination of CCI and the IHSS MOE would have had a significant negative impact on the County, resulting in additional County costs of approximately $220 million in Fiscal Year 2017-18. These costs were projected to increase to over $500.0 million by Fiscal Year 2020-21.

In April 2017, the Legislature passed, and the Governor signed SB 1, which is a ten-year $54.0 billion transportation funding package that will generate new revenue to finance State and local transportation infrastructure projects. SB 1 will be funded by increases in fuel excise taxes and vehicle registration fees, with the new revenue split equally between State and local infrastructure funding priorities. The County Department of Public Works estimates that SB 1 will provide the County with approximately $140.5 million per year for road maintenance and repair.

On May 11, 2017, Governor Brown released the Fiscal Year 2017-18 May Budget Revision (the "May Budget Revision"). The May Budget Revision projects a beginning fund balance surplus from Fiscal Year 2016-17 of $723.0 million, total revenues and transfers of $125.912 billion, total expenditures of $124.080 billion, and a year-end surplus of $2.617 billion for Fiscal Year 2017-18. Of the projected year-end surplus, $980 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.637 billion will be deposited to the Special Fund for Economic Uncertainties. The May Budget Revision continues to provide for a deposit into the State's Budget Stabilization Account in the amount of $8.488 billion, which represents an increase of $619 million from the Proposed State Budget. The May Budget Revision reflects an increase in total revenues and transfers of $1.885 billion or 1.5%, and an increase in total expenditures of $1.498 billion or 1.2% from the Proposed State Budget.

The May Budget Revision reflects a modestly improved fiscal outlook from the Proposed State Budget, continues to fund key priorities, and includes a proposal to partially mitigate the fiscal impact to counties from the elimination of the IHSS MOE. The Governor reported that State Revenues are beginning to lag expectations and cautioned that the State Budget is considerably more strained than in any year since 2012. The May Budget Revision assumes the continuation of existing Federal fiscal policy in the near term, but notes that Congress and the President are considering major changes to Medicaid, trade and immigration policies, and the Federal tax structure, which could have significant detrimental effects on the State Budget and the California economy.

The May Budget Revision reflects a revised estimate of $592.2 million for the elimination of the IHSS MOE, which represents a reduction from the Proposed State Budget. The proposal to mitigate the fiscal impact to counties from elimination of the IHSS MOE includes providing $400.0 million in State funding to the counties in Fiscal Year 2017-18. The amount of the State General Fund contribution would be reduced to $330.0 million in Fiscal Year 2018-19, $200.0 million in Fiscal Year 2019-20 and $150.0 million in Fiscal Year 2020-21, with ongoing reductions related to the corresponding cost shift to counties. The proposal also includes redirecting 1991 Realignment Sales Tax and VLF revenues to provide additional resources for IHSS, and creating a new base for County IHSS costs that would include services and administrative costs beginning in Fiscal Year 2017-18. The estimated 1991 Realignment Sales Tax and VLF revenue redirection/offsets for IHSS are $51.0 million in Fiscal Year 2017-18, $133.0 million in Fiscal Year 2018-19, $162.0 million in Fiscal Year 2019-20, and $191.0 million in Fiscal Year 2020-21.

Based on preliminary estimates for Fiscal Year 2017-18, the State's proposal would result in increased costs to the County of $9.6 million for IHSS, and $35.5 million of additional costs related to the revenue redirection. For Fiscal Years 2018-19, 2019-20 and 2020-21, the estimated cost increases to the County for IHSS and the revenue redirection are $31.3 million and $15.4 million, $56.4 million and $15.7 million, and $52.2 million and $12.3 million, respectively. Without any cost containment measures or significant program reforms, the IHSS Program could become unsustainable after Fiscal Year 2019-20.

The May Budget Revision estimates an AB 109 Program base funding allocation of $1.19 billion in Fiscal Year 2017-18, which represents a decrease from the $1.22 billion in the Proposed State Budget, but an increase from the Fiscal Year 2016-17 base funding allocation of $1.16 billion. The County is expected to receive an estimated $368.9 million of AB 109 base allocation funds in Fiscal Year 2017-18. The May Budget Revision also appropriates the first $2.8 billion of SB 1 funding, which will be allocated by formula to cities and counties for local roads, and to transit agencies for operations and capital expenditures in February 2018.

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 six 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% and 5.58% in Fiscal Years 2011-12 through 2016-17, respectively.

For Fiscal Year 2016-17, the Assessor reported a Net Local Roll of $1.336 trillion, which represents an increase of 5.58% or $70.6 billion from Fiscal Year 2015-16. The Fiscal Year 2016-17 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the sixth consecutive year of growth in assessed valuation. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2016-17 are transfers in ownership ($39.3 billion), and an increase in the consumer price index ($17.4 billion).

For the Fiscal Year 2016-17 tax roll, the Assessor estimates that approximately 11.4% of all single-family residential parcels, 12.0% of all residential income parcels and 14.8% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

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

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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 402,000 parcels to their Proposition 13 base year value, with 150,000 parcels still eligible for potential restorations in value.

On May 15, 2017, the Assessor released the Assessment Roll Forecast for Fiscal Year 2017-18. The Assessment Roll Forecast reflects a 6.02% or $80.4 billion increase from Fiscal Year 2016-17, resulting in a projected Net Local Roll value of over $1.415 trillion for Fiscal Year 2017-18. The primary factors driving the increase in the Net Local Roll value are property transfers ($42.1 billion) and a 2.0% increase in the consumer price index ($24.1 billion).

FISCAL YEAR 2016-17 FINAL ADOPTED BUDGET

The Fiscal Year 2016-17 Final Adopted Budget (the "2016-17 Final Adopted Budget") was approved by the Board of Supervisors on September 27, 2016. The 2016-17 Final Adopted Budget appropriates $29.883 billion, which reflects a $1.688 billion or 6.0% increase in total funding requirements from the Fiscal Year 2015-16 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $22.991 billion, which represents a $1.262 billion or 5.8% increase from the Fiscal Year 2015-16 Final Adopted Budget. The 2016-17 Final Adopted Budget appropriates $6.892 billion for Special Funds/District, reflecting a $426 million or 6.6% increase from the Fiscal Year 2015-16 Final Adopted Budget.

The primary changes to the NCC component of the 2016-17 Final Adopted Budget are outlined in the following table.

Fiscal Year 2016-17 NCC Budget Changes

Public Assistance Changes	$ 15,515,000
Unavoidable Cost Increases	
Health Insurance Subsidy	16,656,000
Employee Salaries	95,227,000
Prefund Retiree Healthcare Benefits	15,000,000
Various Cost Changes	6,754,000
Program Changes	
Public Social Services - CalFresh Match Waiver	7,173,000
Other Public Social Services Program Changes	2,134,000
Public Works - Stormwater	8,906,000
Other Community & Municipal Services Changes	4,232,000
Health Services Program Changes	8,434,000
Correctional Mental Health Services	11,208,000
Other Public Safety Program Changes	22,328,000
Affordable Housing	5,000,000
Legacy Systems	2,593,000
Countywide Economic Development Initiatives	2,800,000
All Other Program Changes	59,509,000
Fiscal Policies	
Appropriation for Contingency	11,456,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**299,925,000**
Revenue Changes	
Property Taxes	232,762,000
Property Taxes - CRA Dissolution Residual	31,400,000
Public Safety Sales Tax	15,233,000
Various Revenue/Funding Changes	20,530,000
Total Locally Generated Revenues	**299,925,000**
Total Projected Budget Gap	**$ -**

Public Assistance Changes

The 2016-17 Final Adopted Budget reflects a $15.5 million increase in funding for a variety of public assistance programs that the County administers.

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 2016-17 Final Adopted Budget appropriates $61.175 million in pre-funding contribution to the OPEB Trust Fund. This appropriation is comprised of $25 million in NCC and $36.2 million in projected subvention revenue to be received from Federal, State and other local government entities. This is the second 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.

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Program Changes

The 2016-17 Final Adopted Budget includes $134.3 million of adjustments to various programs in the 2015-16 Final Adopted Budget, 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 $381.5 million, which is approximately 6.6% 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 2016-17 Final Adopted Budget, $27.4 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 2016-17. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 5.58% increase in the Net Local Roll, the 2016-17 Final Adopted Budget includes a $232.8 million increase in property tax revenues. The 2016-17 Final Adopted Budget also includes a $31.4 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 4% growth factor in its overall statewide sales tax projection for the 2016-17 Final Adopted Budget. Based on the 4% growth rate, the County is projecting a $15.2 million increase in Proposition 172 Sales Tax in Fiscal Year 2016-17.

FISCAL YEAR 2017-18 RECOMMENDED BUDGET

The Fiscal Year 2017-18 Recommended Budget (the "2017-18 Recommended Budget") was approved by the Board of Supervisors on April 18, 2017. The 2017-18 Recommended Budget was prepared in an environment with a high level of uncertainty surrounding future Federal and State budgets that could create significant short-term and long-term budget challenges for the County. Given the potential challenges, County Departments prepared and submitted several NCC budget reduction scenarios for Fiscal Year 2017-18. Since the next versions of Federal and State budgets have not been formally adopted, the 2017-18 Recommended Budget does not propose any spending cuts to address potential funding reductions from the Federal and State governments.

The 2017-18 Recommended Budget appropriates $30.020 billion, which reflects a $137 million or 0.5% increase in total funding requirements from the 2016-17 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $23.324 billion, which represents a $333 million or 1.4% increase from the 2016-17 Final Adopted Budget. The 2017-18 Recommended Budget appropriates $6.696 billion for Special Funds/District, reflecting a $196 million or 2.8% decrease from the Fiscal Year 2016-17 Final Adopted Budget.

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

Fiscal Year 2017-18 NCC Budget Changes

Public Assistance Changes	$ 17,193,000
Unavoidable Cost Increases	
Health Insurance Subsidy	38,464,000
Pension Costs	32,066,000
Employee Salaries	93,633,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	14,088,000
Program Changes	
Correctional Mental Health Services	9,968,000
Juvenile Indigent Defense	4,107,000
Data Center	13,271,000
Women and Girls Initiative	1,115,000
Affordable Housing and Economic Development	5,200,000
Other Public Safety Programs	4,735,000
Health Services Program Changes	4,013,000
Correctional Treatment Facility Debt Service	17,200,000
Other Debt Service	2,826,000
All Other Program Changes	8,316,000
Fiscal Policies	
Appropriation for Contingency	1,104,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**297,299,000**
Revenue Changes	
Property Taxes	268,220,000
Property Taxes - CRA Dissolution Residual	14,555,000
Public Safety Sales Tax	13,996,000
Various Revenue Changes	528,000
Total Locally Generated Revenues	**297,299,000**
Total Projected Budget Gap	$ -

Public Assistance Change

The increase in funding for Public Assistance in the 2017-18 Recommended Budget is primarily related to a $16.9 million increase in the In-Home Supportive Services Program (the "IHSS Program"). In addition to funding increases to the IHSS Program, the County is expecting a $6.0 million increase in a variety of other Public Assistance programs. The costs increases for Public Assistance are partially offset by an expected $5.7 million decrease in General Relief expenditures.

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

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provide for a 10% increase over three (3) years, beginning in 2015-16.

Prefund Retiree Healthcare Benefits – The 2017-18 Recommended Budget appropriates $120.883 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $50.0 million in NCC and $70.9 million in projected subvention revenue 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 Recommended Budget includes $70.8 million of adjustments to various programs in the 2016-17 Final Adopted Budget, including increases for public safety, social services and health and mental services.

Fiscal Policies

In accordance with the Budget Policy, the current balance of the Rainy Day Fund is $381.5 million, which is approximately 6.3% of discretionary revenues. As part of the 2017-18 Recommended Budget, $1.1 million was added to Appropriation for Contingencies, raising the amount to $28.5 million, which reflects 10% of new discretionary revenues. The 2017-18 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 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 5.79% projected growth in the Assessment Roll, the 2017-18 Recommended Budget includes a $268.2 million increase in property tax revenues. The 2017-18 Recommended 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 has assumed a 3.5% growth factor in its overall statewide sales tax projection for the 2017-18 Recommended Budget. Based on the 3.5% growth rate, the County is projecting a $14.0 million increase in Proposition 172 Sales Tax in Fiscal Year 2017-18.

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 exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which resulted in an ongoing structural deficit for DHS. DHS has been able to cover its structural deficits 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 (the "Waiver"), which became effective in November 2010, and the implementation of the Affordable Care Act (the "ACA"), 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 Medi-Cal 2020 – a five year renewal of the Waiver, which could provide the State with over $6.2 billion in new Federal funding.

The renewed 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 the five-year term of the new Waiver. The primary features of the new 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 Waiver term.

Affordable Care Act

The ACA provided the framework for the prior 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.

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 will be reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds resulting from the formula calculation, the sharing ratio for the excess amount of health care realignment revenue will be 80% State and 20% County.

As a result of AB 85, the State originally redirected $87.5 million of 1991-92 Realignment Program revenue from the County for Fiscal Year 2013-14. Upon completion of the reconciliation, it was determined that the redirection amount for Fiscal Year 2013-14 should have been zero and all $87.5 million was returned to DHS. The projected redirection amounts for Fiscal Year 2014-15 and Fiscal Year 2015-16 are $365.5 million, and $80.6 million, respectively. For Fiscal Year 2016-17, the amount of projected redirection is zero.

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 2017-18 is $339.5 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2017-18 NCC contribution to DHS is $755.5 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 the homeless and correctional health services represent strategic investments by the Board of Supervisors and transfers from other County departments, and are not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution
FY 2017-18 Recommended Budget
($ in millions)

	Amount
County General Fund - AB 85 MOE	$ 339.5
County General Fund - Specific Programs [(A)]	97.0
Vehicle License Fees Realignment	283.3
Tobacco Settlement Revenue	58.8
Transfers to Other Budget Unit [(B)]	(23.1)
Total	$ 755.5

[(A)] Includes funding for Board initiatives, such as homeless services and correctional health services.

[(B)] 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 April 30, 2017, the balance of General Fund cash advances to the Hospital Funds was $102.7 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 last audit completed by the State was for Fiscal Year 2014-15. As of April 5, 2017, the total estimated receivable balance is $113.2 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 2017-18 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 Years 2015-16 and 2016-17. The proposed rates are a reduction from the existing rates approved for Fiscal Year 2014-15. As of May 8, 2017, CMS has not approved the new MCE rates. Pending CMS approval of the proposed MCE rates, DHS continues to be paid based on the existing rates approved for Fiscal Year 2014-15. DHS was advised by DHCS that upon CMS' approval of the rate reductions, retroactive paybacks will be expected. DHCS expects the payback to start around July 2017. DHS has set up a reserve to account for the repayment and expects no impact on DHS' revenue. Because of the higher MCE rates currently in effect, DHS' cash balances for Fiscal Years 2015-16 and 2016-17 have been temporarily increased. DHCS also informed DHS that they expect to become more current with supplemental managed care payments.

DHS is closely monitoring proposals by Congress to repeal/replace the ACA. Any changes made to the ACA that would impact California's Medi-Cal program would also directly impact DHS. On May 4, 2017, the United States House of Representatives voted to pass the American Health Care Act, which would repeal significant parts of the ACA. Although President Trump has previously stated his support for repeal/replacement of the ACA, the final outcome of the American Health Care Act is highly uncertain, as the Senate has indicated it will write its own version of the legislation, which would require both houses of Congress to approve a reconciled version of the two bills before any legislation could be signed by the President and become law.

DHS Reserve Funds

In Fiscal Year 2015-16, DHS closed the year with a fund balance of $407.0 million, and is expected to close Fiscal Year 2016-17 with a fund balance of $534.8 million. The remaining fund balance is available to fund DHS operations in the future, as needed.

Managed Care Rule

On April 25, 2016, CMS released the final version of a revised rule governing Medicaid Managed Care (the "Managed Care Rule"). Given that most individuals with full scope Medicaid in California are in managed care, the Managed Care Rule will impact how Medicaid programs are operated and financed in the County. DHS has been working with the State on a proposal to conform the directed payments and pass-through provisions of California's Medicaid program to the new requirements. The State is expected to submit the proposal to CMS in the near future. The financial impact on DHS will not be known until CMS responds to California's proposal.

Los Angeles County Health Agency

In August 2015, the Board of Supervisors approved the establishment of the Los Angeles County Health Agency (the "Health Agency") to integrate the operations of DHS and the Departments of Mental Health (DMH) and Public Health (DPH) into a single unified healthcare agency. The consolidation of health service delivery is a major priority for the Board of Supervisors under the new County governance structure, and the new Health Agency is expected to streamline the delivery of integrated healthcare services to the most vulnerable populations across the County. The new Health Agency is expected to result in future additional revenue from Medi-Cal reimbursements, a more efficient use of the County's healthcare facilities, increased use of information technology to facilitate integrated service delivery, and greater County influence over State and Federal health policy issues.

Martin Luther King Jr. Hospital

The County-operated Martin Luther King, Jr. Hospital (the "MLK Hospital") was closed in 2007 and converted to a Multi-Service Ambulatory Care Center. Since the closing of the previous MLK Hospital, the County and the University of California (the "UC") established an independent, non-profit 501(c)(3) entity to operate a new hospital at the previous MLK Hospital site. A seven-member MLK Hospital Board of Directors was appointed by the County and the UC in August 2010 to oversee MLK-LA Healthcare, the new 501(c)(3) private, non-profit MLK Hospital. The new 131-bed MLK Hospital will serve as a safety-net community hospital providing services to a high volume of Medi-Cal and uninsured patients from the surrounding community. The MLK Hospital completed licensing activities and began treating patients in July 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with $50.0 million of coordination start-up funds, $39.1 million of grant funding, and $82 million of long-term loan funding, which includes a 30-year loan in the amount of $50 million, a 10-year revolving line of credit in the amount of $20 million, and a 2-year loan in the amount of $12 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of $40 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 new MLK Hospital.

For use of the County-owned hospital facility, MLK-LA will make annual lease payments to the County in the amount of $18.0 million. The County initially financed the construction of the MLK Hospital with $284.3 million of short-term lease-revenue notes. The County refinanced the MLK Hospital and redeemed the short-term notes with proceeds from the issuance of long-term lease-revenue bonds in March 2016.

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

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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 2016-17, the County received $64.5 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 2017-18 Recommended Budget is supported by $5.317 billion in property tax revenue, $4.757 billion in Federal funding, $6.148 billion in State funding, $275 million in cancelled obligated fund balance, $1.509 billion in Fund Balance and $5.318 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 2017-18 Recommended Budget with the 2016-17 Final Adopted Budget.

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

Fund	Final 2012-13	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Recommended 2017-18
General Fund	$ 16,750,817	$ 17,206,258	$ 17,782,636	$ 18,532,749	$ 19,589,641	$ 20,018,575
Hospital Enterprise Fund	2,592,117	2,803,170	3,165,359	3,195,948	3,401,444	3,305,342
Total General County Budget	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 23,323,917**

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

	Final 2012-13	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Recommended 2017-18
Requirements						
Social Services	$ 5,572,820	$ 5,846,911	$ 6,206,407	$ 6,446,374	$ 6,859,438	$ 7,021,850
Health	5,952,459	6,208,232	6,373,399	6,590,413	7,135,235	7,355,005
Justice	4,985,441	5,146,062	5,442,540	5,674,407	5,973,130	6,085,078
Other	2,832,214	2,808,223	2,925,649	3,017,503	3,023,282	2,861,984
Total	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 23,323,917**
Revenue Sources						
Property Taxes	$ 3,814,906	$ 4,177,683	$ 4,467,240	$ 4,765,596	$ 5,031,658	$ 5,316,946
State Assistance	5,168,427	5,024,219	5,366,757	5,542,998	5,965,914	6,147,845
Federal Assistance	5,008,928	4,342,123	4,184,128	4,236,481	4,499,196	4,757,383
Other	5,350,673	6,465,403	6,929,870	7,183,622	7,494,317	7,101,743
Total	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 23,323,917**

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

	Final 2012-13	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Recommended 2017-18
Financing Requirements						
Salaries & Employee Benefits	$ 9,322,969	$ 9,671,291	$ 10,353,404	$ 10,988,705	$ 11,537,805	$ 12,124,243
Services & Supplies	6,869,576	7,138,148	7,362,617	7,696,979	8,148,441	7,952,437
Other Charges	3,734,605	3,901,664	4,082,120	3,878,926	4,252,725	4,272,519
Capital Assets	1,025,119	982,969	946,383	864,488	868,341	870,129
Other Financing Uses	615,357	619,569	263,903	595,100	509,535	786,660
Appropriations for Contingencies	-	-	5,000	15,919	27,375	28,479
Interbudget Transfers[1]	(1,476,794)	(1,417,786)	(1,054,758)	(1,411,193)	(1,370,514)	(1,634,702)
Gross Appropriation	$ 20,090,832	$ 20,895,855	$ 21,958,669	$ 22,628,924	$ 23,973,708	$ 24,399,765
Less: Intrafund Transfers	942,276	944,775	990,638	1,008,980	1,063,876	1,167,965
Net Appropriation	$ 19,148,556	$ 19,951,080	$ 20,968,031	$ 21,619,944	$ 22,909,832	$ 23,231,800
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Assigned for Rainy Day Funds	10,000	35,033	24,274	31,414	27,882	-
Committed Fund Balance	184,378	23,315	(44,310)	77,339	53,371	92,117
Total Financing Requirements	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 23,323,917**
Available Financing						
Fund Balance	$ 1,565,502	$ 1,497,581	$ 1,566,263	$ 1,750,126	$ 1,824,822	$ 1,508,755
Cancel Provision for Obligated Fund Balance	208,484	239,852	143,419	282,930	216,915	274,865
Property Taxes: Regular Roll	3,778,085	4,123,069	4,414,842	4,705,966	4,971,696	5,256,732
Supplemental Roll	36,821	54,614	52,398	59,630	59,962	60,214
Revenue	13,754,042	14,094,312	14,771,073	14,930,045	15,917,690	16,223,351
Total Available Financing	**$ 19,342,934**	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 23,323,917**

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 2017-18, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $24.9 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2016-17 FINAL ADOPTED BUDGET TO 2017-18 RECOMMENDED BUDGET
Net Appropriation: By Function
(In thousands)

Function	2016-17 Final (1)	2017-18 Recommended (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 1,053,282.0	$ 1,009,631.0	$ (43,651.0)	-4.14%
General Services	987,409.0	780,798.0	(206,611.0)	-20.92%
Public Buildings	813,437.0	803,567.0	(9,870.0)	-1.21%
Total General	$ 2,854,128.0	$ 2,593,996.0	$ (260,132.0)	-9.11%
Public Protection				
Justice	$ 5,567,838.0	$ 5,735,679.0	$ 167,841.0	3.01%
Other Public Protection	205,970.0	207,230.0	1,260.0	0.61%
Total Public Protection	$ 5,773,808.0	$ 5,942,909.0	$ 169,101.0	2.93%
Health and Sanitation	7,114,933.0	7,330,667.0	215,734.0	3.03%
Public Assistance	6,712,631.0	6,921,269.0	208,638.0	3.11%
Recreation and Cultural Services	359,597.0	347,120.0	(12,477.0)	-3.47%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	81,253.0	92,117.0	10,864.0	13.37%
Appropriations for Contingencies	27,375.0	28,479.0	1,104.0	4.03%
Total Requirements	**$ 22,991,085.0**	**$ 23,323,917.0**	**$ 332,832.0**	**1.45%**
AVAILABLE FUNDS				
Property Taxes	$ 5,031,658.0	$ 5,316,946.0	$ 285,288.0	5.67%
Fund Balance	1,824,822.0	1,508,755.0	(316,067.0)	-17.32%
Cancelled Prior-Year Reserves	216,915.0	274,865.0	57,950.0	26.72%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 361,274.0	$ 386,247.0	$ 24,973.0	6.91%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	848,780.0	873,407.0	24,627.0	2.90%
Other Public Assistance	2,128,153.0	2,217,556.0	89,403.0	4.20%
Public Protection	1,218,503.0	1,240,409.0	21,906.0	1.80%
Health and Mental Health	1,249,860.0	1,266,291.0	16,431.0	1.31%
Capital Projects	103,601.0	112,891.0	9,290.0	8.97%
Other State Revenues	36,743.0	32,044.0	(4,699.0)	-12.79%
Total State Revenues	$ 5,965,914.0	$ 6,147,845.0	$ 181,931.0	3.05%
Federal Revenues				
Public Assistance Subventions	$ 2,741,134.0	$ 2,862,021.0	$ 120,887.0	4.41%
Other Public Assistance	192,750.0	196,524.0	3,774.0	1.96%
Public Protection	119,514.0	115,959.0	(3,555.0)	-2.97%
Health and Mental Health	1,426,017.0	1,568,258.0	142,241.0	9.97%
Capital Projects	887.0	316.0	(571.0)	-64.37%
Other Federal Revenues	18,894.0	14,305.0	(4,589.0)	-24.29%
Total Federal Revenues	$ 4,499,196.0	$ 4,757,383.0	$ 258,187.0	5.74%
Other Governmental Agencies	31,461.0	20,026.0	(11,435.0)	-36.35%
Total Intergovenmental Revenues	$ 10,496,571.0	$ 10,925,254.0	$ 428,683.0	
Fines, Forfeitures and Penalties	205,531.0	205,355.0	(176.0)	-0.09%
Licenses, Permits and Franchises	56,996.0	57,755.0	759.0	1.33%
Charges for Services	3,915,254.0	3,489,625.0	(425,629.0)	-10.87%
Other Taxes	227,317.0	230,111.0	2,794.0	1.23%
Use of Money and Property	160,448.0	163,754.0	3,306.0	2.06%
Miscellaneous Revenues	506,407.0	681,309.0	174,902.0	34.54%
Operating Contribution from General Fund	349,166.0	470,188.0	121,022.0	34.66%
Total Available Funds	**$ 22,991,085.0**	**$ 23,323,917.0**	**$ 332,832.0**	**1.45%**

(1) Reflects the 2016-17 Final Adopted General County Budget approved by the Board of Supervisors on September 27, 2016
(2) Reflects the 2017-18 Recommended General County Budget approved by the Board of Supervisors on April 18, 2017

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2016-17 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	$ 1,053,282.0	$ -	$ 1,053,282.0
General Services	987,409.0	-	987,409.0
Public Buildings	813,437.0	-	813,437.0
Total General	$ 2,854,128.0	$ -	$ 2,854,128.0
Public Protection			
Justice	$ 5,567,838.0	$ -	$ 5,567,838.0
Other Public Protection	205,970.0	-	205,970.0
Total Public Protection	$ 5,773,808.0	$ -	$ 5,773,808.0
Health and Sanitation	$ 3,713,489.0	$ 3,401,444.0	$ 7,114,933.0
Public Assistance	6,712,631.0	-	6,712,631.0
Recreation and Cultural Services	359,597.0	-	359,597.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	81,253.0	-	81,253.0
Appropriation for Contingency	27,375.0	-	27,375.0
Total Requirements	**$ 19,589,641.0**	**$ 3,401,444.0**	**$ 22,991,085.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,031,658.0	$ -	$ 5,031,658.0
Fund Balance	1,824,822.0	-	1,824,822.0
Cancel Provision for Obligated Fund Balance	140,986.0	75,929.0	216,915.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 361,274.0	$ -	$ 361,274.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	848,780.0	-	848,780.0
Other Public Assistance	2,128,153.0	-	2,128,153.0
Public Protection	1,218,503.0	-	1,218,503.0
Health and Mental Health	1,207,037.0	42,823.0	1,249,860.0
Capital Projects	103,601.0	-	103,601.0
Other State Revenues	36,743.0	-	36,743.0
Total State Revenues	5,923,091.0	42,823.0	5,965,914.0
Federal Revenues			
Public Assistance Subventions	$ 2,728,618.0	$ 12,516.0	$ 2,741,134.0
Other Public Assistance	192,750.0	-	192,750.0
Public Protection	119,514.0	-	119,514.0
Health and Mental Health	976,192.0	449,825.0	1,426,017.0
Capital Projects	887.0	-	887.0
Other Federal Revenues	18,894.0	-	18,894.0
Total Federal Revenues	$ 4,036,855.0	$ 462,341.0	$ 4,499,196.0
Other Governmental Agencies	31,461.0	-	31,461.0
Total Intergovenmental Revenues	$ 9,991,407.0	$ 505,164.0	$ 10,496,571.0
Fines, Forfeitures and Penalties	205,256.0	275.0	205,531.0
Licenses, Permits and Franchises	56,870.0	126.0	56,996.0
Charges for Services	1,751,092.0	2,164,162.0	3,915,254.0
Other Taxes	227,317.0	-	227,317.0
Use of Money and Property	160,372.0	76.0	160,448.0
Miscellaneous Revenues	199,861.0	306,546.0	506,407.0
Operating Contribution from General Fund	-	349,166.0	349,166.0
Total Available Funds	**$ 19,589,641.0**	**$ 3,401,444.0**	**$ 22,991,085.0**

(1) Reflects the 2016-17 Final Adopted General County Budget approved by the Board of Supervisors on September 27, 2016

COUNTY OF LOS ANGELES
RECOMMENDED 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	$ 1,009,631.0	$ -	$ 1,009,631.0
General Services	780,798.0	-	780,798.0
Public Buildings	803,567.0	-	803,567.0
Total General	$ 2,593,996.0	$ -	$ 2,593,996.0
Public Protection			
Justice	$ 5,735,679.0	$ -	$ 5,735,679.0
Other Public Protection	207,230.0	-	207,230.0
Total Public Protection	$ 5,942,909.0	$ -	$ 5,942,909.0
Health and Sanitation	$ 4,025,325.0	$ 3,305,342.0	$ 7,330,667.0
Public Assistance	6,921,269.0	-	6,921,269.0
Recreation and Cultural Services	347,120.0	-	347,120.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	92,117.0	-	92,117.0
Appropriation for Contingency	28,479.0	-	28,479.0
Total Requirements	**$ 20,018,575.0**	**$ 3,305,342.0**	**$ 23,323,917.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,316,946.0	$ -	$ 5,316,946.0
Fund Balance	1,508,755.0	-	1,508,755.0
Cancel Provision for Obligated Fund Balance	25,034.0	249,831.0	274,865.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 386,247.0	$ -	$ 386,247.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	873,407.0	-	873,407.0
Other Public Assistance	2,217,556.0	-	2,217,556.0
Public Protection	1,240,409.0	-	1,240,409.0
Health and Mental Health	1,222,245.0	44,046.0	1,266,291.0
Capital Projects	112,891.0	-	112,891.0
Other State Revenues	32,044.0	-	32,044.0
Total State Revenues	6,103,799.0	44,046.0	6,147,845.0
Federal Revenues			
Public Assistance Subventions	$ 2,851,844.0	$ 10,177.0	$ 2,862,021.0
Other Public Assistance	196,524.0	-	196,524.0
Public Protection	115,959.0	-	115,959.0
Health and Mental Health	1,163,173.0	405,085.0	1,568,258.0
Capital Projects	316.0	-	316.0
Other Federal Revenues	14,305.0	-	14,305.0
Total Federal Revenues	$ 4,342,121.0	$ 415,262.0	$ 4,757,383.0
Other Governmental Agencies	20,026.0	-	20,026.0
Total Intergovenmental Revenues	$ 10,465,946.0	$ 459,308.0	$ 10,925,254.0
Fines, Forfeitures and Penalties	205,355.0	-	205,355.0
Licenses, Permits and Franchises	57,629.0	126.0	57,755.0
Charges for Services	1,844,419.0	1,645,206.0	3,489,625.0
Other Taxes	230,111.0	-	230,111.0
Use of Money and Property	163,665.0	89.0	163,754.0
Miscellaneous Revenues	200,715.0	480,594.0	681,309.0
Operating Contribution from General Fund	-	470,188.0	470,188.0
Total Available Funds	**$ 20,018,575.0**	**$ 3,305,342.0**	**$ 23,323,917.0**

(1) Reflects the 2017-18 Recommended General County Budget approved by the Board of Supervisors on April 18, 2017

COUNTY OF LOS ANGELES
CALIFORNIA

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2016-17 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 $42,170,653,137 which constitutes only 3.28% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2016-17
Southern California Edison Co	$94,834,926
Douglas Emmett Residential	45,059,958
Maguire Properties	43,227,473
NBC / Universal Studios	30,370,766
TESORO Corp	29,132,793
ESSEX Portfolio LP	28,373,935
Southern California Gas Co	26,016,108
Tishman Speyer / Archstone Smith / ASN	24,654,228
Chevron USA Inc / TEXACO / UNOCAL	22,632,131
AT&T / Pacific Bell Telephone Co	21,785,246
AMB / Prologis	21,770,785
VERIZON / MCI Communications Serv. Inc	21,669,024
Conoco Phillips Inc	15,644,242
Macerich / Westside Pavilion	14,639,186
Beacon Oil Co / Ultramar / Valero Energy Corp	12,823,492
FSP South Flower Street	10,909,081
Participants in Long Beach Unit	10,763,015
CBS Inc	10,448,943
EXXON / Mobil Oil Corp	10,410,231
Boeing/ Hughes Aircraft Co / McDonnell Douglas Corp	10,284,561
	$505,450,124

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 2012-13 through 2016-17.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2012-13 THROUGH 2016-17

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 %
2012-13	$1,035,518,346,306	$2,534,711,363	$2,495,317,019	98.45%
2013-14	1,085,743,685,894	2,662,214,197	2,623,480,895	98.55%
2014-15	1,146,946,428,176	2,814,475,757	2,773,124,193	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 (3)	98.93% (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 2015-16 collections.

REDEVELOPMENT AGENCIES

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

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2012-13 through 2016-17.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2012-13 THROUGH 2016-17

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2012-13	$141,074,221,344	$1,189,455,554
2013-14	149,910,987,097	1,282,940,191
2014-15	159,180,996,812	1,327,755,469
2015-16	171,855,943,160	1,477,752,454
2016-17	184,568,536,419	1,069,567,615 (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 2016 through April 2017.

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.

2016-17 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 10, 2016, the County issued the 2016-17 TRANs with an aggregate principal amount of $800,000,000 due on June 30, 2017. The 2016-17 TRANs are general obligations of the County attributable to Fiscal Year 2016-17 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 2016-17 for the purpose of repaying the 2016-17 TRANs on the June 30, 2017 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2016-17 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2016	$338,933,333
January, 2017	315,000,000
April, 2017	170,000,000
Total	$823,933,333

* Includes $800,000,000 of 2016-17 TRANs principal and 3.00% 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 2012-13.

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

	2012-13	2013-14	2014-15	2015-16	2016-17 Estimate
Property Taxes	$4,276,875	$4,337,915	$4,581,797	$4,806,915	$5,031,860
Other Taxes	167,054	203,396	204,173	215,228	215,548
Licenses, Permits and Franchises	61,268	65,260	58,488	58,908	58,950
Fines, Forfeitures and Penalties	226,737	212,676	197,663	182,298	182,034
Investment and Rental Income	107,105	104,422	131,053	165,037	158,412
State In-Lieu Taxes	335,310	344,971	407,316	356,888	312,665
State Homeowner Exemptions	21,101	19,715	20,277	19,892	19,244
Charges for Current Services	1,546,370	1,582,791	1,577,165	1,597,095	1,653,743
Other Revenue*	552,414	525,570	610,250	643,795	666,054
TOTAL UNRESTRICTED RECEIPTS	$7,294,234	$7,396,716	$7,788,182	$8,046,056	$8,298,508

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 2015-16 and Fiscal Year 2016-17.

General Fund Cash Flow Statements

The Fiscal Year 2015-16 and Fiscal Year 2016-17 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2015-16, the County had an ending General Fund cash balance of $1.334 billion. In Fiscal Year 2017-18, the County is estimating an ending cash balance in the General Fund of $[ ] 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, 2017, 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	$12.825
Schools and Community Colleges	14.359
Independent Public Agencies	2.476
Total	$29.660

Of these entities, the discretionary participants accounted for 7.60% 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 21, 2017, 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 28, 2017, the book value of the Treasury Pool as of March 31, 2017 was approximately $29.660 billion and the corresponding market value was approximately $29.462 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, 2017:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	57.57
Certificates of Deposit	12.73
Commercial Paper	29.30
Bankers Acceptances	0.00
Municipal Obligations	0.24
Corporate Notes & Deposit Notes	0.16
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of March 31, 2017, approximately 35.62% of the investments mature within 60 days, with an average of 673 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, 2016, 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 2016-17 Final Adopted Budget included an available General Fund balance of $1,824,822,000 as of June 30, 2016.

The 2016-17 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 2015-16 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, 2016.

The tables below provide a reconciliation of the General Fund's June 30, 2016 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 2011-12 to Fiscal Year 2015-16.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2016 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,824,822
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	155,154
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	152,288
Accrual of liabilities for accrued compensated absences not required by GAAP	64,886
Change in revenue accruals related to encumbrances	(78,580)
Deferral of property tax receivables	(64,740)
Deferral sale of tobacco settlement revenue	(232,661)
Change in fair value of Investments	5,728
Reserve for "Rainy Day" Fund	353,652
Unassigned Fund Balance - GAAP Basis	$2,180,549

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES

BALANCE SHEET AT JUNE 30, 2012, 2013, 2014, 2015 and 2016
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Pooled Cash and Investments	$2,010,858	$1,637,765	$1,933,794	$2,678,685	$3,181,151
Other Investments	11,109	5,676	4,810	4,655	4,693
Taxes Receivable	186,830	171,919	169,141	157,215	148,485
Other Receivables	1,586,097	1,777,034	1,996,683	1,888,537	1,875,029
Due from Other Funds	407,604	391,605	283,255	460,987	322,883
Advances to Other Funds	703,512	754,376	885,314	434,849	395,511
Inventories	51,616	47,375	56,790	48,186	59,267
Total Assets	$4,957,626	$4,785,750	$5,329,787	$5,673,114	$5,987,019
LIABILITIES					
Accounts Payable	$354,119	$321,509	$516,410	$410,671	$545,739
Accrued Payroll	303,615	309,926	331,045	356,579	374,951
Other Payables	525,438	89,852	111,019	115,998	100,964
Due to Other Funds	390,153	461,480	158,626	271,800	146,886
Deferred Revenue*	346,488	302,656	0	0	0
Advances Payable	379,847	404,975	575,567	853,441	975,135
Third-Party Payor Liability	16,015	15,702	26,207	39,693	39,042
Total Liabilities	$2,315,675	$1,906,100	$1,718,874	$2,048,182	$2,182,717
DEFERRED INFLOWS OF RESOURCES*			$508,105	$435,109	$420,060
FUND BALANCES					
Nonspendable	$259,597	$253,836	$272,007	$272,384	$324,555
Restricted	55,115	59,786	40,577	55,694	67,880
Committed	332,255	528,865	482,740	334,346	364,679
Assigned	405,285	376,181	538,078	491,954	446,579
Unassigned	1,589,699	1,660,982	1,769,406	2,035,445	2,180,549
Total Fund Balances	2,641,951	2,879,650	3,102,808	3,189,823	3,384,242
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,957,626	$4,785,750	$5,329,787	$5,673,114	$5,987,019

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2012, 2013, 2014, 2015 and 2016.
*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 2011-12 THROUGH 2015-16 (in thousands of $)

	2011-12	2012-13	2013-14	2014-15	2015-16
REVENUES:					
Taxes	$3,980,409	$4,267,858	$4,520,755	$4,772,762	$5,003,124
Licenses, Permits & Franchises	57,144	61,412	59,886	61,561	60,666
Fines, Forfeitures and Penalties	217,972	222,226	207,094	207,684	189,312
Use of Money and Property	103,029	89,841	128,501	141,816	186,443
Aid from Other Government	7,632,814	8,182,687	8,395,672	8,574,288	8,939,412
Charges for Services	1,700,540	1,565,937	1,743,447	1,491,656	1,651,883
Miscellaneous Revenues	134,071	216,977	152,663	204,966	159,346
TOTAL	$13,825,979	$14,606,938	$15,208,018	$15,454,733	$16,190,186
EXPENDITURES					
General	$983,077	$979,989	$998,438	$1,155,070	$1,039,188
Public Protection	4,538,075	4,694,982	4,843,148	5,136,461	5,418,926
Health and Sanitation	2,689,192	2,779,870	3,204,177	2,931,257	3,161,202
Public Assistance	5,108,516	5,247,031	5,430,398	5,682,198	5,892,530
Recreation and Cultural Services	255,818	272,835	282,660	304,895	321,414
Debt Service	24,602	30,816	28,928	27,060	29,600
Capital Outlay	20,106	8,065	2,398	866	547
Total	$13,619,386	$14,013,588	$14,790,147	$15,237,807	$15,863,407
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$206,593	$593,350	$417,871	$216,926	$326,779
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($306,002)	($359,171)	($197,219)	($131,647)	($133,714)
Sales of Capital Assets	3,789	740	770	870	807
Capital Leases	15,128	2,780	1,736	866	547
OTHER FINANCING SOURCES (USES)-Net	($287,085)	($355,651)	($194,713)	($129,911)	($132,360)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	(80,492)	237,699	223,158	87,015	194,419
Beginning Fund Balance	2,722,443	2,641,951	2,879,650	3,102,808	3,189,823
Ending Fund Balance	$2,641,951	$2,879,650	$3,102,808	$3,189,823	$3,384,242

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2012, 2013, 2014, 2015 and 2016.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2015-16: 12 MONTHS ACTUAL
2016-17: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2015-16
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 79,551	$ 38,664	$ 35,868	$ 412,749	$ 1,421,311	$ 3,637,614
Auditor Unapportioned Property Tax	177,229	39,008	118,073	152,847	686,356	601,474
Unsecured Property Tax	154,844	200,302	140,114	170,819	131,290	69,667
Miscellaneous Fees & Taxes	6,284	6,303	6,322	6,325	6,285	6,431
State Redemption Fund	29,524	41,358	38,760	49,493	35,646	31,315
Education Revenue Augmentation	335,161	352,258	317,444	317,802	333,348	779,132
State Reimbursement Fund	0	0	0	0	445	8,500
Sales Tax Replacement Fund	324	5,486	19,593	19,593	19,629	20,672
Vehicle License Fee Replacement Fund	1,736	29,429	105,107	105,107	105,811	126,239
Property Tax Rebate Fund	4,894	6,537	2,348	6,624	8,103	11,145
Utility User Tax Trust Fund	2,588	4,542	8,104	12,361	17,228	22,807
Subtotal	$ 792,135	$ 723,887	$ 791,733	$ 1,253,720	$ 2,765,452	$ 5,314,996
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 520,334	$ 513,622	$ 466,429	$ 493,827	$ 526,302	$ 522,861
Payroll Revolving Fund	45,882	53,107	44,793	44,618	48,743	48,388
Asset Development Fund	43,137	43,154	43,213	43,237	43,256	43,275
Productivity Investment Fund	5,024	4,627	3,988	3,830	3,774	4,248
Motor Vehicle Capital Outlays	5,904	5,881	5,354	5,337	5,337	5,300
Civic Center Parking	322	86	186	164	82	25
Reporters Salary Fund	350	391	380	498	248	276
Cable TV Franchise Fund	12,641	12,340	12,339	12,590	12,415	12,973
Megaflex Long-Term Disability	13,947	13,888	13,738	13,712	13,550	13,475
Megaflex Long-Term Disability & Health	9,207	9,286	9,336	9,417	9,512	9,597
Megaflex Short-Term Disability	43,729	44,219	44,655	45,066	45,557	45,992
Subtotal	$ 700,477	$ 700,601	$ 644,411	$ 672,296	$ 708,776	$ 706,410
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ (1,870)	$ 1,271	$ 1,400	$ 2,502	$ 16,660	$ (2,609)
Olive View-UCLA Medical Center	(545)	1,191	1,873	866	11,307	(2,566)
LAC+USC Medical Center	(8,244)	7,330	(3,690)	(4,169)	16,183	230
MLK Ambulatory Care Center	429	359	-	0	0	0
Rancho Los Amigos Rehab Center	(263)	(624)	1,536	3,280	1,327	(249)
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ (10,493)	$ 9,527	$ 1,119	$ 2,479	$ 45,477	$ (5,194)
GRAND TOTAL	**$ 1,482,119**	**$ 1,434,015**	**$ 1,437,263**	**$ 1,928,495**	**$ 3,519,705**	**$ 6,016,212**

Detail may not add due to rounding.
Source: Los Angeles County Auditor-Controller

January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	
						PROPERTY TAX GROUP
$ 1,038,923	$ 546,307	$ 697,670	$ 2,562,001	$ 908,338	$ 150,146	**Tax Collector Trust Fund**
1,101,787	793,524	687,674	1,498,366	576,610	113,048	**Auditor Unapportioned Property Tax**
58,061	59,599	54,588	44,491	68,595	106,001	**Unsecured Property Tax**
6,411	6,353	6,264	6,262	6,262	6,326	**Miscellaneous Fees & Taxes**
22,726	22,874	24,080	25,912	21,726	17,376	**State Redemption Fund**
551,398	220,824	177,992	450,172	586,218	418,551	**Education Revenue Augmentation**
19,832	1,309	1,309	3,385	19,997	8,203	**State Reimbursement Fund**
44,043	36,493	42,725	43,470	32,784	0	**Sales Tax Replacement Fund**
583,956	436,102	558,153	572,744	606,115	0	**Vehicle License Fee Replacement Fund**
13,605	16,539	11,056	5,718	11,220	4,644	**Property Tax Rebate Fund**
17,872	5,390	12,918	8,680	7,503	10,555	**Utility User Tax Trust Fund**
$ 3,458,614	$ 2,145,314	$ 2,274,429	$ 5,221,201	$ 2,845,368	$ 834,850	**Subtotal**
						VARIOUS TRUST GROUP
$ 531,031	$ 468,439	$ 505,791	$ 501,429	$ 483,045	$ 476,498	**Departmental Trust Fund**
49,792	57,197	44,553	47,762	57,972	41,663	**Payroll Revolving Fund**
43,286	43,310	43,362	43,380	43,392	43,407	**Asset Development Fund**
6,258	6,105	6,287	6,193	4,993	4,619	**Productivity Investment Fund**
5,261	5,449	7,105	5,237	5,237	5,237	**Motor Vehicle Capital Outlays**
230	259	257	261	220	97	**Civic Center Parking**
418	365	558	464	441	345	**Reporters Salary Fund**
13,039	12,970	13,168	12,896	12,806	13,252	**Cable TV Franchise Fund**
13,469	13,464	13,309	13,257	13,191	13,074	**Megaflex Long-Term Disability**
9,662	9,694	9,746	9,830	9,905	9,955	**Megaflex Long-Term Disability & Health**
46,496	47,262	47,649	47,944	48,347	48,708	**Megaflex Short-Term Disability**
$ 718,942	$ 664,514	$ 691,785	$ 688,653	$ 679,549	$ 656,855	**Subtotal**
						HOSPITAL GROUP
$ 2,424	$ 12,292	$ 3,827	$ 4,222	$ (3,178)	$ 5,320	**Harbor-UCLA Medical Center**
1,745	8,241	(603)	1,380	(889)	5,103	**Olive View-UCLA Medical Center**
(1,907)	(6,884)	(1,435)	(5,089)	742	1,546	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
1,100	2,429	205	(147)	103	(133)	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 3,362	$ 16,078	$ 1,994	$ 366	$ (3,222)	$ 11,836	**Subtotal**
$ 4,180,918	**$ 2,825,906**	**$ 2,968,208**	**$ 5,910,220**	**$ 3,521,695**	**$ 1,503,541**	**GRAND TOTAL**

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
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	Estimated May 2017	Estimated June 2017	
						PROPERTY TAX GROUP
$ 766,283	$ 389,103	816,107	2,543,031	$ 930,851	$ 170,993	**Tax Collector Trust Fund**
1,517,573	963,587	573,119	1,715,681	689,780	187,045	**Auditor Unapportioned Property Tax**
57,710	48,316	49,127	45,831	94,621	128,200	**Unsecured Property Tax**
6,379	6,372	6,306	6,363	9,198	8,868	**Miscellaneous Fees & Taxes**
19,767	20,410	23,765	22,751	34,647	25,268	**State Redemption Fund**
443,272	408,286	175,574	449,615	79,607	168,583	**Education Revenue Augmentation**
19,515	1,152	1,152	4,229	29,269	11,261	**State Reimbursement Fund**
0	0	0	0	81,348	0	**Sales Tax Replacement Fund**
769,359	350,011	677,285	705,509	574,415	0	**Vehicle License Fee Replacement Fund**
19,605	9,842	7,009	8,277	0	0	**Property Tax Rebate Fund**
15,861	4,926	9,430	10,840	7,261	11,403	**Utility User Tax Trust Fund**
$ 3,635,324	$ 2,202,005	$ 2,338,874	$ 5,512,127	$ 2,530,997	$ 711,621	**Subtotal**
						VARIOUS TRUST GROUP
$ 501,657	$ 489,740	483,514	467,413	$ 555,784	$ 542,645	**Departmental Trust Fund**
61,421	37,803	42,379	51,941	62,091	51,560	**Payroll Revolving Fund**
43,869	44,064	44,143	44,161	44,000	44,000	**Asset Development Fund**
4,931	7,233	6,936	6,403	6,000	6,000	**Productivity Investment Fund**
700	685	666	611	6,000	6,000	**Motor Vehicle Capital Outlays**
297	305	281	275	239	143	**Civic Center Parking**
416	367	654	505	559	413	**Reporters Salary Fund**
13,552	13,461	13,784	13,767	13,000	13,000	**Cable TV Franchise Fund**
12,906	12,798	12,708	12,685	14,893	14,893	**Megaflex Long-Term Disability**
10,520	10,549	10,598	10,680	9,306	9,306	**Megaflex Long-Term Disability & Health**
50,581	50,983	51,520	51,986	43,310	43,310	**Megaflex Short-Term Disability**
$ 700,850	$ 667,988	$ 667,183	$ 660,427	$ 755,182	$ 731,270	**Subtotal**
						HOSPITAL GROUP
$ (2,599)	$ (525)	1,798	3,517	0	0	**Harbor-UCLA Medical Center**
160	3,698	4,440	702	0	0	**Olive View-UCLA Medical Center**
(276)	12,697	2,372	4,402	0	0	**LAC + USC Medical Center**
0	10	0	0	0	0	**MLK Ambulatory Care Center**
(375)	(4,262)	(768)	(114)	0	0	**Rancho Los Amigos Rehab Center**
0		0	0	0	0	**LAC+USC Medical Center Equipment**
$ (3,090)	$ 11,618	$ 7,842	$ 8,507	$ 0	$ 0	**Subtotal**
$ 4,333,084	**$ 2,881,611**	**$ 3,013,899**	**$ 6,181,061**	**$ 3,286,179**	**$ 1,442,891**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2015-16: 12 MONTHS ACTUAL
2016-17: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2015-16
(in thousands of $)

	July 2015	August 2015	September 2015	October 2015	November 2015
BEGINNING BALANCE	$ 1,653,166	$ 1,901,844	$ 1,626,863	$ 1,254,727	$ 868,460
RECEIPTS					
Property Taxes	$ 42,262	$ 97,194	0	$ -	$ 46,344
Other Taxes	12,434	18,810	13,649	13,232	12,926
Licenses, Permits & Franchises	3,454	4,591	3,119	3,288	2,275
Fines, Forfeitures & Penalties	28,677	17,736	10,538	10,621	16,066
Investment and Rental Income	13,049	8,800	22,330	7,060	13,136
Motor Vehicle (VLF) Realignment	2,000	25,402	40,758	32,859	45,690
Sales Taxes - Proposition 172	63,581	58,748	50,087	54,942	65,399
1991 Program Realignment	66,068	31,843	46,010	65,890	61,288
Other Intergovernmental Revenue	94,333	290,990	137,106	229,708	213,697
Charges for Current Services	117,542	160,888	82,696	120,439	67,874
Other Revenue & Tobacco Settlement	109,843	177,364	172,058	318	(86,929)
Transfers & Reimbursements	24,594	0	853	7,521	10,532
Hospital Loan Repayment*	69,051	277,728	1,216	332,615	175,437
Welfare Advances	320,351	243,808	471,437	377,286	341,340
Other Financing Sources/MHSA	77,518	26,949	0	37,974	14,248
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	900,000	0	0	0	0
Total Receipts	$ 1,944,757	$ 1,440,851	$ 1,051,857	$ 1,293,753	$ 999,323
DISBURSEMENTS					
Welfare Warrants	$ 194,827	$ 228,927	$ 227,800	$ 229,492	$ 213,762
Salaries	441,377	436,452	430,466	436,139	444,676
Employee Benefits	270,381	286,918	249,022	267,479	277,060
Vendor Payments	551,564	406,413	307,207	328,084	364,785
Loans to Hospitals*	12,651	125,806	192,694	333,097	128,254
Hospital Subsidy Payments	196,890	180,670	11,268	0	(11,698)
Transfer Payments	28,389	50,646	5,536	85,729	36,710
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,696,079	$ 1,715,832	$ 1,423,993	$ 1,680,020	$ 1,453,549
ENDING BALANCE	**$ 1,901,844**	**$ 1,626,863**	**$ 1,254,727**	**$ 868,460**	**$ 414,234**
Borrowable Resources (Avg. Balance)	$ 1,482,119	$ 1,434,015	$ 1,437,263	$ 1,928,495	$ 3,519,705
Total Cash Available	$ 3,383,963	$ 3,060,878	$ 2,691,990	$ 2,796,955	$ 3,933,939

* The net change in the outstanding Hospital Loan Balance is a decrease of $34.8 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	Total 2015-16
$ 414,234	$ 1,022,814	$ 1,299,857	$ 1,409,218	$ 1,080,343	$ 1,162,078	$ 1,399,968	
$ 1,170,743	$ 1,099,871	$ 210,107	$ 14,033	$ 837,869	$ 1,054,584	$ 233,908	$ 4,806,915
11,380	39,878	10,857	10,774	29,636	14,164	27,488	215,228
4,220	2,184	7,530	4,636	16,575	3,370	3,666	58,908
9,397	9,780	18,126	15,144	10,714	26,163	9,336	182,298
14,870	26,379	9,071	11,180	10,036	12,593	16,533	165,037
33,514	30,032	28,266	31,759	36,763	29,533	20,312	356,888
58,361	51,360	77,268	50,065	48,699	67,684	57,340	703,534
52,769	44,917	71,837	43,597	42,062	60,820	50,840	637,941
240,529	175,779	261,244	165,596	162,930	301,825	207,206	2,480,943
215,711	154,426	124,921	135,141	104,098	162,322	151,037	1,597,095
17,327	120,612	(52,158)	47,450	69,987	46,325	63,440	685,637
39,121	19,338	13,152	5,157	30,018	7,036	26,795	184,117
95,224	50,537	401,021	144,947	60,754	81,515	773,959	2,464,004
535,875	428,185	372,405	462,682	396,086	334,399	519,397	4,803,251
27,677	13,841	43,318	-	25,445	28,689	17,960	313,619
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	900,000
$ 2,526,718	$ 2,267,119	$ 1,596,965	$ 1,142,161	$ 1,881,672	$ 2,231,022	$ 2,179,217	$ 20,555,415
$ 222,629	$ 223,111	$ 186,168	$ 250,819	$ 210,841	$ 192,066	$ 297,989	$ 2,678,431
468,445	472,192	462,084	445,795	457,067	446,529	447,919	5,389,141
246,215	310,352	280,530	252,899	290,453	278,282	245,669	3,255,260
367,791	368,051	314,887	363,899	313,381	407,256	339,451	4,432,769
282,620	215,891	199,199	172,628	114,412	596,624	55,328	2,429,204
(400)	0	0	(18,467)	4,111	0	0	362,374
15,838	85,479	44,736	3,463	94,797	72,375	30,157	553,855
315,000	315,000	0	0	314,875	0	0	944,875
0	0	0	0	0	0	0	0
$ 1,918,138	$ 1,990,076	$ 1,487,604	$ 1,471,036	$ 1,799,937	$ 1,993,132	$ 1,416,513	$ 20,045,909
$ 1,022,814	**$ 1,299,857**	**$ 1,409,218**	**$ 1,080,343**	**$ 1,162,078**	**$ 1,399,968**	**$ 2,162,672**	
6,016,212	$ 4,180,918	$ 2,825,906	$ 2,968,208	$ 5,910,220	$ 3,521,695	$ 1,503,541	
$ 7,039,026	$ 5,480,775	$ 4,235,124	$ 4,048,551	$ 7,072,298	$ 4,921,663	$ 3,666,213	

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	$ 900,177
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	3,413	15,288
Hospital Loan Repayment*	130,809	122,048	67,323	809,052	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**	**$ 516,313**
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	$ 4,056,451

* The net change in the outstanding Hospital Loan Balance is a decrease of $246.62 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	Estimated May 2017	Estimated June 2017	Total 2016-17
$ 516,313	$ 949,817	$ 1,543,600	$ 1,583,092	$ 1,247,138	$ 2,002,203	$ 2,395,605	
$ 1,233,642	$ 1,170,719	$ 261,844	$ 30,021	$ 852,266	$ 1,094,882	$ 195,477	$ 5,031,859
16,217	13,611	26,750	13,553	25,871	11,883	21,057	215,548
3,831	2,494	5,201	8,834	13,876	3,550	3,597	58,950
7,973	9,209	18,787	14,180	9,671	26,051	11,233	182,034
12,607	8,420	11,873	11,060	24,111	5,069	5,943	158,412
34,156	32,542	33,392	30,979	32,667	121,931	18,064	312,665
54,600	54,065	82,937	50,603	49,580	65,746	51,903	713,750
62,693	55,714	85,714	52,376	51,351	14,418	10,892	619,559
139,094	188,995	377,916	217,684	393,512	154,261	110,267	2,683,090
140,497	277,718	105,271	150,881	155,197	61,913	96,364	1,653,743
70,450	74,516	70,827	84,738	124,741	12,355	13,428	666,054
38,189	10,861	22,863	21,018	5,831	7,139	18,176	150,536
69,918	507,060	59,797	99,209	409,098	263,823	13,300	2,601,065
559,613	358,484	379,361	484,623	389,268	286,719	430,898	4,437,564
14,863	30,542	15,606	29,338	3,381	24,670	24,700	286,858
0	0	0	0	0	0	0	0
18,148	0	0	0	0	0	0	818,148
$ 2,476,491	$ 2,794,950	$ 1,558,139	$ 1,299,097	$ 2,540,421	$ 2,154,411	$ 1,025,299	$ 20,589,835
$ 234,647	$ 196,682	$ 232,267	$ 232,971	$ 225,494	$ 281,632	$ 320,813	$ 2,778,642
485,114	499,163	482,597	469,419	488,519	471,979	474,929	5,681,331
269,023	310,418	292,506	265,886	291,700	373,419	312,573	3,498,034
360,347	497,092	338,144	337,915	377,678	403,831	372,736	4,923,927
330,987	295,392	161,012	196,512	161,966	160,155	222,120	2,354,441
0	0	(1,750)	0	(6,670)	0	0	358,042
23,936	87,420	13,871	132,348	76,669	69,994	20,616	637,041
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	$ 1,761,009	$ 1,723,788	$ 21,055,391
$ 949,817	**$ 1,543,600**	**$ 1,583,092**	**$ 1,247,138**	**$ 2,002,203**	**$ 2,395,605**	**$ 1,697,116**	
$ 6,515,207	$ 4,333,084	$ 2,881,611	3,013,899	$ 6,181,061	$ 3,286,179	$ 1,442,891	
$ 7,465,024	$ 5,876,684	$ 4,464,703	$ 4,261,037	$ 8,183,264	$ 5,681,784	$ 3,140,007	

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, 2016, approximately $1.785 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 $983 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2016-17.

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

2016-17 Payments

Funding Source	2016-17 Payment
Total 2016-17 Payment Obligations	$157,122,084
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	59,959,749
Courthouse Construction Funds	20,571,664
Special Districts/Special Funds	2,773,553
Net 2016-17 General Fund Obligations	$73,817,118

Source: Los Angeles County Auditor-Controller

As of May 1, 2017, the County had $1.063 billion of outstanding short-term obligations, which include $800 million in TRANs, $70.0 million in Bond Anticipation Notes, and $193 million in Lease Revenue Tax-exempt Commercial Paper Notes. The following table summarizes the outstanding General County debt and note obligations.

SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2017 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$800,000
Bond Anticipation Notes	70,000
Lease Revenue Notes	192,900
Intermediate & Long-Term Obligations	1,726,741
Total Outstanding Principal	$2,789,641

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 10, 2016, the County issued $800 million of 2016-17 TRANs on July 1, 2016. The 2016-17 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2016-17, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2016-17 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, 2017, $70.0 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, 2017.

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 two Irrevocable, Direct-Pay Letters of Credit ("LOC") in the aggregate principal amount of $300 million 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 three credit agreements, 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, 2017, $192.9 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, 2016, approximately $1.785 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 2016-17 Adopted Budget contains sufficient appropriations to fund the County's lease payment obligations in Fiscal Year 2016-17. 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") increased from 0.129% in Fiscal Year 2015-16 to 0.134% in Fiscal Year 2016-17. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Roll over the past ten years.

OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2007-08	$1,441,826,104	$997,789,741,224	0.145%
2008-09	1,180,113,183	1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%
2014-15	1,576,510,029	1,191,806,972,618	0.132%
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%

Source: Los Angeles County Assessor and Auditor-Controller

OTHER DEBT OBLIGATIONS

Tobacco Bonds

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

DPSS Lease Obligations

Beginning January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate 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 COPs and Bonds. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is $237 million as of May 1, 2017.

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2016

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2017

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2016

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2016-17	$ 73,817,118	$ 59,959,749	$ 20,571,664	$ 2,773,553	$ 157,122,084
2017-18	71,393,265	52,205,857	15,010,203	2,771,892	141,381,218
2018-19	69,670,608	50,467,524	15,013,314	2,772,901	137,924,347
2019-20	70,575,704	50,471,921	15,002,335	2,772,114	138,822,074
2020-21	70,591,421	50,429,239	14,997,342	2,770,155	138,788,156
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	$ 1,440,379,898	$ 1,310,236,452	$ 244,206,663	$ 76,472,441	$ 3,071,295,454

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2016

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2016-17	$ 802,141,229	$ 765,967,436	$ 174,989,720	$ 42,212,308	$ 1,785,310,693
2017-18	779,711,095	741,266,802	161,160,000	41,463,167	1,723,601,064
2018-19	757,344,063	723,352,176	152,675,000	40,686,165	1,674,057,404
2019-20	736,771,443	706,347,922	144,035,000	39,872,265	1,627,026,630
2020-21	715,386,942	688,476,303	135,205,000	39,017,435	1,578,085,679
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
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2016

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 15,970,000	$ 15,970,000			
2002 Lease Rev Bonds Ser B:					
Sheriffs Training Academy	$ 870,639	$ 870,639			
Downey Courhouse	1,054,651			$ 1,054,651	
San Fernando Court	1,458,260			1,458,260	
Total 2002 Lease Rev Bonds Ser B	$ 3,383,550	$ 870,639	$ 0	$ 2,512,911	$ 0
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,089,394			$ 1,089,394	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 731,955	$ 731,955			
Patriotic Hall Renovation	1,181,976	1,181,976			
Hall of Justice Rehabilitation	6,101,971	6,101,971			
Olive View Medical Center ER/TB Unit	1,361,945		$ 1,361,945		
Olive View Medical Center Seismic	561,068		561,068		
Harbor/UCLA Surgery/ Emergency	8,534,580		8,534,580		
Harbor/UCLA Seismic Retrofit	1,316,069		1,316,069		
Total 2010 Multiple Capital Projects I, Series A	$ 19,789,562	$ 8,015,901	$ 11,773,661	$ 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)	$ 1,091,076	$ 1,091,076			
2012 Refg COPs: Disney Parking Project	$ 2,533,750	$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 8,840,076		$ 8,840,076		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,761,256		10,761,256		
Martin Luther King Jr. Data Center	341,765		341,765		
Fire Station 128	296,907				$ 296,907
Fire Station 132	480,214				480,214
Fire Station 150	744,849				744,849
Fire Station 156	442,133				442,133
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,907,200	$ 0	$ 19,943,097	$ 0	$ 1,964,103
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,194,975	$ 9,194,975			
Manhattan Beach Library	809,450				$ 809,450
Total 2015 Multiple Capital Projects, Series A	$ 10,004,425	$ 9,194,975	$ 0	$ 0	$ 809,450
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 2,969,750	$ 2,969,750			
Martin Luther King Medical Center - Trauma Center	5,237,750		$ 5,237,750		
LAX Area Courthouse	2,533,000			$ 2,533,000	
San Fernando Valley Courthouse	820,000			820,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	$ 13,685,000	$ 2,969,750	$ 5,237,750	$ 5,477,500	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 11,491,860			$ 11,491,860	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 14,027,234	$ 14,027,234			
Total Long-Term Obligations	$ 146,498,309	$ 67,442,853	$ 55,710,239	$ 20,571,664	$ 2,773,553
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 3,018,625	$ 1,811,175	$ 1,207,450		
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 7,605,150	$ 4,563,090	$ 3,042,060		
Total Intermediate-Term Obligations	$ 10,623,775	$ 6,374,265	$ 4,249,510	$ 0	$ 0
Total Obligations	$ 157,122,084	$ 73,817,118	$ 59,959,749	$ 20,571,664	$ 2,773,553

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, 2016

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	$ 13,818,098	$ 13,818,098			
2002 Lease Rev Bonds Ser B:					
Sheriffs Training Academy	$ 845,280	$ 845,280			
Downey Courhouse	1,023,933			$ 1,023,933	
San Fernando Court	1,415,786			1,415,786	
Total 2002 Lease Rev Bonds Ser B	$ 3,285,000	$ 845,280	$ 0	$ 2,439,720	$ 0
2006 Lease Rev Refg Bonds Ser A:					
East Los Angeles Courthouse	$ 1,070,000			$ 1,070,000	
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 2,654,922	$ 2,654,922			
Patriotic Hall Renovation	4,287,220	4,287,220			
Hall of Justice Rehabilitation	22,132,851	22,132,851			
Olive View Medical Center ER/TB Unit	4,939,997		$ 4,939,997		
Olive View Medical Center Seismic	2,035,085		2,035,085		
Harbor/UCLA Surgery/ Emergency	30,956,327		30,956,327		
Harbor/UCLA Seismic Retrofit	4,773,597		4,773,597		
Total 2010 Multiple Capital Projects I, Series A	$ 71,780,000	$ 29,074,994	$ 42,705,006	$ 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)	$ 7,322,595	$ 7,322,595			
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	$ 134,314,902		$ 134,314,902		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	163,505,053		163,505,053		
Martin Luther King Jr. Data Center	5,192,738		5,192,738		
Fire Station 128	4,511,161				$ 4,511,161
Fire Station 132	7,296,312				7,296,312
Fire Station 150	11,317,129				11,317,129
Fire Station 156	6,717,706				6,717,706
Total 2012 Multiple Capital Projects II, Series 2012	$ 332,855,000	$ 0	$ 303,012,692	$ 0	$ 29,842,308
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 140,845,000	$ 140,845,000			
Manhattan Beach Library	12,370,000				$ 12,370,000
Total 2015 Multiple Capital Projects, Series A	$ 153,215,000	$ 140,845,000	$ 0	$ 0	$ 12,370,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 16,300,000	$ 16,300,000			
Martin Luther King Medical Center - Trauma Center	5,110,000		$ 5,110,000		
LAX Area Courthouse	50,660,000			$ 50,660,000	
San Fernando Valley Courthouse	800,000			800,000	
Chatsworth Courthouse	42,490,000			42,490,000	
Total 2015 Lease Revenue Refunding Bonds, Series B	115,360,000	$ 16,300,000	$ 5,110,000	$ 93,950,000	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 77,530,000			$ 77,530,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 255,855,000	$ 255,855,000			
Total Long-Term Obligations	$ 1,770,770,693	$ 793,417,229	$ 760,151,436	$ 174,989,720	$ 42,212,308
Intermediate-Term Obligations					
Equipment					
2011 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 2,945,000	$ 1,767,000	$ 1,178,000		
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 11,595,000	$ 6,957,000	$ 4,638,000		
Total Intermediate-Term Obligations	$ 14,540,000	$ 8,724,000	$ 5,816,000	$ 0	$ 0
Total Obligations	$ 1,785,310,693	$ 802,141,229	$ 765,967,436	$ 174,989,720	$ 42,212,308

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, 2017

Title	Outstanding Principal	Total Future Payments		2016-17 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 10,623,779	$ 62,295,000		$ 0
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	0	0		0
2006 Lease Rev Refg Bonds Series A - 2006 Master Refunding Project	0	0		0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	55,125,000	59,299,031		0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,167,499,677	(1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	6,302,286	6,686,028	(1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	63,364,250		0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	326,730,000	569,737,700		0
2015 Multiple Capital Projects, Series A	150,760,000	283,861,600		3,756,300
2015 Lease Revenue Refunding Bonds Series B	107,240,000	165,831,250		2,681,000
2015 Lease Revenue Refunding Bonds Series C (Taxable)	68,010,000	77,409,818		965,819
2016 Lease Revenue Bonds Series D	255,855,000	467,050,131		5,817,747
Total Long-Term Obligations	$ 1,719,326,064	$ 2,923,034,485		$ 13,220,866
Intermediate-Term Obligations				
Equipment				
2011 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 0	$ 0		$ 0
2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program	7,415,000	7,610,975		3,251,225
Total Intermediate-Term Obligations	$ 7,415,000	$ 7,610,975		$ 3,251,225
Total Obligations	$ 1,726,741,064	$ 2,930,645,460		$ 16,472,091

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, 2017
2016-17 Assessed Valuation: $1,361,956,007,239: (includes unitary valuation)

	Applicable %	Debt as of 5/1/17
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 10,060,000
Metropolitan Water District	48.417	36,266,754
Los Angeles Community College District	100.000	3,847,880,000
Other Community College Districts	Various (1)	3,124,699,992
Arcadia Unified School District	100.000	184,618,852
Beverly Hills Unified School District	100.000	407,475,754
Glendale Unified School District	100.000	271,029,986
Long Beach Unified School District	100.000	1,166,245,702
Los Angeles Unified School District	100.000	10,005,485,000
Pasadena Unified School District	100.000	383,590,000
Pomona Unified School District	100.000	227,648,077
Redondo Beach Unified School District	100.000	221,466,110
Santa Monica-Malibu Unified School District	100.000	323,670,710
Torrance Unified School District	100.000	474,354,455
Other Unified School Districts	Various (1)	3,343,085,332
High School and School Districts	Various (1)	1,800,920,641
City of Los Angeles	100.000	720,435,000
City of Industry	100.000	94,075,000
Other Cities	100.000	54,925,000
Community Facilities Districts	100.000	708,869,258
Los Angeles County Regional Park & Open Space Assessment District	100.000	38,895,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	74,944,244
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 27,520,640,867
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,963,521,065**
Los Angeles County Office of Education Certificates of Participation	100.000	7,204,988
Community College District Certificates of Participation	Various (2)	26,985,036
Baldwin Park Unified School District Certificates of Participation	100.000	28,775,000
Compton Unified School District Certificates of Participation	100.000	20,490,000
Los Angeles Unified School District Certificates of Participation	100.000	239,440,000
Paramount Unified School District Certificates of Participation	100.000	28,710,000
Other Unified School District Certificates of Participation	Various (2)	235,344,964
High School and Elementary School District General Fund Obligations	Various (2)	118,542,157
City of Beverly Hills General Fund Obligations	100.000	150,120,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,484,847,152
City of Long Beach General Fund Obligations	100.000	158,310,000
City of Long Beach Pension Obligations	100.000	30,660,000
City of Pasadena General Fund Obligations	100.000	444,851,426
City of Pasadena Pension Obligations	100.000	119,460,000
Other Cities' General Fund Obligations	100.000	1,298,421,352
Los Angeles County Sanitation Districts Financing Authority	100.000	140,205,118
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,495,888,258
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation		(9,782,835)
Cities' supported bonds		(469,357,170)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,016,748,253
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$ 3,911,938,121
TOTAL DIRECT DEBT		$ 1,963,521,065
TOTAL GROSS OVERLAPPING DEBT		$ 35,964,946,181
TOTAL NET OVERLAPPING DEBT		$ 35,485,806,176
GROSS COMBINED TOTAL DEBT		$ 37,928,467,246 (3)
NET COMBINED TOTAL DEBT		$ 37,449,327,241

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

RATIOS TO 2016-17 ASSESSED VALUATION

Total Gross Overlapping Tax and Assessment Debt	2.02 %
Total Gross Direct Debt ($1,963,521,065)	0.14 %
Gross Combined Total Debt	2.78 %
Net Combined Total Debt	2.75 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($184,829,276,228):	
Total Overlapping Tax Increment Debt	2.12 %

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 2016 Gross Product of $629.3 billion, Los Angeles County's economy is larger than that of 44 states and all but 19 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy experienced moderate growth in 2016 with an increase in economic output of 2.2%, as measured by Gross Product, and an estimated increase in total taxable sales of 5.5%. The economic recovery is expected to continue in 2017, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 5.1% in 2016, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2017 and 2018, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 5.0% and 4.9%, 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 $9.1 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%. In addition to the new bond measures approved in 2016, K-12 schools and community college districts in the County had approximately $8.3 billion of previously authorized, but unissued bond capacity as of June 2016. The recently approved Measure A parcel tax will generate approximately $94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring dedicated funding from the 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 ensuing from the 2008 and 2016 voter-approved Measure R and Measure M, respectively 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 that 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. 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 360,400 workers employed in this sector in 2016. 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 230,900 workers in 2016.

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.

Recreation

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

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

Population

The County is the most populous county in the U.S. with over 10.2 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 48.4% Hispanic, 26.6% White, 15.0% Asian, 9.1% African American and 0.9% 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 104 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 77.3% of the adult population has a high school diploma or higher, and 30.3% 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 six years to 5.1% in 2016. In comparison, the average unemployment rates for the State of California and the nation in 2016 were 5.4% and 4.9%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 5.0% in 2017 and 4.9% in 2018, as the County approaches full employment. Table E details the County's historical unemployment rates from 2012 through 2016. The employment situation in the County showed additional signs of improvement in 2016, with estimated total net job growth of 109,200 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2012 through 2016.

Personal Income

Total personal income in the County grew by an estimated 2.4% in 2016. The 2016 total personal income of $557.4 billion represents an estimated 25.7% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 5.4% for 2017 and 3.8% for 2018. Table C provides a summary of the personal income statistics for the County from 2012 through 2016.

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 5.5% increase in total taxable sales in 2016, with stronger growth of 6.8% projected for 2017. The $159.8 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 $629.3 billion in 2016, the County continues to rank among the world's largest economies. The County's 2016 Gross Product represents approximately 27.6% of the total economic output in California and 3.8% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2012 through 2016.

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 moderate decline in 2015, handling approximately $393.8 billion worth of international trade, which represents a 5.7% decrease from 2014. The decline in the value of international trade was partially the result of a labor strike that slowed loading activities at both ports. With the resolution of the labor strike during the first quarter of 2015, the LACD is expected to show moderate growth in 2016. Although the recent increase in the value of the dollar is expected to have a negative impact on export growth, the demand for imported goods is expected to remain strong. The LACD maintained its ranking as the top customs district in the nation for international trade in 2015, with China, Japan, South Korea, Taiwan and Vietnam being the top trading partners.

Transportation/Infrastructure

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

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the seventh busiest airport in the world and third in the United States for passenger traffic. In 2016, LAX served 80.9 million passengers, representing an 8.0% increase from the previous year. The 2.2 million tons of air cargo handled at LAX in 2016, and the corresponding value of $99.4 billion, represents an increase of 5.2% from 2015 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 ninth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2015, it was ranked as the busiest container port in the United States for the fifteenth consecutive year and the nineteenth busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2016, the Port handled over 8.9 million TEUs, which represents an 8.5% increase in container volume from 2015.

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 twentieth busiest in the world in 2015. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2016, the port handled nearly 6.8 million TEUs of container cargo, which represents a decrease of 5.8% from 2015.

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 440 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 2016-17 operating budget for the MTA is $5.6 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 2016, the Los Angeles region hosted a record high 31.1 million overnight visitors, representing a 2.8% increase from 2015. According to the Los Angeles Convention and Visitors Bureau, a record high of 7.1 million foreign residents visited the region in 2016, which represents a 3.5% increase compared to 2015. Of all foreign countries visiting the region, China continues to display the fastest growth of any international market with 21.9% more visitors than in 2015. 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 57.8% from 2012 to 2016.

In 2016, the real estate market continued to experience strong growth, as the average median home price increased by 6.4% to $521,552 from 2015. After a record high of 105,433 in 2009, notices of default recorded decreased by 86.9% to 13,802 in 2016 equaling a rate of approximately 1,150 notices per month, which represents a slight improvement over 2015 when the rate averaged 1,450 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 91% from a cyclical high of 39,774 in 2008 to 3,481 in 2016. The number of trustees deeds recorded in 2016 represents a 20% decrease from 2015 (4,366 to 3,481).

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 2016-17, the

County Assessor reported a Net Local Roll of $1.336 trillion, which represents a 5.58% increase from the Net Local Roll of $1.265 trillion in Fiscal Year 2015-16. The Net Local Roll in Fiscal Year 2016-17 represents a 28.1% increase from Fiscal Year 2010-11, and the sixth consecutive year of growth in assessed valuation after the recent economic downturn.

The commercial real estate sector continued to show improvement in 2016. Construction lending experienced robust growth of 23.4% from $9.711 billion in 2015 to $11.979 billion in 2016. Office market vacancy rates improved slightly from 2015 to 2016, with the average vacancy rate decreasing to 13.6% from 14.4%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates remained stable at 0.9% in 2015 and 2016, which is slightly lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

Construction continued on the new Wilshire Grand Center in Downtown Los Angeles, which will become the tallest building in the western United States when completed in 2017. The 73-story, 1,100-foot tall structure, which will include an InterContinental hotel, office space and condominiums, represents a $1 billion private investment in Downtown Los Angeles. The Wilshire Grand Center will generate nearly $80 million in tax revenue through the construction phase and an additional $16 million annually in tax revenue upon opening. The University of Southern California has broken ground on a new mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The complex, which will include six residence halls for 2,700 students, a grocery store, a fitness center, a drugstore and 115,000 square feet of additional retail space is expected to cost the university approximately $1.1 billion to construct. The new complex is expected to be completed in 2018 and is projected to generate 12,000 new jobs during construction.

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 until their new stadium is completed. For the next three years, the Chargers will play at the Stub-Hub Center in Carson, the home of the LA Galaxy professional soccer team.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in millions of $)	2012	2013	2014	2015	2016
Los Angeles County	$566,204	$581,567	$594,645	$615,888	$629,347
State of California	2,013,611	2,064,596	2,143,167	2,225,413	2,281,048
United States	15,354,600	15,612,200	15,982,300	16,397,200	16,662,100
Los Angeles County as a % of California	28.12%	28.17%	27.75%	27.68%	27.59%

Source: Los Angeles Economic Development Corporation - 2017-2018 Economic Forecast & Industry Outlook February 2017 & Bureau of Economic Analysis - U.S. Department of Commerce

TABLE B: POPULATION LEVELS (in thousands of $)	2012	2013	2014	2015	2016
Los Angeles County	9,970	10,045	10,109	10,170	10,240
State of California	38,056	38,414	38,792	39,144	39,509
Los Angeles County as a % of California	26.20%	26.15%	26.06%	25.98%	25.92%

Source: Los Angeles Economic Development Corporation - 2017-2018 Economic Forecast & Industry Outlook February 2017

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of $)	2012	2013	2014	2015	2016
Los Angeles County	$486,734	$483,579	$512,847	$544,325	$557,382
Orange County	169,584	166,370	174,451	183,052	185,486
San Diego County	152,724	157,758	167,119	175,859	183,056
Riverside and San Bernardino Counties	138,313	141,978	149,682	159,429	165,113
Ventura County	41,294	41,728	43,608	46,060	47,217
State of California	1,838,567	1,861,957	1,977,924	2,103,669	2,169,459
Los Angeles County as a % of California	26.47%	25.97%	25.93%	25.88%	25.69%

Source: Los Angeles Economic Development Corporation - 2017-2018 Economic Forecast & Industry Outlook February 2017

TABLE D: TOTAL TAXABLE SALES IN LOS ANGELES COUNTY (in millions of $)	2012	2013	2014	2015	2016
Los Angeles County	$135,300	$140,100	$147,100	$151,400	$159,800 *
State of California	558,400	586,800	615,500	636,200	671,000 *
Los Angeles County as a % of California	24.23%	23.88%	23.90%	23.80%	23.82%

**Estimates and forecasts by the LAEDC*
Source: Los Angeles Economic Development Corporation - 2016-2017 Economic Forecast & Industry Outlook February 2016

TABLE E: UNEMPLOYMENT RATES	2012	2013	2014	2015	2016
Los Angeles County	10.9%	9.7%	8.2%	6.7%	5.1%
State of California	10.4%	8.9%	7.5%	6.2%	5.4%
United States	8.1%	7.4%	6.2%	5.3%	4.9%

Source: Los Angeles Economic Development Corporation - 2017-2018 Economic Forecast & Industry Outlook February 2017

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2012	2013	2014	2015	2016
Wholesale & Retail Trade	612.8	624.3	635.5	644.9	649.3
Health Care & Social Assistance	585.6	584.7	602.1	621.6	644.4
Government	556.8	551.2	556.2	568.5	576.3
Leisure & Hospitality	415.8	440.5	466.6	489.1	510.5
Manufacturing	373.3	374.4	370.0	366.8	360.4
Professional, Scientific & Technical Services	263.0	271.8	271.8	271.8	278.3
Administrative & Support & Waste Services	244.4	256.9	262.9	265.8	270.0
Information	192.1	197.0	198.8	207.5	230.9
Transportation, Warehousing & Utilities	154.5	157.5	163.4	171.5	180.6
Other	141.7	145.7	150.5	151.0	153.4
Finance & Insurance	140.2	138.3	134.5	135.6	138.1
Construction	107.6	114.6	118.5	126.2	133.1
Educational Services	113.9	117.4	118.6	119.5	123.0
Real Estate & Rental & Leasing	72.2	74.7	76.7	80.0	81.7
Management of Companies & Enterprises	56.7	58.2	58.6	57.9	56.9
Total	4,030.6	4,107.2	4,184.7	4,277.7	4,386.9

Source: Los Angeles Economic Development Corporation

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

Type of Activity	2012	2013	2014	2015	2016
International Air Cargo (Tons)					
Los Angeles International Airport	1,135.8	1,119.5	1,176.3	1,284.7	1,336.3
As Percentage of Total Air Cargo	57.85%	58.12%	58.78%	60.25%	60.59%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,963.2	1,926.1	2,001.2	2,132.5	2,205.3
Long Beach Airport	24.4	24.4	25.5	23.9	25.2
Hollywood Burbank Airport	47.4	52.9	56.3	54.8	53.3
Total	2,035.0	2,003.4	2,082.9	2,211.1	2,283.9
International Air Passengers					
Los Angeles International Airport	17,152.9	17,852.1	19,105.7	20,740.1	22,850.2
As Percentage of Total Passengers	26.93%	26.78%	27.04%	27.68%	28.24%
Total Air Passengers					
Los Angeles International Airport	63,688.1	66,667.6	70,662.2	74,936.3	80,921.5
Long Beach Airport	3,206.9	2,942.9	2,824.0	2,523.7	2,852.3
Hollywood Burbank Airport	3,725.5	3,844.4	3,861.2	3,943.6	4,142.9
Total	70,620.5	73,454.9	77,347.4	81,403.6	87,916.8
Container Volume (TEUs)					
Port of Los Angeles	8,077.7	7,868.6	8,340.1	8,160.5	8,856.8
Port of Long Beach	6,045.7	6,730.6	6,820.8	7,192.1	6,775.2
Total	14,123.4	14,599.2	15,160.9	15,352.5	15,632.0

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	2011	2012	2013	2014	2015
Los Angeles, CA	$387,500	$403,900	$414,700	$417,800	$393,800
New York, NY	388,400	381,900	379,000	386,800	369,900
Laredo, TX	216,300	239,100	253,200	279,800	284,300
Detroit, MI	245,100	253,200	253,600	261,800	244,200
Chicago, IL	176,600	187,500	192,600	210,700	201,600
New Orleans, LA	234,500	243,600	235,000	233,900	199,700
Houston-Galveston, TX	268,400	273,900	251,700	252,500	196,400
Seattle, WA	128,600	138,800	144,000	152,500	154,800
Savannah, GA	126,500	132,300	129,500	141,800	148,600
Cleveland, OH	109,400	118,700	122,600	131,700	129,600

Source: Los Angeles Economic Development Corporation - 2016-2017 International Trade Report

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

Port	2011	2012	2013	2014	2015
Los Angeles-Long Beach, CA	199,519	201,709	207,252	210,440	204,834
Tacoma, WA	28,428	30,975	31,861	34,936	34,149
Oakland, CA	30,283	30,298	30,906	30,540	29,038
Seattle, WA	29,856	25,549	18,104	14,422	14,913
Kalama, WA	11,570	10,199	9,304	9,725	12,080
Portland, OR	19,140	17,948	13,571	14,573	9,798
Port Hueneme	4,095	4,520	4,921	5,240	5,774
San Diego, CA	4,287	4,822	5,168	5,358	5,591
Vancouver, WA	6,198	4,914	2,001	2,855	3,014

Source: Pacific Maritime Association - 2015 Annual Report and past reports

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

Port	2011	2012	2013	2014	2015
Los Angeles-Long Beach, CA	14,002	14,123	14,599	15,161	15,353
New York-NewJersey, NY	5,503	5,530	5,467	5,772	6,372
Savannah, GA	2,945	2,966	3,034	3,346	3,737
Seattle-Tacoma, WA	3,493	3,564	3,456	3,394	3,529
Norfolk, VA	1,918	2,106	2,224	2,393	2,549
Oakland, CA	2,343	2,344	2,347	2,394	2,278
Houston, TX	1,868	1,935	1,952	1,958	2,137
Charleston, SC	1,381	1,515	1,601	1,792	1,973

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	2012	2013	2014	2015	2016
1. Construction Lending (in millions)	$4,601	$6,379	$8,750	$9,711	$11,979
2. Residential Purchase Lending (in millions)	$23,675	$27,910	$31,441	$48,832	$53,362
3. New & Existing Median Home Prices	$330,463	$412,795	$458,677	$490,083	$521,552
4. New & Existing Home Sales	83,686	84,229	76,348	81,188	81,062
5. Notices of Default Recorded	49,354	20,970	17,883	17,422	13,802
6. Unsold New Housing (at year-end)	845	561	552	620	1,217
7. Office Market Vacancy Rates	16.7%	16.7%	14.9%	14.4%	13.6%
8. Industrial Market Vacancy Rates	2.1%	1.8%	1.5%	0.9%	0.9%

Source: Real Estate Research Council of Southern California - 4th Quarter 2016

TABLE L: BUILDING PERMITS AND VALUATIONS

	2012	2013	2014	2015	2016
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	2,756	3,599	4,286	4,297	4,664
b. Multi-Family	7,950	12,631	14,595	18,638	15,727
Total Residential Building Permits	10,706	16,230	18,881	22,935	20,391
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$1,128	$1,507	$1,740	$1,868	$2,096
b. Multi-Family	1,416	1,921	2,310	2,877	2,765
c. Alterations and Additions	674	1,193	1,429	1,591	1,550
Residential Building Valuations Subtotal	$3,218	$4,621	$5,479	$6,336	$6,411
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$38	$246	$269	$347	$345
b. Retail Buildings	115	385	829	472	541
c. Hotels and Motels	5	145	359	327	332
d. Industrial Buildings	169	128	122	85	154
e. Alterations and Additions	1,095	2,012	3,155	2,629	2,774
f. Other	381	669	1,507	1,025	618
Non-Residential Building Valuations Subtotal	$1,803	$3,585	$6,241	$4,885	$4,764
Total Building Valuations (in millions)	$5,021	$8,207	$11,721	$11,221	$11,175

Source: Real Estate Research Council of Southern California - 4th Quarter 2016

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2016 Ranking)	Industry	Headquarters	No. of Employees: L.A. County	No. of Employees: Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	36,987	191,384
2	University of Southern California	Education-Private University	Los Angeles, CA	18,971	19,145
3	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,619	65,000
4	Target Corp.	Retailer	Minneapolis, MN	15,000	341,000
5	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	13,500	25,000
6	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	13,000	211,000
7	Providence Health & Services	Health Care	Renton, WA	13,000	82,269
8	Walt Disney Co.	Entertainment	Burbank, CA	12,500	185,000
9	Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	12,400	265,000
10	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	11,625	11,625
11	AT&T Inc.	Telecommunications	Dallas, TX	11,500	277,200
12	UPS	Transportation and Freight	Atlanta, GA	10,800	444,000
13	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	10,600	385,000
14	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	9,500	161,400
15	Wells Fargo	Diversified Financial Services	San Francisco, CA	9,248	268,000
16	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,500	120,000
17	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,291	9,252
18	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,900	266,000
19	Edison International	Electric Utility	Rosemead, CA	7,600	12,768
20	Allied Universal	Security Professional and Safety Services	Santa Ana, CA	6,600	140,000
21	Dignity Health	Hospitals	San Francisco, CA	6,100	60,000
22	SoCalGas	Natural Gas Utility	Los Angeles, CA	5,600	8,500
23	Costco Warehouse	Membership Chain of Warehouse Stores	Issaquah, WA	5,527	213,000
24	Warner Bros. Entertainment Inc.	Entertainment	Burbank, CA	5,400	N/A
25	Amgen Inc.	Biotechnology	Thousand Oaks	5,300	17,900

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, September 2016

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Discretely presented component units	100%	100%	100%
Aggregate remaining fund information	69%	71%	5%

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District Fund, Flood Control District Fund, Public Library Fund, and Regional Park and Open Space District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the basic financial statements, effective July 1, 2015, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the basic financial statements, the total net pension liability of the County as of June 30, 2016, was $7.448 billion. The fiduciary net position as percentage of the total pension liability as of June 30, 2015, was 86.296%. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.63% as of June 30, 2015, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24, 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 146 through 148 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 15, 2016

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, 2016 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 $501 million. Net position is classified into three categories and the unrestricted component is negative $21.167 billion.

During the current year, the County's net position decreased by a total of $787 million. Net position related to governmental activities decreased by $540 million, while net position related to business-type activities decreased by $247 million.

At the end of the current year, the County's General Fund reported a total fund balance of $3.384 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $324 million, restricted fund balance of $68 million, committed fund balance of $365 million, assigned fund balance of $446 million, and $2.181 billion of unassigned fund balance.

The County's capital asset balances were $19.240 billion at year-end and increased by $81 million during the year.

During the current year, the County's total long-term debt decreased by $15 million. Newly issued and accreted long-term debt of $719 million were less than the long-term debt maturities of $734 million.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation 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 $501 million at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2016 and 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 9,733,525	$ 9,196,361	$ 1,838,199	$ 1,620,252	$ 11,571,724	$ 10,816,613
Capital assets	16,194,139	16,152,897	3,045,644	3,005,864	19,239,783	19,158,761
Total assets	25,927,664	25,349,258	4,883,843	4,626,116	30,811,507	29,975,374
Deferred outflows of resources	1,240,744	1,267,447	206,764	211,805	1,447,508	1,479,252
Current and other liabilities	2,252,076	1,982,863	452,338	418,664	2,704,414	2,401,527
Long-term liabilities	22,932,611	20,960,211	5,497,786	4,829,855	28,430,397	25,790,066
Total liabilities	25,184,687	22,943,074	5,950,124	5,248,519	31,134,811	28,191,593
Deferred inflows of resources	1,400,671	2,550,590	224,935	426,559	1,625,606	2,977,149
Net position:						
Net investment in capital assets	14,982,488	14,846,719	2,269,835	2,298,915	17,252,323	17,145,634
Restricted	3,320,163	3,098,677	92,699	84,672	3,412,862	3,183,349
Unrestricted (deficit)	(17,719,601)	(16,822,355)	(3,446,986)	(3,220,744)	(21,166,587)	(20,043,099)
Total net position	$ 583,050	$ 1,123,041	$ (1,084,452)	$ (837,157)	$ (501,402)	$ 285,884

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 $537 million for governmental activities and by $218 million for business-type activities. For governmental activities, there was an increase of $589 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund, which grew by $502 million over the prior year. For business-type activities, current and other assets increased by $218 million, as hospital accounts receivable were higher in the current year by $236 million.

Deferred Outflows of Resources

In the current year, deferred outflows of resources were $1.241 billion and $207 million for governmental and business-type activities, respectively. These balances were similar to the prior year amounts and nearly all of these amounts are associated with GASB 68 and 71 requirements, whereby employer pension contributions made subsequent to the measurement date (June 30, 2015) of the net pension liability are recognized as deferred outflows of resources.

Liabilities

Current and other liabilities increased by $269 million for governmental activities. The largest component of this increase is $142 million for advances payable, largely due to higher advances for public assistance and children's services programs. In addition, accounts payable were higher by $120 million due to increases in trade payables and amounts owed for intergovernmental transfer payments. For business-type activities, a net increase of $34 million in current and other liabilities was largely associated with increases in accounts payable for the hospitals.

Long-term liabilities increased by $1.972 billion for governmental activities and by $668 million for business-type activities. Liabilities for other postemployment benefits (OPEB) increased for both governmental and business-type activities by $1.298 billion and $277 million, respectively. Pension liabilities were recognized in the prior year for the first time and increased in the current year by $417 million and $74 million for governmental and business-type activities, respectively. Liabilities were also higher for workers' compensation, compensated absences, and for the business-type activities, amounts owed by the County's hospitals to third party payors. 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

Deferred inflows of resources decreased by $1.150 billion for governmental activities and by $202 million for business-type activities. GASB 68 and 71 requires that the net difference between projected and actual earnings on pension plan investments be recognized as deferred inflows of resources. In the current year, there were $924 million of deferred inflows of resources associated with actual prior year pension plan earnings in excess of projected earnings. This amount is $1.960 billion lower than the previous year amount. GASB standards also require recognition of deferred inflows of resources to account for changes in assumptions and the difference between expected and actual experience and in the current year, this newly recorded amount was $619 million. Pension matters are discussed in more detail in Note 8 to the basic financial statements. For service concession arrangements, there were also $83 million of deferred inflows of resources recognized in the current year, which represents a decrease of $11 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, $17.252 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 $3.413 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)

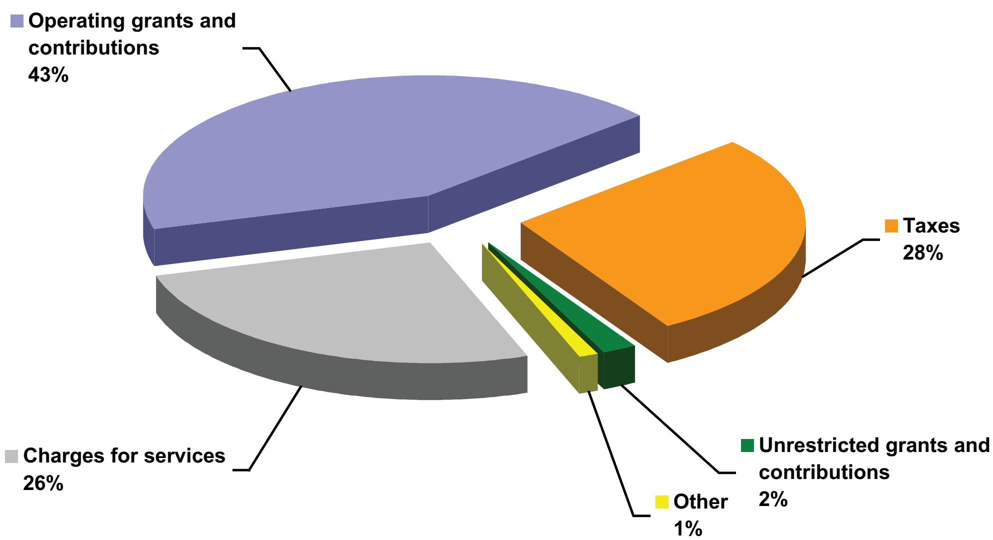
The County's total unrestricted net position is negative $21.167 billion. Both governmental and business-type activities reported deficits in this category of $17.719 billion and $3.447 billion, respectively. OPEB related liabilities of $13.109 billion continued to be the most significant factor associated with the reported deficits, along with pension liabilities totaling $7.448 billion.

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

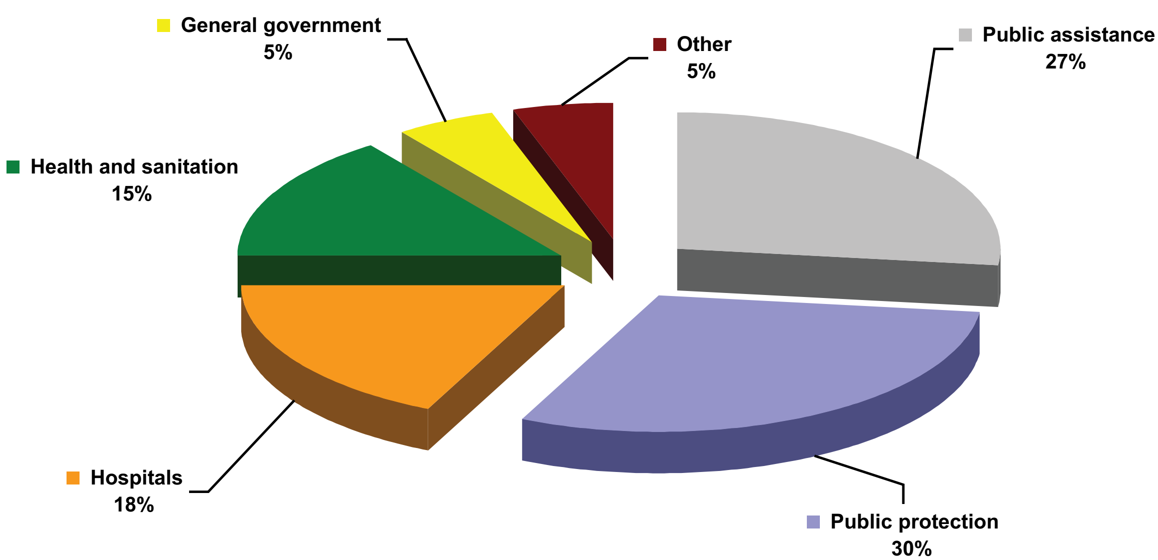
Summary of Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 2,608,084	$ 2,505,007	$ 3,245,260	$ 3,037,826	$ 5,853,344	$ 5,542,833
Operating grants and contributions	9,296,996	8,976,986	315,070	500,840	9,612,066	9,477,826
Capital grants and contributions	24,860	35,685	5,582	2,353	30,442	38,038
General revenues:						
Taxes	6,415,494	6,161,188	5,309	4,919	6,420,803	6,166,107
Unrestricted grants and contributions	374,264	512,079			374,264	512,079
Investment earnings	122,763	74,220	1,463	1,289	124,226	75,509
Miscellaneous	141,146	181,119	61	26,012	141,207	207,131
Total revenues	18,983,607	18,446,284	3,572,745	3,573,239	22,556,352	22,019,523
Expenses:						
General government	1,235,949	1,429,897			1,235,949	1,429,897
Public protection	7,098,459	6,638,192			7,098,459	6,638,192
Public ways and facilities	375,295	415,586			375,295	415,586
Health and sanitation	3,417,720	3,136,924			3,417,720	3,136,924
Public assistance	6,191,975	6,007,973			6,191,975	6,007,973
Education	141,195	107,336			141,195	107,336
Recreation and cultural services	388,284	365,755			388,284	365,755
Interest on long-term debt	93,022	99,400			93,022	99,400
Hospitals			4,309,615	4,017,633	4,309,615	4,017,633
Waterworks			86,463	85,479	86,463	85,479
Aviation			5,661	6,675	5,661	6,675
Total expenses	18,941,899	18,201,063	4,401,739	4,109,787	23,343,638	22,310,850
Excess (deficiency) before transfers	41,708	245,221	(828,994)	(536,548)	(787,286)	(291,327)
Transfers	(581,699)	(603,762)	581,699	603,762		
Changes in net position	(539,991)	(358,541)	(247,295)	67,214	(787,286)	(291,327)
Net position - beginning	1,123,041	1,481,582	(837,157)	(904,371)	285,884	577,211
Net position – ending	$ 583,050	$ 1,123,041	$ (1,084,452)	$ (837,157)	$ (501,402)	$ 285,884

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016



Governmental Activities

Revenues from governmental activities increased by $537 million (2.9%) 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 $320 million. Revenues for public assistance programs grew by $441 million, as there were higher levels of administrative and program costs which are primarily funded from federal and State reimbursement. For the public protection programs, current year revenues were $165 million lower, due to one-time prior year State grant funding for probation related programs and other grant funded programs. For health and sanitation programs, there was net revenue growth of $116 million. New revenues of $90 million related to Public Hospital Redesign and Incentives in Medi-Cal were recognized in the current year and State funding for mental health programs grew by $111 million. Revenue associated with the State Mental Health Services Act (Proposition 63) decreased by $80 million as less funding from dedicated State income taxes was available for this program.

- Taxes, the County's largest general revenue source, were $254 million higher than the prior year and were mostly attributable to increased property taxes, which grew by $240 million. The County's assessed property tax roll grew by 6.13% 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 $239 million and increased by $16 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 $167 million, a decrease of $23 million compared to the prior year.

For the third consecutive year, pursuant to Assembly Bill 85 (AB85), the County was 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. The withheld amount in the current year was $101 million and is estimated to approximate the amount that is owed to the State. In the prior year, the State withheld $238 million of realignment funding. In the current year, the County re-evaluated the estimated amount owed to the State for prior year funding and determined it is likely that the additional amount of $135 million will be owed to the State. Accordingly, current year revenues were reduced by $135 million. For the first year (FY 2013-14) subject to AB85, the State withheld $88 million of realignment funds and, in July 2016, the State determined that the entire amount withheld was owed back to the County. As of June 30, 2016, this gain was not reflected in the basic financial statements.

Governmental Activities-Continued

Expenses related to governmental activities increased by $741 million (4.1%) during the current year. Cost increases were most significant for salaries and wages, which grew by $415 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 for workers' compensation and compensated absences were higher by $220 million and $40 million, respectively. Expenses were also higher for non-salary costs associated with health services administration and mental health, as costs for contracted services increased by $88 million and $67 million, respectively. Depreciation expense was $412 million in the current year, down $24 million from the prior year amount of $436 million.

The current year represents the second year in which new pension accounting standards (GASB 68 and 71) were in effect. Pension costs for governmental activities were $487 million, or $74 million lower than the prior year amount of $561 million. Note 8 to the basic financial statements contains additional information related to pension costs.

Business-type Activities

Revenues from business-type activities were unchanged in comparison to the prior year, with total revenues of $3.573 billion in both years. 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 the current year, the federal government approved a five-year renewal of the State's Medi-Cal Demonstration Project, which provides new 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. The redesigned programs provided the County's hospitals with substantial revenues of $892 million from the Global Payment program and $228 million from the Public Hospital Redesign and Incentives in Medi-Cal program in the current year. These new funding sources replace funding programs formerly known as Disproportionate Share, Safety Net Care Pool, and Delivery System Reform Incentive Pool.

Expenses related to business-type activities increased from the previous year by a net total of $292 million (7.1%), 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 $144 million. Costs for salaries and employee benefits were also higher in the current year by $109 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 1,182 patients per day, which was slightly lower than the 1,212 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 $7.066 billion, an increase of $307 million in comparison with the prior year. Of the total fund balances, $337 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.430 billion is classified as restricted, $474 million as committed, and $644 million as assigned. The remaining balance of $2.181 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $18.923 billion, an increase of $487 million (2.6%) from the previous year. Expenditures for all governmental funds in the current year were $18.396 billion, an increase of $547 million (3.1%) from the previous year. In addition, other financing uses exceeded other financing sources by $219 million as compared to $103 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 $194 million (6.1%). At the end of the current fiscal year, the General Fund's total fund balance was $3.384 billion. Of this amount, $324 million is classified as nonspendable, $68 million as restricted, $365 million as committed, $446 million as assigned and the remaining $2.181 billion is classified as unassigned.

General Fund revenues during the current year were $16.190 billion, an increase of $735 million (4.8%) from the previous year. General Fund expenditures during the current year were $15.863 billion, an increase of $626 million (4.1%) from the previous year. Other financing sources/uses-net was negative $132 million in the current year as compared to negative $130 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $230 million and property taxes comprised $220 million of this increase. Residual property tax revenues, which are associated with redevelopment dissolution, were $144 million in the current year, or $18 million lower than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were $10 million higher in the current year.

Governmental Funds-Continued

- Intergovernmental revenues increased by $365 million overall, and were primarily associated with state and federal revenue increases of $222 and $148 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, and mental health programs. As previously mentioned, the State revenue growth was offset by $135 million that was associated with the AB85 amount to be owed to the State for FY 2014-15.

- Charges for services increased by a total of $160 million. There was a $77 million increase in revenues associated with the Low Income Health Plan (LIHP) in relation to the implementation of the Affordable Care Act. In addition, a $32 million increase in revenues for services provided by the Sheriff's Department, primarily for services rendered to the County's independently operated transportation agency and the cities that contract with the Sheriff for services.

- General fund expenditures increased by a total of $626 million, or 4.1%. Within this total, current expenditures increased by $624 million, and debt service and capital outlay expenditures increased by $2 million. The most significant increase in current expenditures was reflected in public protection programs, where spending grew by $282 million, of which $222 million pertained to salaries and employee benefits, largely due to negotiated salary increases. Health and sanitation program expenditures were $230 million higher, and this was primarily due to increases in mental health and health service administration contracting costs. Public assistance expenditures were higher by $210 million, of which salary and benefit increases were nearly $118 million with the remaining increase associated with higher spending on public assistance benefits. General government spending decreases were $116 million and this decline was related to costs associated with capital improvements.

The Fire Protection District reported a year-end fund balance of $222 million, which represented a decrease of $21 million from the previous year. Revenues increased by $42 million, of which $29 million was related to property taxes and primarily associated with growth in assessed property values and $13 million was for charges for services. Expenditures were also higher by $84 million, nearly all of which was related to salaries and benefits.

The Flood Control District reported a year-end fund balance of $423 million, which was $49 million higher than the previous year. Current year revenues were slightly higher by $1 million while expenditures were higher by $19 million.

The Public Library Fund reported a year-end fund balance of $65 million, which was $3 million higher than the previous year. Revenue growth of $4 million from higher property taxes was offset by higher expenditures of $8 million.

Governmental Funds-Continued

The Regional Park and Open Space District reported a year-end fund balance of $313 million, which was $17 million lower than the previous year. Current year revenues were lower by $25 million and were associated with decreased charges for services, while expenditures were at the same level of $45 million in both years.

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 $27 million for Olive View-UCLA Medical Center to $203 million for the Harbor-UCLA Medical Center. The total subsidy amount was $370 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 $377 million. During the current year, the County's hospital operations experienced similar levels of patient care revenues in comparison to the prior year.

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 ($119 million), Harbor-UCLA Medical Center ($52 million), and Olive-View UCLA Medical Center ($38 million). The total current year amount of $209 million in Measure B transfers was nearly the same as the prior year amount of $211 million.

Waterworks Funds reported year-end net position of $810 million, reflecting no change from the previous year. Current year operating revenues of $79 million, and operating expenses of $86 million were similar to prior year amounts, as operating revenues were higher by $5 million and operating expenses were slightly higher by $1 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 $75 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	$ 61,775	$ 5,036,850	$ 4,998,765	$ (38,085)
Intergovernmental revenues	97,365	9,535,406	8,945,605	(589,801)
Charges for services	52,060	1,747,448	1,656,026	(91,422)
All other revenues	9,840	590,220	597,873	7,653
Other sources and transfers in	10,972	731,626	353,289	(378,337)
Total	$ 232,012	$ 17,641,550	$ 16,551,558	$ (1,089,992)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately $232 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues increased by $97 million. Of this amount, $105 million was used to augment federal funds budgeted for the Medi-Cal 2020 Federal Waiver program in the health department. As previously mentioned, the County completed a reconciliation and true-up for the 2014-15 fiscal year pursuant to AB85. The reconciliation results determined that current year revenues should be reduced and the intergovernmental revenues budgeted have been reduced by $130 million. There was also an increase of $39 million from federal and state funds for the social services programs. Budgeted federal revenues for capital projects, emergency preparedness and disaster recovery were increased by $24 million to reflect additional grant funding. Budgeted intergovernmental State revenues of $14 million were increased to fund the

Changes from Amounts Originally Budgeted-Continued

County's diversion and reentry program. Net additions of $8 million were made to budgeted intergovernmental revenues associated with redevelopment dissolution revenues. There were other net additions to budgeted intergovernmental revenues of $37 million.

- The budget for tax revenues increased by $62 million. The $62 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 $52 million. Of this increase, $34 million was associated with revenue received for the General Fund's health services administration activities related to the Medi-Cal 2020 Federal Waiver program and $10 million for In-Home Supportive Services under the County's managed care program and services. There were other net additions to budgeted charges for services of $8 million

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $16.552 billion. This amount was $1.090 billion, or 6.2%, 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 $590 million lower than the amount budgeted. Budgeted intergovernmental revenues of $183 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Approximately $174 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Mental health programs accounted for approximately $97 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. The Sheriff's Department under-realized revenues of $40 million due to lower than expected reimbursement of salaries, services and supplies. Public health related programs experienced budgeted revenue shortfalls of $39 million, most of which was associated with federal grants and offset by a comparable amount of cost savings. The Registrar-Recorder did not realize $18 million of federal funds (Help America Vote Act) due to lower than anticipated eligible costs and delay in implementing a new voting system. The Office of Diversion and Re-entry budget did not realize $18 million since the Office was established in late 2015 and was not fully operational. The remaining variance of $21 million was related to a variety of other programs.

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

- The actual amount of "other sources and transfers in" was $378 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 $265 million lower than budgeted. In addition, "transfers in" totaling $91 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. Costs associated with Probation and Sheriff's Department programs funded by the Other Public Protection Special Revenue Funds were $15 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $7 million.

- Actual charges for services were $91 million lower than the amount budgeted. Of this amount, $68 million 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. The "reimbursable" costs of upgrading the enterprise network, replacing a large telecommunication system and other projects were $23 million less than the budget.

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	$ (135,130)	$ 1,932,658	$ 1,033,719	$ 898,939
Public protection	136,425	5,710,852	5,443,514	267,338
Health and sanitation	35,048	3,680,050	3,266,438	413,612
Public assistance	52,788	6,382,893	5,930,502	452,391
All other expenditures	8,908	1,114,553	415,278	699,275
Transfers out	4,829	376,855	364,906	11,949
Contingencies	40,044	55,963		55,963
Fund balance changes-net	89,100	137,852	22,505	115,347
Total	$ 232,012	$ 19,391,676	$16,476,862	$ 2,914,814

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately $232 million. The most significant changes occurred in the following areas:

Changes from Amounts Originally Budgeted-Continued

- General government appropriations decreased by $135 million. The decrease was largely attributed to appropriations not associated with specific County departments. Nondepartmental special accounts appropriations decreased by $99 million to fund Board approved increases in salaries and employee benefits. The Board approved a three-year agreement ending on June 30, 2018 to provide a 3% salary increase effective July 1, 2015 for safety employees and October 1, 2015 for all other employee job classes. Provisional appropriations decreased by $49 million and transferred to other functional categories to fund public protection costs, mentally ill intervention costs in the justice system, and law enforcement facilities of $16 million; to fund financial and cash flow assistance to the Los Angeles Regional Interoperability Communication System Joint Powers Authority of $11 million; increase in health service administration to address housing for health programs of $4 million; increase in public health costs associated with the Exide environment remediation by $2 million; and other various programs of $16 million. This was offset by an increase of appropriations in the County's utility budget to fund countywide energy efficiency programs by $10 million and $3 million for other general governmental programs.
- Public protection appropriations were increased by $136 million. An increase of $139 million of salaries and employee benefits was appropriated to augment Board approved increases in salaries and employee benefits. Of this amount, $121 million was primarily attributed to law enforcement salaries and employee benefits. Various decreases in public protection programs appropriations comprised the $3 million difference.
- Net fund balance budgetary changes of $89 million had the effect of reducing the available (unassigned) fund balance component. Of this amount, a $40 million long-term loan receivable was established to provide cash flow assistance to the Martin Luther King, Jr.-Los Angeles Healthcare Corporation. At the end of the year, the nonspendable fund balance increased by $47 million for utility users' taxes that were not expended and remained available for programs in unincorporated areas. The remaining variance of $2 million was attributable to other fund balance categories.
- Public assistance appropriations were increased by $53 million. An increase of $38 million of salaries and employee benefits was appropriated to fund Board approved increases in salaries and employee benefits. In addition, there was an $11 million increase in appropriation for children and family services programs. The remaining variance of $4 million was related to other public assistance programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.915 billion lower (15%) than the final total budget of $19.392 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

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

- The general government function reported actual expenditures that were $899 million less than the amount budgeted. Of this amount, $698 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 $68 million were due to hiring delays and vacancies. The County's utility budget had budgetary savings of $56 million due to continued implementation of the Countywide energy efficiency programs. The remaining $77 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 $699 million less than the budgeted amount. Of this variance, $680 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 $452 million lower than the final budget. Of this amount, $364 million was concentrated in the social service and children and family programs. 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 $70 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $18 million was related to other public assistance programs.

- Overall expenditures for the health and sanitation category were $414 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by $309 million, primarily due to lower than anticipated costs for contracted services. The public health and substance abuse prevention control programs had budgetary savings of $105 million due to lower than expected services and supplies and contracted costs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2016 were $19.240 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 $81 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	$ 7,531,873	$ 7,513,257	$ 18,616
Buildings and improvements	5,208,076	5,239,777	(31,701)
Infrastructure	4,669,187	4,798,885	(129,698)
Equipment	547,396	539,429	7,967
Software	418,427	338,281	80,146
Capital assets, in progress	864,824	729,132	135,692
Total	$ 19,239,783	$ 19,158,761	$ 81,022

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 $85 million was capitalized for various projects including the seismic retrofit and new outpatient facilities projects. There were also $47 million of newly capitalized costs for the John Anson Ford Theatre improvements project and $15 million of capitalized costs for the Camp Vernon Kilpatrick replacement project. In addition, the Department of Public Social Services' Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System Phase I was completed in the beginning of the current year and $96 million was reclassified from software in progress to completed software. As of June 30, 2016, there were $208 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 $15 million, as newly issued debt and accretions of $719 million were less than the debt maturities of $734 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:

- Current refunding debt of $256 million, along with bond reserve funds, was issued to redeem $283 million of outstanding lease revenue obligation notes (LRON) for governmental activities.

- Advance refunding debt of $218 million, along with bond reserve funds, was issued for governmental activities and business-type activities in the amounts of $200 million and $18 million, respectively. The outstanding principal of $239 million from prior debt was defeased, of which $223 million was for governmental activities and $16 million was for business-type activities.

- LRON of $181 million were issued for governmental and business-type activities in the amounts of $50 million and $131 million, respectively. For governmental activities, debt was issued to finance a new animal care facility, data center, electronic medical record system, and fire department facilities. For business-type activities, debt was issued to finance hospital improvements.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $900 million in tax and revenue anticipation notes. The notes matured and were redeemed on June 30, 2016. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

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

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

During the current year, the County's bond ratings were upgraded for Fitch assigned ratings to AA- for Facilities, Equipment/Non-Essential Leases, and Operating/Non-Essential Leases from the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2016-17 Budget on June 27, 2016. The Budget was adopted based on estimated fund balances that would be available at the end of 2015-16. The Board updated the Budget on September 27, 2016 to reflect final 2015-16 fund balances and other pertinent financial information. For the County's General Fund, the 2016-17 Budget utilized $1.825 billion of fund balance, which exceeded the previously estimated fund balance of $1.432 billion. Of the additional fund balance of $393 million, $230 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining $163 million was used to fund $46 million of capital improvement projects, $25 million for Homeless and Affordable Housing programs, $10 million to address stormwater and urban runoff regulatory and compliance requirements, $28 million to augment the County's "Rainy Day Reserve," and various other program initiatives of $54 million.

The County's 2016-17 Budget anticipates the continuation of moderate growth, as assessed property values and unemployment levels continue to trend favorably. The County's experience with the ACA has transitioned in a favorable manner and the health care system remains financially stable. Among the County's fiscal challenges is the ongoing implementation of the Department of Justice recommendations on mental health issues in the County jail system, unfunded liabilities for retiree healthcare benefits, homeless and housing, and addressing outdated technology systems, significant deferred maintenance, and capital improvement needs.

The County's budget outlook, while favorable, continues to depend on the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports a positive short-term outlook, foreseeing State budget stability through the end of FY 2017-18 along with adequate reserves. The State is increasingly prepared to weather a mild 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 fluctuations in the stock market.

The results of the November 8, 2016 nationwide election will bring transition to the United States presidency and federal administration. 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 will be 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.

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
CALIFORNIA

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2016 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	PRESENTED COMPONENT UNITS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 5,860,310	90,030	$ 5,950,340	$ 579,198
Other	1,101,116	29,992	1,131,108	
Total pooled cash and investments	6,961,426	120,022	7,081,448	579,198
Other investments (Note 5)	51,986		51,986	218,016
Taxes receivable	214,598	753	215,351	
Accounts receivable - net (Note 14)		1,722,563	1,722,563	26,760
Interest receivable	25,150	409	25,559	416
Other receivables	2,026,860	186,494	2,213,354	68,588
Internal balances (Note 15)	361,760	(361,760)		
Inventories	78,850	22,949	101,799	16,229
Restricted assets (Note 5)	12,895	146,769	159,664	
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,053,151	343,546	8,396,697	98,271
Capital assets, net of accumulated depreciation	8,140,988	2,702,098	10,843,086	88,448
Total capital assets	16,194,139	3,045,644	19,239,783	186,719
TOTAL ASSETS	25,927,664	4,883,843	30,811,507	1,095,926
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	1,240,744	206,764	1,447,508	11,893
LIABILITIES				
Accounts payable	600,775	329,852	930,627	63,651
Accrued payroll	433,239	90,505	523,744	
Other payables	106,560	11,818	118,378	6,686
Accrued interest payable	24,008	19,555	43,563	
Advances payable	1,087,494	608	1,088,102	335
Long-term liabilities: (Note 11)				
Due within one year	830,547	268,311	1,098,858	5,618
Due in more than one year	22,102,064	5,229,475	27,331,539	72,282
TOTAL LIABILITIES	25,184,687	5,950,124	31,134,811	148,572
DEFERRED INFLOWS OF RESOURCES (Note 20)	1,400,671	224,935	1,625,606	13,703
NET POSITION				
Net investment in capital assets	14,982,488	2,269,835	17,252,323	141,968
Restricted for:				
Capital projects	53,327		53,327	
Debt service	26,464	4,928	31,392	
Permanent funds - nonspendable	2,175		2,175	
Permanent funds - spendable	168		168	
General government	595,565		595,565	
Public protection	868,228		868,228	
Public ways and facilities	407,092	87,771	494,863	
Health and sanitation	1,040,922		1,040,922	
Recreation	318,173		318,173	
Community development				282,175
First 5 LA				461,513
Other	8,049		8,049	
Unrestricted (deficit)	(17,719,601)	(3,446,986)	(21,166,587)	59,888
TOTAL NET POSITION (DEFICIT) (Note 3)	$ 583,050	(1,084,452)	$ (501,402)	$ 945,544

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, 2016 (in thousands)

		PROGRAM REVENUES		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,235,949	514,167	50,631	13,800
Public protection	7,098,459	1,276,055	1,523,659	28
Public ways and facilities	375,295	32,512	148,260	10,742
Health and sanitation	3,417,720	620,468	2,335,309	290
Public assistance	6,191,975	13,112	5,236,759	
Education	141,195	2,738	142	
Recreation and cultural services	388,284	149,032	2,236	
Interest on long-term debt	93,022			
Total governmental activities	18,941,899	2,608,084	9,296,996	24,860
Business-type activities:				
Hospitals	4,309,615	3,161,974	314,724	
Waterworks	86,463	78,964	271	87
Aviation	5,661	4,322	75	5,495
Total business-type activities	4,401,739	3,245,260	315,070	5,582
Total primary government	$ 23,343,638	5,853,344	9,612,066	30,442
DISCRETELY PRESENTED COMPONENT UNITS	$ 633,896	25,317	480,385	3,701

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, 2015
NET POSITION (DEFICIT), JUNE 30, 2016

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

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION				
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (657,351)		$ (657,351)		General government
(4,298,717)		(4,298,717)		Public protection
(183,781)		(183,781)		Public ways and facilities
(461,653)		(461,653)		Health and sanitation
(942,104)		(942,104)		Public assistance
(138,315)		(138,315)		Education
(237,016)		(237,016)		Recreation and cultural services
(93,022)		(93,022)		Interest on long-term debt
(7,011,959)		(7,011,959)		Total governmental activities
				Business-type activities:
	(832,917)	(832,917)		Hospitals
	(7,141)	(7,141)		Waterworks
	4,231	4,231		Aviation
	(835,827)	(835,827)		Total business-type activities
(7,011,959)	(835,827)	(7,847,786)		Total primary government
			$ (124,493)	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
5,768,830	5,309	5,774,139		Property taxes
57,521		57,521		Utility users taxes
363,089		363,089		Voter approved taxes
85,077		85,077		Documentary transfer taxes
34,487		34,487		Other taxes
106,490		106,490		Sales and use taxes, levied by the State
374,264		374,264		Grants and contributions not restricted to special programs
122,763	1,463	124,226	9,508	Investment income
141,146	61	141,207	119	Miscellaneous
(581,699)	581,699			TRANSFERS - NET
6,471,968	588,532	7,060,500	9,627	Total general revenues and transfers
(539,991)	(247,295)	(787,286)	(114,866)	CHANGE IN NET POSITION
1,123,041	(837,157)	285,884	1,060,410	NET POSITION (DEFICIT), JULY 1, 2015
$ 583,050	(1,084,452)	$ (501,402)	$ 945,544	NET POSITION (DEFICIT), JUNE 30, 2016

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 2,167,750	219,075	480,271	68,525
Other	1,013,401	9,510	7,883	1,135
Total pooled cash and investments	3,181,151	228,585	488,154	69,660
Other investments (Notes 4 and 5)	4,693			117
Taxes receivable	148,485	37,554	10,841	5,824
Interest receivable	15,998	536	1,194	187
Other receivables	1,859,031	29,785	3,303	2,043
Due from other funds (Note 15)	322,883	3,508	16,005	231
Advances to other funds (Note 15)	395,511		6,219	
Inventories	59,267	9,667		975
TOTAL ASSETS	5,987,019	309,635	525,716	79,037
DEFERRED OUTFLOWS OF RESOURCES (Note 20)				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,987,019	309,635	525,716	79,037
LIABILITIES				
Accounts payable	$ 545,739	6,639	1,698	1,350
Accrued payroll	374,951	36,873		3,882
Other payables	100,964	2,633		520
Due to other funds (Note 15)	146,886	14,759	27,959	3,579
Advances payable	975,135		65,066	
Third party payor (Notes 11 and 14)	39,042			
TOTAL LIABILITIES	2,182,717	60,904	94,723	9,331
DEFERRED INFLOWS OF RESOURCES (Note 20)	420,060	26,978	7,869	4,328
FUND BALANCES (Note 21)				
Nonspendable	324,555	9,667		975
Restricted	67,880	212,086	423,025	11,979
Committed	364,679			
Assigned	446,579		99	52,424
Unassigned	2,180,549			
TOTAL FUND BALANCES	3,384,242	221,753	423,124	65,378
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,987,019	309,635	525,716	79,037

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
				Pooled cash and investments: (Notes 1 and 5)
$ 316,551	2,556,356		$ 5,808,528	Operating
660	61,913		1,094,502	Other
317,211	2,618,269		6,903,030	Total pooled cash and investments
	97,786	(50,610)	51,986	Other investments (Notes 4 and 5)
707	11,187		214,598	Taxes receivable
858	5,982		24,755	Interest receivable
4,999	36,911		1,936,072	Other receivables
5	60,839		403,471	Due from other funds (Note 15)
	11,994		413,724	Advances to other funds (Note 15)
			69,909	Inventories
323,780	2,842,968	(50,610)	10,017,545	TOTAL ASSETS
	232,661		232,661	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
$ 323,780	3,075,629	(50,610)	$ 10,250,206	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
$ 373	35,676		$ 591,475	Accounts payable
	84		415,790	Accrued payroll
	545		104,662	Other payables
5,234	274,153		472,570	Due to other funds (Note 15)
	46,976		1,087,177	Advances payable
	264		39,306	Third party payor (Notes 11 and 14)
5,607	357,698		2,710,980	TOTAL LIABILITIES
4,751	8,977		472,963	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,175		337,372	Nonspendable
313,422	2,452,742	(50,610)	3,430,524	Restricted
	109,538		474,217	Committed
	144,499		643,601	Assigned
			2,180,549	Unassigned
313,422	2,708,954	(50,610)	7,066,263	TOTAL FUND BALANCES
$ 323,780	3,075,629	(50,610)	$ 10,250,206	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016 (in thousands)

Fund balances - total governmental funds (page 29)		$ 7,066,263
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	$ 7,347,293	
Construction-in-progress	705,858	
Buildings and improvements - net	3,320,732	
Equipment - net	304,395	
Intangible software - net	390,420	
Infrastructure - net	3,989,996	16,058,694
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	$ 19,311	
Deferred outflows from pension contributions	1,144,731	
Deferred outflows from changes in proportionate share of contributions	31,581	
Deferred inflows from service concession arrangements	(82,544)	
Deferred inflows from net difference between projected and actual earnings on investments	(763,348)	
Deferred inflows from changes in proportionate share of contributions	(505,525)	(155,794)
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	$ 155,458	
Deferred inflows from long-term receivables	84,844	240,302
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	$ 571	
Accrued interest on long-term receivables	201	772
Installment receivables from service concession arrangements.		82,544
Accrued interest payable is not recognized in governmental funds.		(23,110)
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	$ (1,428,019)	
Unamortized premiums on bonds and notes	(85,091)	
Accreted interest on bonds and notes	(164,005)	
Capital lease obligations	(158,410)	
Accrued compensated absences	(1,326,447)	
Workers' compensation	(2,079,323)	
Litigation and self-insurance	(203,154)	
Pollution remediation obligations	(16,995)	
Net pension liability	(6,148,893)	
OPEB obligation	(10,440,789)	(22,051,126)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		(635,495)
Net position of governmental activities (page 25)		$ 583,050

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

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES				
Taxes	$ 5,003,124	775,501	129,699	82,261
Licenses, permits and franchises	60,666	13,652	1,124	1
Fines, forfeitures and penalties	189,312	2,859	940	370
Revenue from use of money and property:				
Investment income (Note 5)	88,542	1,622	4,465	703
Rents and concessions (Note 10)	97,543	100	8,650	13
Royalties	358		541	
Intergovernmental revenues:				
Federal	3,519,897	6,322	815	6
State	5,380,580	15,449	2,894	564
Other	38,935	4,992	964	545
Charges for services	1,651,883	201,667	114,575	2,174
Miscellaneous	159,346	357	246	1,483
TOTAL REVENUES	16,190,186	1,022,521	264,913	88,120
EXPENDITURES				
Current:				
General government	1,039,188			
Public protection	5,418,926	1,037,007	208,858	
Public ways and facilities				
Health and sanitation	3,161,202			
Public assistance	5,892,530			
Education				132,371
Recreation and cultural services	321,414			
Debt service:				
Principal	8,632	659		
Interest and other charges	20,968	11		
Capital outlay	547			
TOTAL EXPENDITURES	15,863,407	1,037,677	208,858	132,371
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	326,779	(15,156)	56,055	(44,251)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 15)	372,841	1,653	5,684	48,562
Transfers out (Note 15)	(506,555)	(7,850)	(12,570)	(1,312)
Issuance of debt (Note 11)				
Refunding bonds issued (Note 11)				
Payment to refunded bonds escrow agent (Note 11)				
Bond premium proceeds (Note 11)				
Capital leases (Note 10)	547			
Sales of capital assets	807	284	44	11
TOTAL OTHER FINANCING SOURCES (USES)	(132,360)	(5,913)	(6,842)	47,261
NET CHANGE IN FUND BALANCES	194,419	(21,069)	49,213	3,010
FUND BALANCES, JULY 1, 2015	3,189,823	242,822	373,911	62,368
FUND BALANCES, JUNE 30, 2016	$ 3,384,242	221,753	423,124	65,378

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
$	359,705		$ 6,350,290	Taxes
	17,626		93,069	Licenses, permits and franchises
588	57,252		251,321	Fines, forfeitures and penalties
				Revenue from use of money and property:
3,200	27,313	(3,422)	122,423	Investment income (Note 5)
	28,321		134,627	Rents and concessions (Note 10)
	1		900	Royalties
				Intergovernmental revenues:
	13,437		3,540,477	Federal
	602,877		6,002,364	State
	23,801		69,237	Other
23,962	148,154		2,142,415	Charges for services
	53,981		215,413	Miscellaneous
27,750	1,332,468	(3,422)	18,922,536	TOTAL REVENUES
				EXPENDITURES
				Current:
	17,881		1,057,069	General government
	72,341		6,737,132	Public protection
	322,182		322,182	Public ways and facilities
	120,928		3,282,130	Health and sanitation
	8,315		5,900,845	Public assistance
	26		132,397	Education
44,572	10,284		376,270	Recreation and cultural services
				Debt service:
	416,480	(32,270)	393,501	Principal
	115,704	(3,422)	133,261	Interest and other charges
	60,971		61,518	Capital outlay
44,572	1,145,112	(35,692)	18,396,305	TOTAL EXPENDITURES
(16,822)	187,356	32,270	526,231	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	143,937		572,677	Transfers in (Note 15)
	(622,823)		(1,151,110)	Transfers out (Note 15)
	305,527		305,527	Issuance of debt (Note 11)
	199,885		199,885	Refunding bonds issued (Note 11)
	(199,885)		(199,885)	Payment to refunded bonds escrow agent (Note 11)
	50,300		50,300	Bond premium proceeds (Note 11)
			547	Capital leases (Note 10)
	1,885		3,031	Sales of capital assets
	(121,174)		(219,028)	TOTAL OTHER FINANCING SOURCES (USES)
(16,822)	66,182	32,270	307,203	NET CHANGE IN FUND BALANCES
330,244	2,642,772	(82,880)	6,759,060	FUND BALANCES, JULY 1, 2015
$ 313,422	2,708,954	(50,610)	$ 7,066,263	FUND BALANCES, JUNE 30, 2016

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, 2016 (in thousands)

Net change in fund balances - total governmental funds (page 33)		$ 307,203
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	$ 416,575	
Less - current year depreciation expense	(380,871)	35,704
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.		(4,032)
Contribution of capital assets is not recognized in the governmental funds.		11,065
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.		1,781
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		(14,646)
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	$ 74	
Change in unamortized premiums	39,486	39,560
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(556,259)
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	$ 243,229	
Notes, loans, and lease revenue obligation notes	308,596	
Assessment bonds	32,270	
Other long-term notes, loans and capital leases	9,291	593,386
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	$ (222,409)	
Change in litigation and self-insurance	(33,912)	
Change in pollution remediation obligations	3,063	
Change in accrued compensated absences	(83,695)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	666,685	
Change in OPEB obligation	(1,247,110)	
Change in accrued interest payable	(1,477)	
Change in accretion of bonds and notes	6,881	
Change in accretion of tobacco settlement bonds	(2,982)	
Transfer of capital assets from governmental fund to enterprise fund	(3,402)	(918,358)
The portion of internal service funds that is reported with governmental activities.		(35,395)
Change in net position of governmental activities (page 27)		$ (539,991)

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, 2016 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 4,975,075	5,036,850	4,998,765	(38,085)
Licenses, permits and franchises	53,634	53,658	60,666	7,008
Fines, forfeitures and penalties	218,121	218,121	189,312	(28,809)
Revenue from use of money and property:				
Investment income	55,604	56,002	78,362	22,360
Rents and concessions	103,273	103,343	97,543	(5,800)
Royalties	575	575	358	(217)
Intergovernmental revenues:				
Federal	3,899,369	4,038,319	3,531,939	(506,380)
State	5,499,420	5,438,759	5,363,265	(75,494)
Other	39,252	58,328	50,401	(7,927)
Charges for services	1,695,388	1,747,448	1,656,026	(91,422)
Miscellaneous	149,173	158,521	171,632	13,111
TOTAL REVENUES	16,688,884	16,909,924	16,198,269	(711,655)
EXPENDITURES				
Current:				
General government	2,067,788	1,932,658	1,033,719	898,939
Public protection	5,574,427	5,710,852	5,443,514	267,338
Health and sanitation	3,645,002	3,680,050	3,266,438	413,612
Public assistance	6,330,105	6,382,893	5,930,502	452,391
Recreation and cultural services	339,640	345,743	326,407	19,336
Debt service-				
Interest	3,744	3,744	3,744	
Capital outlay	762,261	765,066	85,127	679,939
TOTAL EXPENDITURES	18,722,967	18,821,006	16,089,451	2,731,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,034,083)	(1,911,082)	108,818	2,019,900
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	344	344	807	463
Transfers in	720,310	731,282	352,482	(378,800)
Transfers out	(372,026)	(376,855)	(364,906)	11,949
Appropriations for contingencies	(15,919)	(55,963)		55,963
Changes in fund balance	(48,752)	(137,852)	(22,505)	115,347
OTHER FINANCING SOURCES (USES) - NET	283,957	160,956	(34,122)	(195,078)
NET CHANGE IN FUND BALANCE	(1,750,126)	(1,750,126)	74,696	1,824,822
FUND BALANCE, JULY 1, 2015 (Note 16)	1,750,126	1,750,126	1,750,126	
FUND BALANCE, JUNE 30, 2016 (Note 16)	$		1,824,822	1,824,822

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, 2016 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 783,711	786,319	774,194	(12,125)
Licenses, permits and franchises	13,417	13,417	13,652	235
Fines, forfeitures and penalties	3,252	3,252	2,859	(393)
Revenue from use of money and property:				
Investment income	700	700	1,137	437
Rents and concessions	81	81	100	19
Intergovernmental revenues:				
Federal	18,689	18,365	6,322	(12,043)
State	17,467	17,467	15,449	(2,018)
Other		4,765	4,992	227
Charges for services	190,941	196,941	201,667	4,726
Miscellaneous	1,043	1,743	357	(1,386)
TOTAL REVENUES	1,029,301	1,043,050	1,020,729	(22,321)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	855,528	898,156	895,158	2,998
Services and supplies	161,844	149,916	126,132	23,784
Other charges	8,265	7,765	5,976	1,789
Capital assets	35,639	35,208	25,800	9,408
TOTAL EXPENDITURES	1,061,276	1,091,045	1,053,066	37,979
DEFICIENCY OF REVENUES OVER EXPENDITURES	(31,975)	(47,995)	(32,337)	15,658
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	284	(13)
Transfers in	488	1,674	1,653	(21)
Transfers out	(5,901)	(5,906)	(5,906)	
Changes in fund balance	(45,676)	(30,837)	(25,293)	5,544
OTHER FINANCING SOURCES (USES) - NET	(50,792)	(34,772)	(29,262)	5,510
NET CHANGE IN FUND BALANCE	(82,767)	(82,767)	(61,599)	21,168
FUND BALANCE, JULY 1, 2015 (Note 16)	82,767	82,767	82,767	
FUND BALANCE, JUNE 30, 2016 (Note 16)	$		21,168	21,168

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, 2016 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 107,012	126,517	129,516	2,999
Licenses, permits and franchises	751	751	1,124	373
Fines, forfeitures and penalties	1,412	1,412	940	(472)
Revenue from use of money and property:				
Investment income	2,355	2,355	3,469	1,114
Rents and concessions	9,258	9,258	8,650	(608)
Royalties	1,300	1,300	541	(759)
Intergovernmental revenues:				
Federal			815	815
State	766	766	2,894	2,128
Other	1,011	1,011	964	(47)
Charges for services	113,789	113,789	114,593	804
Miscellaneous	253	253	246	(7)
TOTAL REVENUES	237,907	257,412	263,752	6,340
EXPENDITURES				
Current-Public protection:				
Services and supplies	200,572	193,286	192,842	444
Other charges	6,014	6,014	4,731	1,283
Capital assets	590	590	509	81
Capital outlay	33,733	42,133	40,958	1,175
TOTAL EXPENDITURES	240,909	242,023	239,040	2,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,002)	15,389	24,712	9,323
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	90	90	44	(46)
Transfers out	(7,119)	(7,119)	(3,797)	3,322
Appropriations for contingencies	(129)	(19,634)		19,634
Changes in fund balance	(126,066)	(124,952)	(119,807)	5,145
OTHER FINANCING SOURCES (USES) - NET	(133,224)	(151,615)	(123,560)	28,055
NET CHANGE IN FUND BALANCE	(136,226)	(136,226)	(98,848)	37,378
FUND BALANCE, JULY 1, 2015 (Note 16)	136,226	136,226	136,226	
FUND BALANCE, JUNE 30, 2016 (Note 16)	$		37,378	37,378

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, 2016 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 81,155	81,155	82,264	1,109
Licenses, permits and franchises			1	1
Fines, forfeitures and penalties			370	370
Revenue from use of money and property:				
Investment income	437	437	560	123
Rents and concessions	15	15	13	(2)
Intergovernmental revenues:				
Federal			6	6
State	540	540	564	24
Other	190	190	545	355
Charges for services	3,194	3,194	2,174	(1,020)
Miscellaneous	909	909	1,483	574
TOTAL REVENUES	86,440	86,440	87,980	1,540
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	93,751	95,251	83,704	11,547
Services and supplies	77,057	74,349	43,129	31,220
Other charges	4,137	5,944	5,676	268
Capital assets	690	990	237	753
TOTAL EXPENDITURES	175,635	176,534	132,746	43,788
DEFICIENCY OF REVENUES OVER EXPENDITURES	(89,195)	(90,094)	(44,766)	45,328
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	11	(2)
Transfers in	52,010	52,642	48,562	(4,080)
Transfers out	(500)	(500)	(500)	
Changes in fund balance	(1,242)	(975)	2,199	3,174
OTHER FINANCING SOURCES (USES) - NET	50,281	51,180	50,272	(908)
NET CHANGE IN FUND BALANCE	(38,914)	(38,914)	5,506	44,420
FUND BALANCE, JULY 1, 2015 (Note 16)	38,914	38,914	38,914	
FUND BALANCE, JUNE 30, 2016 (Note 16)	$		44,420	44,420

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, 2016 (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	$ 417	417	588	171
Revenue from use of money and property-				
Investment income	1,405	1,405	2,457	1,052
Charges for services	28,146	28,146	28,135	(11)
TOTAL REVENUES	29,968	29,968	31,180	1,212
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	11,809	11,809	8,085	3,724
Other charges	243,735	243,735	45,811	197,924
TOTAL EXPENDITURES	255,544	255,544	53,896	201,648
DEFICIENCY OF REVENUES OVER EXPENDITURES	(225,576)	(225,576)	(22,716)	202,860
OTHER FINANCING SOURCES (USES)				
Transfers in	49,585	49,585	48,545	(1,040)
Transfers out	(54,769)	(54,769)	(53,472)	1,297
Changes in fund balance	(2,893)	(2,893)	(2,660)	233
OTHER FINANCING SOURCES (USES) - NET	(8,077)	(8,077)	(7,587)	490
NET CHANGE IN FUND BALANCE	(233,653)	(233,653)	(30,303)	203,350
FUND BALANCE, JULY 1, 2015 (Note 16)	233,840	233,840	233,840	
FUND BALANCE, JUNE 30, 2016 (Note 16)	$ 187	187	203,537	203,350

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, 2016 (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	$ 1,173	687	1,626	292
Other	8,648	5,465	11,808	2,165
Total pooled cash and investments	9,821	6,152	13,434	2,457
Taxes receivable				
Accounts receivable - net (Note 14)	513,241	318,452	679,099	196,351
Interest receivable	88	44	17	16
Other receivables	15,538	13,334	23,650	4,771
Due from other funds (Note 15)	68,118	60,032	129,014	62,229
Advances to other funds (Note 15)				
Inventories	7,622	5,104	8,843	1,380
Total current assets	614,428	403,118	854,057	267,204
Noncurrent assets:				
Restricted assets (Note 5)	82,279	38,735	4,928	14,758
Other receivables (Note 14 and 15)	35,139	34,210	55,709	4,142
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	900,195	337,175	1,080,000	187,180
Equipment	91,384	69,893	105,855	24,523
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	8,185			114,926
Less accumulated depreciation	(257,848)	(158,953)	(345,774)	(128,599)
Total capital assets - net	762,113	278,900	878,968	203,863
Total noncurrent assets	879,531	351,845	939,605	222,763
TOTAL ASSETS	1,493,959	754,963	1,793,662	489,967
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	61,978	40,873	85,222	18,691
LIABILITIES				
Current liabilities:				
Accounts payable	112,395	50,365	129,205	33,745
Accrued payroll	28,025	17,102	38,096	7,282
Other payables	4,501	2,166	3,884	1,222
Accrued interest payable	14,517	4,872		
Due to other funds (Note 15)	118,340	51,747	74,532	40,525
Advances from other funds (Note 15)	48,220	104,868	146,231	93,744
Advances payable			565	18
Current portion of long-term liabilities (Note 11)	67,976	15,601	35,687	130,676
Total current liabilities	393,974	246,721	428,200	307,212
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	60,933	34,534	79,610	14,638
Bonds and notes (Note 11)	530,718	204,312		
Premiums on bonds and notes payable (Note 11)	17,572	14,432		
Workers' compensation (Notes 11 and 18)	79,862	28,686	123,666	24,501
Litigation and self-insurance (Notes 11 and 18)	21,184	1,361	43,641	581
Net pension liability (Notes 8 and 11)	319,814	210,467	439,879	96,560
OPEB obligation (Notes 9 and 11)	630,014	424,435	953,089	199,752
Third party payor (Notes 11 and 14)	174,955	124,121	315,942	46,320
Total noncurrent liabilities	1,835,052	1,042,348	1,955,827	382,352
TOTAL LIABILITIES	2,229,026	1,289,069	2,384,027	689,564
DEFERRED INFLOWS OF RESOURCES (Note 20)	66,942	44,991	92,609	20,393
NET POSITION				
Net investment in capital assets	291,373	109,224	878,968	93,079
Restricted:				
Debt service			4,928	
Public ways and facilities				
Unrestricted (deficit)	(1,031,404)	(647,448)	(1,481,648)	(294,378)
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (740,031)	(538,224)	(597,752)	(201,299)

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

ENTERPRISE FUNDS Waterworks Funds	Nonmajor Aviation Funds	Total	GOVERNMENTAL ACTIVITIES Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 80,187	5,853	$ 89,818	$ 51,994	Operating
1,740	160	29,986	6,620	Other
81,927	6,013	119,804	58,614	Total pooled cash and investments
753		753		Taxes receivable
11,972	3,448	1,722,563		Accounts receivable - net (Note 14)
211	18	394	209	Interest receivable
1		57,294	7,579	Other receivables
2,351	50	321,794	79,067	Due from other funds (Note 15)
1,339		1,339		Advances to other funds (Note 15)
		22,949	8,941	Inventories
98,554	9,529	2,246,890	154,410	Total current assets
				Noncurrent assets:
		140,700	18,964	Restricted assets (Note 5)
		129,200		Other receivables (Note 14 and 15)
				Capital assets: (Notes 6 and 10)
11,786	134,692	184,580		Land and easements
119,091	37,907	2,661,548		Buildings and improvements
1,068	1,565	294,288	329,940	Equipment
1,322		58,922		Intangible - software
1,201,983	55,044	1,257,027		Infrastructure
28,852	7,003	158,966		Construction in progress
(633,612)	(64,674)	(1,589,460)	(174,722)	Less accumulated depreciation
730,490	171,537	3,025,871	155,218	Total capital assets - net
730,490	171,537	3,295,771	174,182	Total noncurrent assets
829,044	181,066	5,542,661	328,592	TOTAL ASSETS
		206,764	45,121	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
				LIABILITIES
				Current liabilities:
3,125	8	328,843	10,309	Accounts payable
		90,505	17,449	Accrued payroll
	45	11,818	2,443	Other payables
		19,389	519	Accrued interest payable
5,983	784	291,911	39,851	Due to other funds (Note 15)
		393,063	22,000	Advances from other funds (Note 15)
25		608	223	Advances payable
1,832	95	251,867	60,429	Current portion of long-term liabilities (Note 11)
10,965	932	1,388,004	153,223	Total current liabilities
				Noncurrent liabilities:
		189,715	51,138	Accrued compensated absences (Note 11)
7,874	1,813	744,717	14,275	Bonds and notes (Note 11)
		32,004		Premiums on bonds and notes payable (Note 11)
		256,715	42,881	Workers' compensation (Notes 11 and 18)
		66,767		Litigation and self-insurance (Notes 11 and 18)
		1,066,720	232,761	Net pension liability (Notes 8 and 11)
		2,207,290	461,348	OPEB obligation (Notes 9 and 11)
		661,338		Third party payor (Notes 11 and 14)
7,874	1,813	5,225,266	802,403	Total noncurrent liabilities
18,839	2,745	6,613,270	955,626	TOTAL LIABILITIES
		224,935	49,254	DEFERRED INFLOWS OF RESOURCES (Note 20)
				NET POSITION
722,434	169,629	2,264,707	109,453	Net investment in capital assets
				Restricted:
		4,928		Debt service
87,771		87,771		Public ways and facilities
	8,692	(3,446,186)	(740,620)	Unrestricted (deficit)
$ 810,205	178,321	(1,088,780)	$ (631,167)	TOTAL NET POSITION (DEFICIT) (Note 3)
		4,328		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (1,084,452)		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, 2016 (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)	$ 992,799	583,449	1,369,770	215,956
Rentals				
Charges for services				
Other (Note 14)	77,094	63,374	115,138	59,118
TOTAL OPERATING REVENUES	1,069,893	646,823	1,484,908	275,074
OPERATING EXPENSES:				
Salaries and employee benefits	701,106	425,274	949,825	185,395
Services and supplies	174,479	91,787	230,989	28,227
Other professional services	197,565	123,440	361,838	45,928
Depreciation and amortization (Note 6)	23,792	10,827	26,700	3,944
Medical malpractice	8,698	584	1,549	477
Rent	11,058	3,137	4,153	2,875
TOTAL OPERATING EXPENSES	1,116,698	655,049	1,575,054	266,846
OPERATING INCOME (LOSS)	(46,805)	(8,226)	(90,146)	8,228
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	322	75	95	22
Interest expense	(36,048)	(11,672)	(336)	(3,851)
Intergovernmental transfers expense (Note 14)	(223,151)	(85,965)	(267,863)	(68,300)
Intergovernmental revenues:				
State				
Federal				
Other				
TOTAL NONOPERATING REVENUES (EXPENSES)	(258,877)	(97,562)	(268,104)	(72,129)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(305,682)	(105,788)	(358,250)	(63,901)
Capital contributions	17	2,923	438	24
Transfers in (Note 15)	255,492	64,319	252,970	33,484
Transfers out (Note 15)	(9,027)	(9,465)	(88)	(9,441)
CHANGE IN NET POSITION	(59,200)	(48,011)	(104,930)	(39,834)
NET POSITION (DEFICIT), JULY 1, 2015	(680,831)	(490,213)	(492,822)	(161,465)
NET POSITION (DEFICIT), JUNE 30, 2016	$ (740,031)	(538,224)	(597,752)	(201,299)

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:
$		$ 3,161,974	$	Net patient service revenues (Note 14)
	3,953	3,953	30,164	Rentals
78,964	369	79,333	495,802	Charges for services
61		314,785		Other (Note 14)
79,025	4,322	3,560,045	525,966	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		2,261,600	433,217	Salaries and employee benefits
60,293	2,189	587,964	46,659	Services and supplies
3,917	1,508	734,196	40,314	Other professional services
22,063	1,964	89,290	38,627	Depreciation and amortization (Note 6)
		11,308		Medical malpractice
		21,223		Rent
86,273	5,661	3,705,581	558,817	TOTAL OPERATING EXPENSES
(7,248)	(1,339)	(145,536)	(32,851)	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
5,309		5,309		Taxes
812	83	1,409	320	Investment income
(190)		(52,097)	(1,728)	Interest expense
		(645,279)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
50		50		State
57	75	132		Federal
164		164		Other
6,202	158	(690,312)	(1,408)	TOTAL NONOPERATING REVENUES (EXPENSES)
(1,046)	(1,181)	(835,848)	(34,259)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
87	5,495	8,984		Capital contributions
2,200	16	608,481	21,045	Transfers in (Note 15)
(1,086)	(135)	(29,242)	(21,851)	Transfers out (Note 15)
155	4,195	(247,625)	(35,065)	CHANGE IN NET POSITION
810,050	174,126		(596,102)	NET POSITION (DEFICIT), JULY 1, 2015
$ 810,205	178,321		$ (631,167)	NET POSITION (DEFICIT), JUNE 30, 2016
		330		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (247,295)		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, 2016 (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	$ 1,051,898	464,308	1,358,195	281,010
Rentals received				
Rentals received from other funds				
Cash received from (returned for) charges for services				
Other operating revenues	77,094	63,374	115,138	59,118
Cash received for services provided to other funds	24,057	30,536	48,270	774
Cash paid for salaries and employee benefits	(634,202)	(385,410)	(869,588)	(167,314)
Cash (paid) returned for services and supplies	(11,889)	2,427	(20,110)	8,385
Other operating expenses	(220,837)	(128,076)	(365,706)	(48,953)
Cash paid for services from other funds	(116,951)	(82,511)	(199,984)	(19,219)
Net cash provided by (required for) operating activities	169,170	(35,352)	66,215	113,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received/returned from other funds	651,718	474,300	1,109,283	193,731
Cash advances paid/returned to other funds	(779,910)	(381,563)	(1,062,941)	(244,143)
Interest paid on advances	(697)	(433)	(931)	(398)
Intergovernmental transfers	(223,151)	(85,965)	(267,863)	(68,300)
Intergovernmental receipts				
Transfers in	247,865	55,495	180,613	21,379
Transfers out	(9,027)	(9,465)	(17,196)	(9,441)
Net cash provided by (required for) noncapital financing activities	(113,202)	52,369	(59,035)	(107,172)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	5,886			125,542
Interest (paid) returned on capital borrowing	(36,577)	(11,516)	381	(3,950)
Principal payments on bonds and notes	(15,174)	(3,926)	(2,012)	(37,304)
Proceeds from bond premiums	343		23	53
Acquisition and construction of capital assets	(15,851)	(839)	(4,984)	(86,279)
Net cash required for capital and related financing activities	(61,373)	(16,281)	(6,592)	(1,938)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	299	64	98	23
Net increase (decrease) in cash and cash equivalents	(5,106)	800	686	4,714
Cash and cash equivalents, July 1, 2015	97,206	44,087	17,676	12,501
Cash and cash equivalents, June 30, 2016	$ 92,100	44,887	18,362	17,215

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
$		$ 3,155,411	$	Cash received from patient services
	3,953	3,953	7	Rentals received
			29,923	Rentals received from other funds
78,896	(2,329)	76,567	61,009	Cash received from (returned for) charges for services
61		314,785		Other operating revenues
		103,637	439,258	Cash received for services provided to other funds
		(2,056,514)	(396,743)	Cash paid for salaries and employee benefits
(59,206)	(1,993)	(82,386)	(43,283)	Cash (paid) returned for services and supplies
(3,917)	(1,508)	(768,997)	(40,314)	Other operating expenses
		(418,665)		Cash paid for services from other funds
15,834	(1,877)	327,791	49,857	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
1		2,429,033	(11)	Cash advances received/returned from other funds
8		(2,468,549)		Cash advances paid/returned to other funds
		(2,459)		Interest paid on advances
		(645,279)		Intergovernmental transfers
271	75	346		Intergovernmental receipts
2,200	16	507,568	21,045	Transfers in
(1,086)	(135)	(46,350)	(21,851)	Transfers out
1,394	(44)	(225,690)	(817)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
5,273		5,273		Proceeds from taxes
	5,495	5,495		Capital contributions
		131,428	10,000	Proceeds from bonds and notes
(190)		(51,852)	(1,451)	Interest (paid) returned on capital borrowing
(358)	(92)	(58,866)	(23,890)	Principal payments on bonds and notes
		419		Proceeds from bond premiums
(13,801)	(6,335)	(128,089)	(36,013)	Acquisition and construction of capital assets
(9,076)	(932)	(96,192)	(51,354)	Net cash required for capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
774	83	1,341	275	Investment income
8,926	(2,770)	7,250	(2,039)	Net increase (decrease) in cash and cash equivalents
73,001	8,783	253,254	79,617	Cash and cash equivalents, July 1, 2015
$ 81,927	6,013	$ 260,504	$ 77,578	Cash and cash equivalents, June 30, 2016

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 (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 (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ (46,805)	(8,226)	(90,146)	8,228
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	23,792	10,827	26,700	3,944
(Increase) decrease in:				
Accounts receivable - net	(40,218)	(110,491)	(163,399)	77,832
Other receivables	7,053	(11,580)	16,972	12,268
Due from other funds	25,662	8,075	104,691	(37,472)
Inventories	372	(727)	1,105	(256)
Increase (decrease) in:				
Accounts payable	8,794	7,493	4,563	7,683
Accrued payroll	1,198	1,123	1,573	219
Other payables	388	197	377	126
Accrued compensated absences	2,731	3,224	4,616	791
Due to other funds	36,473	4,937	5,227	9,966
Workers' compensation	12,871	5,590	14,892	3,239
Litigation and self-insurance	(1,388)	(313)	(4,399)	327
Net pension liability and related changes in deferred outflows and inflows of resources	(37,187)	(23,991)	(50,562)	(10,968)
OPEB obligation	83,527	53,119	115,574	24,674
Third party payor	91,907	25,391	78,431	13,200
TOTAL ADJUSTMENTS	215,975	(27,126)	156,361	105,573
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 169,170	(35,352)	66,215	113,801
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Proceeds from refunding bonds	$ 10,555		2,375	5,525
Payment to refunding bond escrow agent	(10,555)		(2,375)	(5,525)
Contributions of capital assets	17	2,923	438	24
TOTAL	$ 17	2,923	438	24
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 9,821	6,152	13,434	2,457
Restricted assets	82,279	38,735	4,928	14,758
TOTAL	$ 92,100	44,887	18,362	17,215

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 (REQUIRED FOR) OPERATING ACTIVITIES:
$ (7,248)	(1,339)	$ (145,536)	$ (32,851)	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
22,063	1,964	89,290	38,627	Depreciation and amortization
				(Increase) decrease in:
(54)	(2,696)	(239,026)		Accounts receivable - net
(1)		24,712	6,277	Other receivables
(13)	(2)	100,941	(919)	Due from other funds
		494	910	Inventories
				Increase (decrease) in:
36	(133)	28,436	1,972	Accounts payable
		4,113	643	Accrued payroll
	(216)	872	330	Other payables
		11,362	4,306	Accrued compensated absences
1,051	545	58,199	494	Due to other funds
		36,592	6,094	Workers' compensation
		(5,773)		Litigation and self-insurance
		(122,708)	(26,644)	Net pension liability and related changes in deferred outflows and inflows of resources
		276,894	50,618	OPEB obligation
		208,929		Third party payor
23,082	(538)	473,327	82,708	TOTAL ADJUSTMENTS
$ 15,834	(1,877)	$ 327,791	$ 49,857	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$		$ 18,455	$	Proceeds from refunding bonds
		(18,455)		Payment to refunding bond escrow agent
87		3,489		Contributions of capital assets
$ 87		$ 3,489	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 81,927	6,013	$ 119,804	$ 58,614	Pooled cash and investments
		140,700	18,964	Restricted assets
$ 81,927	6,013	$ 260,504	$ 77,578	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 82,479	$ 17,414,851	$ 1,573,752
Other investments: (Note 5)		84,829	301
Short-term investments	898,314		
Equity	22,917,159		
Fixed income	13,735,327		
Private equity	4,410,209		
Real estate	6,062,780		
Hedge funds	1,275,576		
Cash collateral on loaned securities	872,139		
Taxes receivable			212,622
Interest receivable	130,573	40,334	60,866
Other receivables	1,072,549		
TOTAL ASSETS	51,457,105	17,540,014	1,847,541
LIABILITIES			
Accounts payable	2,105,244		
Other payables (Note 5)	944,417		
Due to other governments			1,847,541
TOTAL LIABILITIES	3,049,661		1,847,541
NET POSITION			
Net position restricted for pension benefits and other purposes	$ 48,407,444	$ 17,540,014	$

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, 2016 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 2,031,506	$
Member	458,665	
Contributions to investment trust funds		44,040,523
Total contributions	2,490,171	44,040,523
Investment earnings:		
Investment income	1,148,565	135,358
Net decrease in the fair value of investments	(974,702)	
Securities lending income (Note 5)	5,428	
Total investment earnings	179,291	135,358
Less - Investment expenses-		
Expense from investing activities	106,798	
Net investment earnings	72,493	135,358
Miscellaneous	2,781	
TOTAL ADDITIONS	2,565,445	44,175,881
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	49,060	
Services and supplies	18,777	
Total administrative expenses	67,837	
Benefit payments	3,369,792	
Distributions from investment trust funds		42,280,176
Miscellaneous	27,081	
TOTAL DEDUCTIONS	3,464,710	42,280,176
CHANGE IN NET POSITION	(899,265)	1,895,705
NET POSITION, JULY 1, 2015	49,306,709	15,644,309
NET POSITION, JUNE 30, 2016	$ 48,407,444	$ 17,540,014

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, 2016 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments			
Operating (Notes 1 and 5)	$ 138,700	440,498	$ 579,198
Other investments (Note 5)	218,016		218,016
Accounts receivable - net	26,760		26,760
Interest receivable		416	416
Other receivables	13,321	55,267	68,588
Inventories	16,229		16,229
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	96,232	2,039	98,271
Capital assets, net of accumulated depreciation	78,894	9,554	88,448
Total capital assets	175,126	11,593	186,719
TOTAL ASSETS	588,152	507,774	1,095,926
DEFERRED OUTFLOWS OF RESOURCES	11,893		11,893
LIABILITIES			
Accounts payable	29,552	34,099	63,651
Other payables	6,670	16	6,686
Advances payable	335		335
Long-term liabilities: (Note 11)			
Due within one year	5,539	79	5,618
Due in more than one year	71,808	474	72,282
TOTAL LIABILITIES	113,904	34,668	148,572
DEFERRED INFLOWS OF RESOURCES	13,703		13,703
NET POSITION			
Net investment in capital assets	130,375	11,593	141,968
Restricted for:			
Community development	282,175		282,175
First 5 LA		461,513	461,513
Unrestricted	59,888		59,888
TOTAL NET POSITION	$ 472,438	473,106	$ 945,544

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, 2016 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	$ (443,637)	(190,259)	$ (633,896)
Program revenues:			
Charges for services	25,317		25,317
Operating grants and contributions	377,370	103,015	480,385
Capital grants and contributions	3,701		3,701
Net program (expenses) revenues	(37,249)	(87,244)	(124,493)
GENERAL REVENUES:			
Investment income	4,684	4,824	9,508
Miscellaneous		119	119
Total general revenues	4,684	4,943	9,627
CHANGE IN NET POSITION	(32,565)	(82,301)	(114,866)
NET POSITION, JULY 1, 2015	505,003	555,407	1,060,410
NET POSITION, JUNE 30, 2016	$ 472,438	$ 473,106	$ 945,544

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

COUNTY OF LOS ANGELES
CALIFORNIA

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Blended Component Units

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

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

Discretely Presented Component Units

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

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

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

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

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

Government-wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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

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

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2016, the restricted net position balances were $3.320 billion and $92.70 million for governmental activities and business-type activities, respectively. For governmental activities, $682.37 million was restricted by enabling legislation.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Flood Control District Fund

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

Public Library Fund

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

Regional Park and Open Space District Fund

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

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

Harbor-UCLA Medical Center

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

Olive View-UCLA Medical Center

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

LAC+USC Medical Center

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

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

Aviation Funds

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

The following fund types have also been reported:

Internal Service Funds

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

Fiduciary Fund Types

Pension and Other Postemployment Benefit Trust Funds

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

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

Investment Trust Funds

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Fiduciary Fund Types-Continued

Agency Funds

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

Basis of Accounting

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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

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

Budgetary Data

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

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $28.776 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, 2016. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at http://ceo.lacounty.gov/budget.htm, or can be obtained from the Auditor-Controller's office.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data-Continued

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

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2015-2016 assessed valuation of the County of Los Angeles approximated $1.283 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 12,814 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) 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, 2016, the County’s share of residual property tax revenues was $167.11 million, of which $144.33 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."

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, 2016 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

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.

Capital Assets

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

Capital outlay is recorded as expenditures in the fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds from tax-exempt debt over the same period. For taxable debt, business-type activities interest is capitalized and not netted with interest earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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

Effective January 1, 2016, vacation pay benefits to employees increased by an additional 2.5 to 5 days depending on years of service and benefit plan. 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 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).

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, 2014 rolled forward to June 30, 2015
Measurement Date (MD) - June 30, 2015
Measurement Period (MP) - July 1, 2014 to June 30, 2015

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term Debt-Continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

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 72	Fair Value Measurement and Application	Addresses accounting and financial issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes. This statement had an impact on the financial statements. Refer to note 5.
GASB 73	Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	Improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement did not have an impact because the County’s pensions and related assets are within the scope of GASB 67 and 68.

2. NEW PRONOUNCEMENTS-Continued

GASB 76	The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments	Reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement did not have an impact on the financial statements.
GASB 79	Certain External Investment Pools and Pool Participants	Addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement did not have an impact on the financial statements.

3. DEFICIT NET POSITION

The following funds had a net deficit at June 30, 2016 (in thousands):

	Accumulated Deficit
Government-wide-	
Business-Type Activities	$1,084,452
Enterprise Funds:	
Harbor-UCLA Medical Center	$ 740,031
Olive View-UCLA Medical Center	538,224
LAC+USC Medical Center	597,752
Rancho Los Amigos National Rehab Center	201,299
Internal Service Fund	
Public Works	644,592

The government-wide 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 "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

4. ELIMINATIONS-Continued

interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in 2004-2005 and the remaining 1997 bonds were fully refunded in 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2016, the governmental funds financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $50,610,000 that has been recorded in the nonmajor governmental funds. The governmental funds financial statements do not reflect a liability for the related bonds payable ($50,610,000), 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 ($50,610,000) and investment income and interest expense ($3,422,000 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 $50,610,000, 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, 2016 (in thousands):

5. CASH AND INVESTMENTS-Continued

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 6,903,030	$ 51,986	$	$	$ 6,955,016
Proprietary Funds	178,418		150,933	8,731	338,082
Fiduciary Funds (excluding Pension and OPEB)	18,988,603	85,130			19,073,733
Pension and OPEB Trust Funds	82,479	50,171,504			50,253,983
Discretely Presented Component Units	579,198	218,016			797,214
Total	$ 26,731,728	$ 50,526,636	$ 150,933	$ 8,731	$ 77,418,028

A summary of cash and investments (by type) as of June 30, 2016 is as follows (in thousands):

Cash:	
County	
Imprest Cash	$ 10,661
Cash in Vault	279
Cash in Bank	158,841
Deposits in Transit	2,999
CDC	10,330
Total Cash	183,110
Investments:	
In Treasury Pool	26,709,881
In Specific Purpose Investment (SPI)	89,521
In Other Specific Investments	302
Held by Outside Trustees	56,024
In LACERA	50,171,504
In Discretely Presented Component Unit - CDC	207,686
Total Investments	77,234,918
Total Cash and Investments	$77,418,028

Cash and investments are reported as follows:

Governmental Funds	$ 6,955,016
Proprietary Funds	338,082
Investment Trust Funds	17,478,978
Agency Funds	1,594,755
Pension and OPEB Trust Funds (LACERA)	50,253,983
Discretely presented component unit:	
- First 5	440,498
- CDC	356,716
Total Cash and Investments	$77,418,028

County Treasurer Cash

As of June 30, 2016, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was $158.84 million, $3.00 million were deposits in transit, plus $0.28 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 Local Agency Security Program (LASP) of California Department of Financial Institutions. LASP confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2016.

County Investment Pool

California Government Code Sections 53601, 53635, 53534 and 53601q 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 School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-five percent (85%) of the Treasurer's 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 $64,127,000. 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 generally accepted accounting principles. 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

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

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. 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, 2016, the total amount invested by all California local governments and special districts in LAIF was $22.71 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2016 had a balance of $75.369 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 $2.12 billion at June 30, 2016. Collectively, these represent 2.81% of the PMIA balance of $75.369 billion. The SPI holdings in the LAIF investment pool as of June 30, 2016, were $42.47 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, 2016 (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	$ 7,293,749	$	$ 7,293,749	$	$
Corporate and Deposit Notes	50,178		50,178		
Los Angeles County Securities	49,907			49,907	
Negotiable Certificates of Deposit	3,203,516		3,203,516		
U.S. Agency Securities	15,003,523		15,003,523		
U.S. Treasury Securities:					
U.S. Treasury Notes	236,119		236,119		
U.S. Treasury Bills	872,889		872,889		
Total Investments	$26,709,881	$	$26,659,974	$ 49,907	$
SPI					
Local Agency Investment Fund	$ 42,467	$	$	$	$ 42,467
Los Angeles County Securities	4,694			4,694	
U.S. Agency Securities	42,360		42,360		
Total Investments	$ 89,521	$	$ 42,360	$ 4,694	$ 42,467
Other Specific Investments					
U.S. Treasury Bills	$ 302	$	$ 302	$	$
Total Investments	$ 302	$	$ 302	$	$

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-Backed 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*
Certificate of Deposits (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 Agreements	1 year	30 days*	None	$1 billion*	None	$500 million*	None	None
Reverse Repurchase Agreements	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 Certificate of Deposits 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, 2016 is as follows (in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	$ 7,293,749	$ 7,293,857	0.37% - 0.63%	07/01/16 - 09/22/16	0.06
Corporate and Deposit Notes	50,178	49,982	0.93% - 1.45%	10/11/16 - 01/12/18	0.91
Los Angeles County Securities	49,907	50,000	0.92% - 3.50%	06/30/17 - 06/30/18	1.20
Negotiable Certificates of Deposit	3,203,516	3,202,920	0.37% - 1.11%	07/01/16 - 04/20/17	0.20
U.S. Agency Securities	15,003,523	14,974,476	0.32% - 4.88%	07/05/16 - 07/07/21	2.83
U.S. Treasury Securities:					
U.S. Treasury Notes	236,119	235,834	0.38% - 0.63%	10/31/16 - 05/31/17	0.72
U.S. Treasury Bills	872,889	871,732	0.26% - 0.65%	10/13/16 - 05/25/17	0.64
Total	$ 26,709,881	$ 26,678,801			1.66

The unrealized gain on investments held in the Pool was $31,080,000 as of June 30, 2016. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized gain was based on a prorata share of each funds' cash balance as of June 30, 2016 relative to the County Pool balances. A separate financial report is issued for the Pool as of June 30, 2016.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2016 is as follows (in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	$ 42,467	$ 42,441			0.46
Los Angeles County Securities	4,694	4,475	5.00%	12/02/27	11.40
U.S. Agency Securities	42,360	42,282	0.82% - 3.20%	09/12/16 - 06/16/36	8.66
Total	$ 89,521	$ 89,198			4.91

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	$ 302	$ 301	0.47%	12/03/16	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 three years, with the exception of commercial paper and bankers' acceptances, which are limited to 270 days and 180 days, respectively. In addition, U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities 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.

46.85% of the Pool's $26.71 billion in investments at June 30, 2016, mature in six months or less. Of the remainder, 47.07% have a maturity of more than one year. At June 30, 2016, the weighted average maturity in years for the Pool was 1.66.

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, 2016, there were none.

At June 30, 2016, the Pool contained floating rate notes at fair value of $152.81 million (0.57% 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 Bond Anticipation Notes (BANs) and LAIF, were either held by the Treasurer or by the custodian bank in the name of the Treasurer. 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, 2016 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, 2016, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Investment Policy, approved annually by the Board, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the Pool portfolio. Exceptions to this are obligations of the United States government, and United States government agencies or government-sponsored enterprises, which do not have a limit. Further, the Treasurer restricts investments in any one issuer based on the issuer's ratings from a NRSRO. For bankers' acceptances, negotiable certificates of deposit, corporate notes and floating rate notes, and asset-backed securities, the highest issuer limit, for those issuers with ratings of P-1/Aaa (Moody's) and A-1/AAA (S&P), and F-1/AAA (Fitch) was $750 million, approximately 2.81% of the Pool's investment balance at June 30, 2016. For commercial paper, the highest issuer limit, for those issuers with ratings of P-1/Aaa (Moody's), A-1/AAA (S&P), and F-1/AAA (Fitch) was $1.5 billion, or 5.61% of the Pool's investment balance as of June 30, 2016.

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The Pool and SPI had the following U.S. Agency and commercial paper securities in a single issuer that represent 5 percent or more of total investments at June 30, 2016 (in thousands):

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Farm Credit Banks	$4,362,994	16.33%	$ 25,689	28.70%
Federal Home Loan Banks	4,106,152	15.37%	11,217	12.53%
Federal National Mortgage Association	3,346,786	12.53%	4,979	5.56%
Federal Home Loan Mortgage Corporation	3,092,013	11.57%		
Atlantic Asset Sec LLC CP	1,341,746	5.02%		
Los Angeles County Securities			4,694	5.24%

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, 2016:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	Not Rated	Not Rated	27.30%
Corporate and Deposit Notes	AA-	Aa3	A	0.19%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.19%
Negotiable Certificates of Deposit	AA-	Aa3	Not Rated	0.10%
	Not Rated	Not Rated	Not Rated	11.89%
U.S. Agency Securities	AA+	Aaa	AAA	38.31%
	AA+	Aaa	Not Rated	11.56%
	Not Rated	Not Rated	Not Rated	6.31%
U.S. Treasury Securities:				
U.S. Treasury Notes	Not Rated	Aaa	AAA	0.88%
U.S. Treasury Bills	Not Rated	Not Rated	AAA	3.27%
				100.00%
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	47.44%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	5.24%
U.S Agency Securities	AA+	Aaa	AAA	34.80%
	AA+	Aaa	Not Rated	12.52%
				100.00%
Other Specific Investments				
U.S. Treasury Bills	Not Rated	Not Rated	AAA	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, 2016, the Los Angeles County Pool did not enter into any securities lending transactions.

Safekeeping Securities

At June 30, 2016, all Pool, SPI investments and Other Specific Investments were safe kept by Citibank N.A., except for the Bond Anticipation Notes (BANs) and LAIF.

The bonds and BANs were held in the Treasurer’s vault and are recorded in the Los Angeles County Securities line item.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2016, to support the value of shares in the Pool.

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 deposited and 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, 2016. A total of $263.03 million of investments held by outside trustees are invested in the County’s investment pool. In addition, the outside trustees invested $56.02 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, 2016 (in thousands):

	Amortized Cost	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Money market mutual funds	$ 56,024	$ 56,024	0.01%-0.46%	07/01/16	0.00

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2016:

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, 2016 (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, 2016 (in thousands) and are as follows:

	Fair Value
Cash collateral on loaned securities	$ 872,139
Short-term investments	898,314
Domestic and international equity	22,917,159
Fixed income	13,735,327
Real estate*	6,062,780
Private equity	4,410,209
Hedge funds	1,275,576
Total	$ 50,171,504

* Refer to Note J of LACERA's Report on Audited Financial Statements for year ended June 30, 2016 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, 2016 totaling $82,479,000. 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 $50 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2016
(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	$2,265,868	$2,296,958	$1,344	$495,730	$	$13,853	$280,314	$5,354,067	39%
Aa		4,352	37,869	270,413		14,326	130,330	457,290	4%
A		22,180	13,950	831,368		37,867	288,756	1,194,121	9%
Baa	5,024	40,288	21,015	1,488,475		10,047	382,720	1,947,569	14%
Ba	4,995	6,972		555,508		12,891	282,590	862,956	6%
B	12,099	2,296	85	398,820		9,297	372,475	795,072	6%
Caa		61,657	6,812	192,345			143,894	404,708	3%
Ca		1,957		14,987			679	17,623	0%
C		2,606		5,078			8,698	16,382	0%
Not Rated		19,046	5,672	408,075	2,077,539	22,112	53,510	2,585,954	19%
Total Investment in Fixed Income Securities - Pension Plan	$2,287,986	$2,458,312	$86,747	$4,660,799	$2,077,539	$120,393	$1,943,966	$13,635,742	100%

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2016
(In Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Corporate Debt/Credit Securities	Total	Percentage of Portfolio
Aaa	$ 12,056	$ 1,002	$ 8,602	$ 21,660	43%
Aa			8,806	8,806	18%
A			18,885	18,885	38%
Baa			700	700	1%
Total Investment in Fixed Income Securities - OPEB Trust	$ 12,056	$ 1,002	$ 36,993	$ 50,051	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, 2016, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of total investments or plan 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 $50 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2016
(In Thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency and Municipal Instruments:		
U.S. Treasury	$ 2,287,986	7.96
U.S. Government Agency	2,458,312	2.12
Municipal / Revenue Bonds	86,747	9.86
Subtotal U.S. Treasury, U.S. Government Agency and Municipal Instruments	4,833,045	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	347,688	1.32
Commercial Mortgage-Backed Securities	431,451	1.92
Corporate and Other Credit	3,929,560	4.88
Fixed Income Swaps	(47,900)	N/A
Pooled Investments	2,077,539	N/A
Subtotal Corporate Bonds and Credit Securities	6,738,338	
Non-U.S. Fixed Income	120,393	4.51
Private Placement Fixed Income	1,943,966	4.10
Subtotal Non-U.S. and Private Placement Securities	2,064,359	
Total Fixed Income Securities - Pension Plan	$ 13,635,742	

*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, 2016
(In Thousands)

Investment Type	Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury and U.S.Government Agency Instruments:		
U.S. Treasury	$ 12,056	0.84
U.S. Government Agency	1,002	0.64
Subtotal U.S. Treasury and U.S.Government Agency Instruments	13,058	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	6,609	0.23
Corporate and Other Credit	30,384	0.71
Subtotal Corporate Bonds and Credit Securities	36,993	
Total Fixed Income Securities - OPEB Trust	$ 50,051	

*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, 2016
(In Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AMERICAS							
Argentine Peso	$ 1,683	$	$	$	$	$	$ 1,683
Bermudan Dollar	6,485						6,485
Brazilian Real	127,828		243			(22)	128,049
Canadian Dollar	806,651	4,613	132			1,875	813,271
Chilean Peso	14,642						14,642
Colombian Peso	6,535						6,535
Mexican Peso	83,404	32,378	1,062			115	116,959
Peruvian New Sol	15,452						15,452
EUROPE							
British Pound Sterling	1,539,934	12,893	2,856	2,142	29,018	51,152	1,637,995
Czech Republic Koruna	1,778						1,778
Danish Krone	155,126	6,965				1,029	163,120
Euro	2,331,488	31,991	3,831	174,171	271,582	14,945	2,828,008
Hungarian Forint	4,829						4,829
Norwegian Krone	56,165		84			423	56,672
Polish Zloty	15,192						15,192
Romanian New Leu	2,781						2,781
Russian Ruble	72,149	4,000					76,149
Swedish Krona	260,449					4,679	265,128
Swiss Franc	654,188					(935)	653,253
PACIFIC							
Australian Dollar	511,096	6,139	385			7,960	525,580
Chinese RNB	43,557					52	43,609
Japanese Yen	1,675,178	9,683	2,961			(76,039)	1,611,783
New Zealand Dollar	20,657	6,345	4			(580)	26,426
South Korean Won	301,497		191				301,688
MIDDLE EAST							
Egyptian Pound	4,870						4,870
Israeli New Shekel	47,466					448	47,914
Qatari Rial	9,014		31				9,045
Saudi Riyal	3,635						3,635
Turkish Lira	52,263		7				52,270
UAE Dirham	7,599						7,599
AFRICA							
CFA Franc (W. African)	1,762						1,762
Ghana New Cedi	1,322						1,322
Kenyan Shilling	4,086						4,086
Moroccan Dirham	1,475						1,475
Nigerian Naira	7,618						7,618
South African Rand	134,740		3				134,743
Tunisian Dinar	1,204						1,204
SOUTHEAST ASIA							
Hong Kong Dollar	693,132		3,192			24	696,348
Indonesian Rupiah	34,143		17				34,160
Malaysian Ringgit	42,585		27				42,612
New Taiwan Dollar	199,933						199,933
Philippine Peso	25,731	5,386					31,117
Singapore Dollar	160,730		3,677			(378)	164,029
Thai Baht	62,668		1				62,669
Vietnamese Dong	2,339						2,339
SOUTH ASIA							
Indian Rupee	227,495						227,495
Sri Lankan Rupee	235						235
Total Holdings Subject to Foreign Currency Risk - Pension Plan	$ 10,434,789	$ 120,393	$ 18,704	$ 176,313	$ 300,600	$ 4,748	$ 11,055,547

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Holdings at Fair Value - OPEB Trust
As of June 30, 2016
(In Thousands)

Currency		Equity
AMERICAS		
Brazilian Real	$	3,166
Canadian Dollar		14,654
Chilean Peso		588
Colombian Peso		226
Mexican Peso		1,900
Peruvian New Sol		181
EUROPE		
British Pound Sterling		28,223
Czech Republic Koruna		91
Danish Krone		2,849
Euro		43,013
Hungarian Forint		136
Norwegian Krone		1,131
Polish Zloty		498
Russian Ruble		1,583
Swedish Krona		4,704
Swiss Franc		12,845
PACIFIC		
Australian Dollar		10,539
Chinese RNB		12,031
Japanese Yen		36,410
New Zealand Dollar		498
South Korean Won		7,327
MIDDLE EAST		
Egyptian Pound		91
Israeli New Shekel		1,266
Qatari Rial		407
Turkish Lira		633
UAE Dirham		407
AFRICA		
South African Rand		3,347
SOUTHEAST ASIA		
Hong Kong Dollar		4,794
Indonesian Rupiah		1,266
Malaysian Ringgit		1,447
New Taiwan Dollar		6,106
Philippine Peso		724
Singapore Dollar		2,126
Thai Baht		1,176
SOUTH ASIA		
Indian Rupee		4,206
Total Holdings Subject to Foreign Currency Risk - OPEB Trust	$	210,589

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, 2016, 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, 2016.

As of June 30, 2016, the fair value of securities on loan was $1.322 billion, with a value of cash collateral received of $872.14 million and non-cash collateral of $514.84 million. Securities lending assets and liabilities of $872.14 million are recorded in the Pension and OPEB Trust Funds. LACERA's income, net of expenses from securities lending, was $5.43 million for the year ended June 30, 2016.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2016
(In Thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received
U.S. Equities	$ 318,126	$ 326,023	$
U.S. Fixed Income	138,040	140,914	
Non-U.S. Equities	865,814	405,202	514,841
Total	$ 1,321,980	$ 872,139	$ 514,841

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 Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Currency Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and do not trade on a centralized exchange and 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 purchase and sale transactions.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Currency Forward Contracts-Continued

Currency Forwards Analysis
As of June 30, 2016
(In Thousands)

		Currency Forward Contracts			
Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	$	$ (34)	$ 7,994	$	$ 7,960
Brazilian Real		1,435	(1,457)		(22)
British Pound Sterling		(32,183)	83,335	326	51,478
Canadian Dollar		(544)	2,420	3	1,879
Danish Krone		(433)	1,462		1,029
Euro	68	(11,342)	26,287	(43)	14,970
Hong Kong Dollar		6	18		24
Israeli New Shekel		(25)	473		448
Japanese Yen	10	9,930	(85,969)	(274)	(76,303)
Mexican Peso		52	62	109	223
New Zealand Dollar		10	(590)		(580)
Norwegian Krone		(60)	483		423
Singapore Dollar		(3)	(375)		(378)
Swedish Krona		(1,844)	6,523		4,679
Swiss Franc		(1,255)	320		(935)
Yuan Renminbi			52		52
Total	$ 78	$ (36,290)	$ 41,038	$ 121	$ 4,947

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, 2016, classified by type.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Investment Derivatives-Continued

Investment Derivatives
As of June 30, 2016
(In Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value For the Year Ended June 30, 2016	Fair Value at June 30, 2016	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$ (144,907)	$	$	310,973
Commodity Futures Short	55,443			(53,525)
Credit Default Swaps Bought	(1,614)	904	47,928	
Credit Default Swaps Written	(1,465)	1,081	69,049	
Equity Options Bought	(397)	197		187
Equity Options Written	15			
Fixed Income Futures Long	27,259			522,157
Fixed Income Futures Short	(5,998)			(535,961)
Fixed Income Options Bought	(1,414)	719		596,486
Fixed Income Options Written	2,101	(799)		(393,361)
Foreign Currency Options Bought	33	8		1,364
Foreign Currency Options Written	47	(36)		(5,214)
Futures Options Bought	(3,919)	1,505		4,037
Futures Options Written	4,152	(1,316)		(9,587)
FX Forwards	38,833	4,748	8,255,951	
Pay Fixed Interest Rate Swaps	(57,711)	(51,823)	1,057,127	
Receive Fixed Interest Rate Swaps	3,139	1,183	65,742	
Rights	(228)	206		292
Total Return Swaps Bond	4,642	(317)	47,608	
Total Return Swaps Equity	(44,487)	1,129	(351,024)	
Warrants				6,168
Total	$ (126,476)	$ (42,611)	$ 9,192,381	444,016

All investment derivative positions are included as part of Other Investments in the statement of fiduciary net position. All changes in fair value are reported as part of the net 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. LACERA would be exposed to loss of collateral provided by the counterparty. Collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure.

The schedule below displays the fair value of investments 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, 2016
(In Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	$ 128	A	A+	A1
Bank of America N.A. Hong Kong	154	A	A+	A1
Bank of America Securities LLC	44	BBB+	A	Baa1
Barclays	88	A-	A	A2
Barclays Bank PLC Wholesale	36	A-	A	A2
Barclays Capital	13	A-	A	A2
BNP Paribas SA	190	A	A+	A1
Citibank N.A.	2,561	A	A+	A1
Citigroup Global Markets ICE	349	BBB+	A	Baa1
Citigroup INC	150	BBB+	A	Baa1
Credit Suisse FOB CME	5	A	A	A2
Credit Suisse International	12,858	A	A	A2
Credit Suisse Securities (USA) LLC	182	A	A	A2
Deutsche Bank AG	9,303	BBB+	A-	Baa2
Deutsche Bank CME	102	BBB+	A-	Baa2
Goldman Sachs + CO	258	BBB+	A	A3
Goldman Sachs Bank USA	858	BBB+	A	A3
Goldman Sachs CME	820	BBB+	A	A3
Goldman Sachs International	41,631	BBB+	A	A3
JP Morgan	771	A-	A+	A3
JP Morgan Chase Bank	103	A+	AA-	Aa3
JP Morgan Chase Bank NA	54	A+	AA-	Aa3
JP Morgan Securities INC	563	A-	A+	A3
Macquarie Bank Limited	78	A	A	A2
Morgan Stanley and Co. International Pl	49	BBB+	A	A3
Morgan Stanley Co. Incorporated	136	BBB+	A	A3

5. CASH AND INVESTMENTS-Continued

LACERA Investments Portfolio-Continued

Counterparty Credit Risk-Continued

Royal Bank of Scotland PLC	12,613	BBB+	BBB+	A3
Societe Generale	300	A	A	A2
Standard Chartered Bank	25	A	A+	Aa3
State Street Bank and Trust Company	237	AA-	AA	Aa3
UBS AG	25	A+	A+	A1
UBS AG London	25,444	A+	A+	A1
Westpac Banking Corporation	41,932	AA-	AA-	Aa2
Total	$ 152,060			

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. LIBOR refers to the London Interbank Offered Rate. These investments are disclosed in the following table (in thousands):

Interest Rate Risk Analysis
As of June 30, 2016
(In Thousands)

			Investment Maturities (in years)					
Investment Type	Notional Value	Notional Units	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10	No Maturity
Credit Default Swaps Bought	$ 47,928		$ 904	$ (7)	$ 911	$	$	$
Credit Default Swaps Written	69,049		1,081		1,144	(77)	14	
Fixed Income Futures Long		522,157						
Fixed Income Futures Short		(535,961)						
Fixed Income Options Bought		596,486	719	39	680			
Fixed Income Options Written		(393,361)	(799)	(334)	(453)		(12)	
Pay Fixed Interest Rate Swaps	1,057,127		(51,823)	(829)	(5,680)	(26,347)	(18,967)	
Receive Fixed Interest Rate	65,742		1,183	(85)	158	784	326	
Total Return Swaps Bond	47,608		(317)	(900)	583			
Total Return Swaps Equity	(351,024)		1,129	1,545	(164)			(252)
Total	$ 936,430	$ 189,321	$ (47,923)	$ (571)	$ (2,821)	$(25,640)	$(18,639)	$ (252)

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 three 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.

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.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds-Continued

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, 2016 was $1.28 billion.

Fair Value

LACERA categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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; and 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 GAAP requirements.

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. 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, State Street Bank and Trust. Debt and equity securities, classified in Level 2 of the fair value hierarchy, are valued using prices determined by the use of matrix pricing techniques maintained by 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 of the fair value hierarchy, 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.

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). 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 valued at NAV.

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. As applicable, these assets are reported in Level 3 or at NAV.

Investments and Derivatives Measured at Fair Value – Pension Plan
As of June 30, 2016
(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	$ 347,688	$	$ 344,455	$ 3,233
Commercial Mortgage-Backed Securities	431,451		431,451	
Corporate and Other Credit	3,929,560	11,275	3,915,391	2,894
Municipal/Revenue Bonds	86,747		86,747	
Non-U.S. Fixed Income	120,393		120,393	
Pooled Investments	1,909,066	254,830	1,485,844	168,392
Private Placement Fixed Income	1,943,966		1,937,282	6,684
U.S. Government Agency	2,458,312		2,457,849	463
U.S. Treasury	2,287,986		2,287,986	
Whole Loan Mortgages	49,534			49,534
Total Fixed Income Securities	13,564,703	266,105	13,067,398	231,200
Equity Securities				
Non-U.S. Equity	1,603,467	1,603,222		245
Pooled Investments	18,020,729	17,832,542	184,883	3,304
U.S. Equity	2,840,424	2,839,734		690
Total Equity Securities	22,464,620	22,275,498	184,883	4,239
Real Estate				
Debt	22,706			22,706
Properties	5,318,096			5,318,096
Total Real Estate	5,340,802			5,340,802
Collateral from Securities Lending	872,139		872,139	
Total Investments by Fair Value Level	$ 42,242,264	$ 22,541,603	$ 14,124,420	5,576,241

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Real Estate Investments-Continued

Investments Measured at NAV				
Fixed Income	$ 168,473			
Hedge Funds	1,275,576			
Private Equity	4,410,209			
Real Estate	721,978			
Total Investments Measured at NAV	6,576,236			
Total Investments	$ 48,818,500			
Derivatives				
Foreign Exchange Contracts	$ 4,748	$	$ 4,748	$
Foreign Fixed Income Derivatives	(166)		(166)	
U.S. Equity Derivatives	206	218		(12)
U.S. Fixed Income Derivatives	(47,734)	44	(47,778)	
Total Derivatives	$ (42,946)	$ 262	$ (43,196)	$ (12)

Investments Measured at the Net Asset Value
As of June 30, 2016
(In Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds (1)	$ 168,473	$	Not Eligible	N/A
Hedge Funds				
Commodities (2)	20,465		Monthly	30 days
Credit (3)	487,267	142,000	Monthly, Quarterly, Semi-Annual; Self-Liquidating	45-180 days
Equity Long / Short (4)	233,799		Monthly, Quarterly	20-90 days
Event Driven (5)	111,161		Monthly, Quarterly, Self-Liquidating	20-90 days
Macro and Tactical Trading (6)	216,356		Monthly, Quarterly	5-90 days
Multi-Strategy (7)	35,757		Monthly, Quarterly, Self-Liquidating	60-90 days
Relative Value (8)	158,988		Monthly, Quarterly	15-90 days
Other (9)	11,783		Illiquid	N/A
Private Equity (10)	4,410,209	3,969,408	Not Eligible	N/A
Real Estate (10)	721,978	139,047	Not Eligible	N/A
Total Investments Measured at the NAV	$6,576,236			

(1) *Fixed Income Fund* One fixed income fund is considered commingled in nature. It is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(2) *Commodities Hedge Funds* Consisting of two 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.

(3) *Credit Hedge Funds* Consisting of twenty 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 65% of assets in this strategy category are available within 12 months. Seven 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.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Real Estate Investments-Continued

(4) *Equity Long / Short Hedge Funds* Consisting of sixteen 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 nine 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 fifteen 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 40% 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 ten 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 99% 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 were also included and consisted of approximately 98% of the total.
(10) *Private Equity and Real Estate Funds* LACERA's Private Equity portfolio consists of 249 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 23 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, 2016
(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	$ 6,609	$	$ 6,609	$
Corporate and Other Credit	30,384		30,384	
U.S. Government Agency	1,002		1,002	
U.S. Treasury	12,056		12,056	
Total Fixed Income Securities	50,051		50,051	
Equity Securities				
Pooled Investments	452,333	452,333		
Total Equity Securities	452,333	452,333		
Total Investments by Fair Value Level	$502,384	$ 452,333	$ 50,051	$

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,397,465	9,614	(188)	$ 2,406,891
Easements	4,931,299	10,742	(1,639)	4,940,402
Software in progress	97,610	67,903	(105,438)	60,075
Construction in progress-buildings and improvements	284,760	142,921	(91,539)	336,142
Construction in progress-infrastructure	292,526	103,789	(86,674)	309,641
Subtotal	8,003,660	334,969	(285,478)	8,053,151
Capital assets, being depreciated:				
Buildings and improvements	5,017,204	90,881	(4,964)	5,103,121
Equipment	1,577,024	128,239	(151,090)	1,554,173
Software	705,422	141,466		846,888
Infrastructure	7,782,052	50,495	(289)	7,832,258
Subtotal	15,081,702	411,081	(156,343)	15,336,440
Less accumulated depreciation for:				
Buildings and improvements	$ (1,700,893)	(85,478)	3,982	$ (1,782,389)
Equipment	(1,155,789)	(103,170)	144,626	(1,114,333)
Software	(399,312)	(57,156)		(456,468)
Infrastructure	(3,676,471)	(165,817)	26	(3,842,262)
Subtotal	(6,932,465)	(411,621)	148,634	(7,195,452)
Total capital assets, being depreciated, net	8,149,237	(540)	(7,709)	8,140,988
Governmental activities capital assets, net	$ 16,152,897	334,429	(293,187)	$ 16,194,139
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 153,058			$ 153,058
Easements	31,435	87		31,522
Construction in progress-buildings and improvements	30,778	92,699	(366)	123,111
Construction in progress-infrastructure	23,458	19,889	(7,492)	35,855
Subtotal	238,729	112,675	(7,858)	343,546
Capital assets, being depreciated:				
Buildings and improvements	2,657,208	4,340		2,661,548
Equipment	327,114	27,579	(23,717)	330,976
Software	58,922			58,922
Infrastructure	1,249,534	7,493		1,257,027
Subtotal	4,292,778	39,412	(23,717)	4,308,473

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Less accumulated depreciation for:				
Buildings and improvements	(733,742)	(40,462)		(774,204)
Equipment	(208,920)	(30,935)	16,435	(223,420)
Software	(26,751)	(4,164)		(30,915)
Infrastructure	(556,230)	(21,606)		(577,836)
Subtotal	(1,525,643)	(97,167)	16,435	(1,606,375)
Total capital assets, being depreciated, net	2,767,135	(57,755)	(7,282)	2,702,098
Business-type activities capital assets, net	$ 3,005,864	54,920	(15,140)	$ 3,045,644
Total capital assets, net	$ 19,158,761	389,349	(308,327)	$ 19,239,783

Depreciation Expense

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

Governmental activities:	
General government	$ 30,666
Public protection	160,648
Public ways and facilities	95,004
Health and sanitation	37,626
Public assistance	30,906
Education	3,499
Recreation and cultural services	22,522
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	30,750
Total depreciation expense, governmental activities	$ 411,621
Business-type activities:	
Hospitals	$ 65,263
Waterworks	22,063
Aviation	1,964
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,877
Total depreciation expense, business-type activities	$ 97,167

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2016 was as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 92,611			$ 92,611
Construction in progress-buildings and improvements	2,315	2,227	(921)	3,621
Subtotal	94,926	2,227	(921)	96,232
Capital assets, being depreciated:				
Buildings and improvements	221,691	3,039	(52)	224,678
Equipment	9,143	245	(56)	9,332
Subtotal	230,834	3,284	(108)	234,010
Less accumulated depreciation for:				
Buildings and improvements	$ (143,451)	(4,452)		$ (147,903)
Equipment	(6,170)	(1,099)	56	(7,213)
Subtotal	(149,621)	(5,551)	56	(155,116)
Total capital assets being depreciated, net	81,213	(2,267)	(52)	78,894
CDC capital assets, net	$ 176,139	(40)	(973)	$ 175,126

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2016 was as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated-Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,714	25		2,739
Subtotal	14,790	25		14,815
Less accumulated depreciation for:				
Buildings and improvements	(2,435)	(243)		(2,678)
Equipment	(2,509)	(74)		(2,583)
Subtotal	(4,944)	(317)		(5,261)
Total capital assets being depreciated,net	9,846	(292)		9,554
First 5 LA capital assets, net	$ 11,885	(292)		$ 11,593

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 theses SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

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

As of June 30, 2016, the present value of the installment payments under contract is estimated to be $82.54 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using a discount rate of 5.12% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from one to 23 years as of June 30, 2016. The FY 2015-2016 total monthly installment payments are approximately $678,000. 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 $17.13 million as of June 30, 2016.

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 Los Angeles County Board of Supervisors 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 2015-2016:

July 1, 2015 – June 30, 2016	A	B	C	D	E	G
General Members	25.13%	17.45%	16.90%	17.70%	18.97%	17.66%
Safety Members	34.64%	27.50%	23.46%			

The rates were determined by the actuarial valuation performed as of June 30, 2014.

Employee rates vary by option and employee entry age from 2% to 16% of their annual covered salary.

During FY 2015-2016, 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 $1.390 billion.

8. PENSION PLAN-Continued

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

At June 30, 2016, the County reported a liability of $7.448 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, 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, 2015, the County's proportionate share was 96.08%, which was an increase of 0.19% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $573.61 million. 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, 2016, 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	$ 924,291	$
Change in experience	618,771	
Changes in proportion and differences between County contributions and proportionate share of contributions		38,570
Contributions made subsequent to measurement date		1,389,627
Total	$ 1,543,062	$ 1,428,197

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.

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 Ended June 30:	
2017	$ (494,057)
2018	(494,057)
2019	(494,055)
2020	228,305
2021	(82,393)
Thereafter	(168,235)

Deferred outflows of $1.390 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, 2017.

Actuarial Assumptions

Valuation Timing	June 30, 2014 rolled forward to June 30, 2015
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, 2014 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, 2015:

		Weighted Average Long-Term Expected Rate of Return (Geometric)	
Asset Class	Target Allocation	Asset Class	Expected Alpha
Global Equity	48.50%	7.50%	0.10%
Fixed Income	22.50%	3.50%	0.20%
Real Estate	10.00%	6.05%	0.00%
Private Equity	11.00%	9.85%	4.00%
Commodities	3.00%	4.35%	0.75%
Hedge Funds	3.00%	5.50%	0.00%
Cash	2.00%	1.75%	0.25%
TOTAL	100.00%	6.85%	0.30%

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	$ 14,410,332	$ 7,448,374	$ 1,630,519

8. PENSION PLAN-Continued

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2015 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, 2016 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, 2016 were $211.70 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, 2016 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, 2016 were $56.28 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, 2016 were $7.38 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 Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. During FY 2015-2016, the County made contributions of $507.70 million on a pay-as-you-go basis. Included in this amount was $50.00 million for Medicare Part B reimbursements and $7.60 million in death benefits. Additionally, $42.40 million was paid by member participants. The County also made payments of $37.31 million for long-term disability benefits. During FY 2015-2016, the County also contributed $72.50 million in excess of the pay-as-you-go amounts. As of June 30, 2016, the net position of the OPEB Trust Fund was $560.75 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, 2014, 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)	$ 2,068,400	$ 89,253	$ 2,157,653
Interest on Net OPEB obligation	422,364	10,191	432,555
Adjustment to ARC	(388,716)	(9,378)	(398,094)
Annual OPEB cost (expense)	2,102,048	90,066	2,192,114
Less: Contributions made	580,186	37,306	617,492
Increase in Net OPEB obligation	1,521,862	52,760	1,574,622
Net OPEB obligation, July 1, 2015	11,263,053	271,752	11,534,805
Net OPEB obligation, June 30, 2016	$ 12,784,915	$ 324,512	$ 13,109,427

Retiree Health Care Trend Information (in thousands)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 2,098,370	21.30%	$ 9,616,065
June 30, 2015	2,097,128	21.46%	11,263,053
June 30, 2016	2,102,048	27.60%	12,784,915

LTD Trend Information (in thousands)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 79,795	46.77%	$ 231,547
June 30, 2015	80,125	49.82%	271,752
June 30, 2016	90,066	41.42%	324,512

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for OPEB health care benefits, the funded ratio was 1.77%. The actuarial value of assets was $483.80 million. The actuarial accrued liability (AAL) was $27.288 billion, resulting in an unfunded AAL of $26.804 billion. The covered payroll was $6.672 billion and the ratio of the unfunded AAL to the covered payroll was 401.73%. 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; however, they both used the same methods and assumptions. In both valuations, the projected unit credit cost method was used. They both 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 healthcare 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, 2014 OPEB actuarial valuation, are as follows:

	Initial Year	Ultimate
LACERA Medical Under 65	7.05%	4.70%
LACERA Medical Over 65	9.60%	4.70%
Part B Premiums	2.20%	4.85%
Dental (all)	0.50%	3.35%

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, 2016 (in thousands):

Year Ending June 30	Governmental Activities
2017	$ 82,319
2018	63,547
2019	49,513
2020	32,947
2021	19,772
2022-2026	64,159
2027-2031	55,139
2032-2036	23,351
2037-2041	14,034
2042-2046	14,034
2047-2051	6,315
Total	$ 425,130

Rent expenses related to operating leases were $88,606,000 for the year ended June 30, 2016.

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, 2016 (in thousands):

Year Ending June 30	Governmental Activities
2017	$ 23,832
2018	23,034
2019	22,941
2020	22,812
2021	22,568
2022-2026	101,977
2027-2031	88,423
2032-2036	45,241
2037-2041	10,134
Total	360,962
Less: Amount representing interest	202,552
Present value of future minimum lease payments	$ 158,410

The following is a schedule of property under capital leases by major classes at June 30, 2016 (in thousands):

	Governmental Activities
Land	$ 18,695
Buildings and improvements	141,441
Equipment	66,095
Accumulated depreciation	(60,633)
Total	$ 165,598

Future rent revenues to be received from noncancelable subleases are $976,000 as of June 30, 2016.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, and asset development projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The asset development projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The asset development leases cover remaining periods ranging generally from 6 to 82 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 19 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 52 years and are accounted for in the General Fund.

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is $610,352,000. The carrying value of the capital assets associated with the regional park operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2016 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2017	$ 41,870	$ 178
2018	41,193	182
2019	40,740	187
2020	41,498	192
2021	41,589	197
Thereafter	1,476,339	2,256
Total	$ 1,683,229	$ 3,192

The following is a schedule of rental income for these operating leases for the year ended June 30, 2016 (in thousands):

	Governmental Activities	Business-type Activities
Minimum rentals	$ 41,398	$ 171
Contingent rentals	20,854	
Total	$ 62,252	$ 171

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, 2016
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.00% to 5.25%	$ 275,535	$ 54,281
Los Angeles County Flood Control District Refunding Bonds, 2.50% to 5.00%	143,195	1,520
Los Angeles County Flood Control District Revenue Bonds, 4.00% to 4.12%	20,540	11,110
NPC Bonds, 1.50% to 5.00%	49,518	11,056
Public Buildings Bonds and Notes, 0.32% to 7.62%	1,309,811	1,141,468
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	404,108
NPC Bond Anticipation Notes, 0.54% to 0.94%	32,831	32,831
Marina del Rey Loans, 4.50% to 4.70%	23,500	14,956
Lease Revenue Obligation Notes, 0.43% to 0.52%	49,672	49,672
Total	$ 2,224,429	$ 1,721,002

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

	Original Par Amount of Debt	Balance June 30, 2016
NPC Bonds, 1.50% to 5.00%	$ 11,832	$ 3,484
Public Buildings Bonds and Notes, 0.32% to 7.62%	792,683	788,449
NPC Bond Anticipation Notes, 0.54% to 0.94%	17,169	17,169
Lease Revenue Obligation Notes, 0.43% to 0.52%	131,428	131,428
Waterworks District Loans, 2.28%	8,869	8,056
Aviation Loan, 2.95%	2,000	1,908
Total	$ 963,981	$ 950,494

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 $56,005,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $35,692,000 and $28,889,000, respectively.

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

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2017	$ 11,715	$ 2,313
2018	12,320	1,692
2019	12,955	1,038
2020	13,620	352
Subtotal	50,610	$ 5,395
Add: Unamortized bond premiums	3,671	
Total assessment bonds	$ 54,281	

Certificates of Participation and Bonds

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. During FY 2015-2016, the County issued $218,340,000 of lease revenue refunding bonds comprised of two series. The tax-exempt Lease Revenue Refunding Bonds, 2015 Series B, totaling $133,330,000, to refund the 2005 Master Refunding Project, Series A, and the Calabasas Landfill Project, Series 2005 (Calabasas Landfill Project Revenue bonds), and the federally taxable Lease Revenue Refunding Bonds, 2015 Series C, totaling $85,010,000, to refund the 2006 Master Refunding Project, Series B. The proceeds from these bonds, plus the associated premium of $18,209,000 for governmental activities and $419,000 for business-type activities, along with released funds in respect to the refunded bonds of $25,667,000 less issuance costs of $1,117,000, were used for the refunding of bonds, totaling $245,795,000, and to fund common reserves of $15,723,000. The debts issued are $199,885,000 for governmental activities and $18,455,000 for business-type activities.

The County also issued Lease Revenue Bonds, 2016 Series D, totaling $255,855,000, for the repayment of lease revenue obligation notes. The proceeds from this bond, plus the associated premium of $32,091,000 less issuance costs of $1,251,000 were used to redeem $282,840,000 of outstanding lease revenue obligation notes, and to fund common reserves of $3,855,000. The debt is only issued for governmental activities.

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

The County had pledged net revenues from the Calabasas Landfill for the payment of the Calabasas Landfill Project Revenue bonds, issued in 2005 and maturing in 2022. The Calabasas Landfill Project Revenue bonds were refunded with the Lease Revenue Refunding Bonds, 2015 Series B, on September 2, 2015. Additional disclosures related to the refunding are discussed in Note 11 and are captioned “Current and Advance Refunding of Debt.”

Principal and interest requirements on COPs (Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings Bonds and COPs for governmental activities and NPC bonds and Public Buildings Bonds and COPs for business-type activities) are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2017	$ 50,475	$ 68,394	$ 22,844	$ 46,301
2018	31,740	65,458	17,271	45,413
2019	29,584	65,319	16,908	44,613
2020	30,626	65,170	17,771	43,755
2021	39,128	56,595	18,555	42,814
2022-2026	191,325	211,455	105,900	196,675
2027-2031	178,787	162,660	134,553	158,188
2032-2036	174,364	110,736	171,632	108,229
2037-2041	194,581	57,647	216,124	45,630
2042-2046	110,980	13,099	37,470	1,818
Subtotal	1,031,590	$ 876,533	759,028	$ 733.436
Add: Accretions	52,144			
Unamortized bond premiums	81,420		32,905	
Total certificates of participation and bonds	$1,165,154		$ 791,933	

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 2016 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

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2017	$	$ 19,749
2018		19,749
2019		19,750
2020		19,750
2021	32,700	19,750
2022-2026		85,680
2027-2031	46,370	75,859
2032-2036	62,196	69,311
2037-2041	53,157	46,592
2042-2046	97,824	26,955
Subtotal	292,247	$ 403,145
Add: Accretions	111,861	
Total tobacco settlement asset-backed bonds	$ 404,108	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Asset Leasing Corporation (LACCAL) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2015-2016, LACCAL issued additional BANS in the amount of $6,945,000, as reflected in governmental activities and $3,055,000 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

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

improvements. Annual principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. During FY 2015-2016, the County did not obtain any additional loans. As of June 30, 2016, 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 2015-2016, 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, 2016, $181,100,000 of LRON issued under the program were outstanding, including $25,100,000 of Series A, $156,000,000 of Series B, and $0 of Series C.

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 2015-2016, the County redeemed $282,832,000 and reissued $25,764,000 for governmental activities and redeemed $8,000 and reissued $33,256,000 for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

an additional $122,080,000 of new County LRON, which is reported as $23,908,000 for governmental activities and $98,172,000 for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2016 is $181,100,000, which is reported as $49,672,000 for governmental activities and $131,428,000 for business-type activities. The average interest rate on LRON issued in FY 2015-2016 was 0.09%.

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
2017	$ 76,429	$ 673	$ 145,819	$ 148
2018	7,856	634	3,523	231
2019	952	593	480	220
2020	995	550	492	208
2021	1,039	505	504	196
2022-2026	5,942	1,781	2,707	791
2027-2031	4,246	388	3,054	444
2032-2036			1,982	89
Total notes, loans, and LRON	$ 97,459	$ 5,124	$ 158,561	$ 2,327

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	$ 50,610	$ 5,395	$	$
Certificates of participation and bonds	1,031,590	876,533	759,028	733,436
Tobacco settlement asset-backed bonds	292,247	403,145		
Notes, loans, and LRON	97,459	5,124	158,561	2,327
Subtotal	1,471,906	$1,290,197	917,589	$ 735,763
Add: Accretions	164,005			
Unamortized premiums on bonds payable	85,091		32,905	
Total bonds and notes	$1,721,002		$ 950,494	

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions-Continued

Long-term liabilities recorded in the government-wide statement of net position include accreted interest on zero coupon bonds and unamortized bond premiums.

Current and Advance Refunding of Debt

On September 2, 2015, the County issued $218,340,000 of lease revenue refunding bonds comprised of two series, maturing on various dates between 2015 and 2033. The tax-exempt Lease Revenue Refunding Bonds, 2015 Series B, totaling $133,330,000, were for an advance refunding of the 2005 Master Refunding Project, Series A (2005A), which occurred in December 2015, and a current refunding of the Calabasas Landfill Project, Series 2005 (Calabasas Landfill). The federally taxable Lease Revenue Refunding Bonds, 2015 Series C, totaling $85,010,000, were for an advance refunding of the 2006 Master Refunding Project, Series B (2006B). These bonds, with an effective interest rate of 2.90% and 3.01%, respectively, were issued to refund the outstanding principal amount of $223,077,000 of bonds for governmental activities, and $15,513,000 of bonds for business-type activities. The effective interest rate of the refunded bonds 2005A issued in 2005, Calabasas Landfill issued in 2005, and 2006B issued in 2006 were 3.65%, 4.18%, and 3.80%, respectively.

Proceeds from the sale of the Bonds were deposited in an irrevocable trust with an escrow agent to provide for the prepayment of debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the government-wide statement of net position – governmental and business-type activities. Specific disclosures related to the refunding issue are as follows (in thousands):

	Series 2015 B	Series 2015 C	Total
Proceeds of refunding bonds issued	$ 133,330	$ 85,010	$ 218,340
Prior years' net bond reserves and/or premiums	26,510	945	27,455
Deposit to escrow	$ 159,840	$ 85,955	$ 245,795
Future years' aggregate debt service payment reduction	$ 8,830	$ 29,635	$ 38,465
Net present value savings (economic gain)	$ 10,853	$ 10,813	$ 21,666

For the refunding transaction, the carrying amount of the refunded debt of $238,590,000 was less than the reacquisition price of $245,795,000. This difference was $7,205,000, of which $4,263,000 was for governmental activities and is reported as a deferred outflow of resources to be amortized over the life of the related debt, and $2,942,000 was for business-type activities, which was fully amortized, since the majority of the related debt was paid during the current year. This amount has been reported as an interest expense in the basic financial statements.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related debt service payments for the defeased bonds are not reflected in the County's statement of net

11. LONG-TERM OBLIGATIONS-Continued

Bonds Defeased in Prior Years-Continued

position. At June 30, 2016, there were $82,280,000 of outstanding bonds and certificates of participation considered defeased. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2016 (in thousands):

	Balance July 1, 2015	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,583,276	512,357	623,727	$ 1,471,906	$ 138,619
Add: Unamortized premium on bonds payable	51,085	50,300	16,294	85,091	1,245
Total bonds and notes payable	1,634,361	562,657	640,021	1,556,997	139,864
Interest accretion on capital appreciation bonds payable	167,904	2,982	6,881	164,005	11,988
Other long-term liabilities:					
Capital lease obligations (Note 10)	$ 166,320	547	8,457	$ 158,410	$ 6,831
Accrued compensated absences	1,292,264	174,242	86,241	1,380,265	73,752
Workers' compensation (Note 18)	1,901,185	597,375	368,872	2,129,688	406,134
Litigation and self-insurance (Note 18)	169,242	84,611	50,699	203,154	150,573
Pollution remediation obligation (Note 19)	20,058	365	3,428	16,995	2,099
Net pension liability (Note 2, 8)	5,964,237	417,417		6,381,654	
OPEB obligation (Note 9)	9,604,409	1,297,728		10,902,137	
Third party payor	40,231	84,581	85,506	39,306	39,306
Total governmental activities	$ 20,960,211	3,222,505	1,250,105	$ 22,932,611	$ 830,547
Business-type activities:					
Bonds and notes payable	$ 850,256	152,938	85,605	$ 917,589	$ 168,663
Add: Unamortized premium on bonds payable	34,186	419	1,700	32,905	901
Total bonds and notes payable	884,442	153,357	87,305	950,494	169,564
Other long-term liabilities:					
Accrued compensated absences	191,347	25,915	14,553	202,709	12,994
Workers' compensation (Note 18)	266,714	75,064	38,472	303,306	46,591
Litigation and self-insurance (Note 18)	97,611	13,313	19,086	91,838	25,071
Net pension liability (Note 2, 8)	992,845	73,875		1,066,720	
OPEB obligation (Note 9)	1,930,396	276,894		2,207,290	
Third party payor (Note 14)	466,500	210,234	1,305	675,429	14,091
Total business-type activities	$ 4,829,855	828,652	160,721	$ 5,497,786	$ 268,311

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 2015-2016, thereby decreasing liabilities for Bonds and Notes by $3,899,000 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, 2016 was as follows (in thousands):

	July 1, 2015	Additions	Maturities	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 21,901	50	2,507	$ 19,444	$ 2,631
Compensated absences	819	1,140	1,090	869	782
Capital lease obligations	1,271		660	611	611
Claims payable	4,369	729	729	4,369	233
Net pension liability	4,830	3,088		7,918	
OPEB obligation	3	12		15	
Total governmental activities	$ 33,193	5,019	4,986	$ 33,226	$ 4,257
Business-type activities:					
Bonds and notes payable	$ 38,064	3	610	$ 37,457	$ 635
Compensated absences	566	947	795	718	647
Net pension liability	3,410	2,536		5,946	
Total business-type activities	$ 42,040	3,486	1,405	$ 44,121	$ 1,282
Total long-term obligations	$ 75,233	8,505	6,391	$ 77,347	$ 5,539

12. SHORT-TERM DEBT

On July 1, 2015, the County issued $900,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.29%. 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 2015. The notes matured and were redeemed on June 30, 2016.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2016, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $37,938,000 and limited obligation improvement bonds totaling $4,225,000. 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, 2016, the amount of industrial development and other conduit bonds outstanding was $100,300,000.

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, 2016, the amount of redevelopment refunding bonds outstanding was $481,433,000.

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 that will shift the 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 include 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 will have the 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 2015-2016, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA	$ 292,755	$ 149,565
Olive View-UCLA	102,488	52,006
LAC+USC	431,763	209,437
Rancho	65,211	47,234
Total	$ 892,217	$ 458,242

The General Fund received $62.11 million for GPP and were recorded as "Intergovernmental Revenue Federal" 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 2015-2016:

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	$ 49,000	$ 55,764
Olive View-UCLA	53,000	29,951
LAC+USC	71,000	60,501
Rancho	55,000	12,771
Total	$228,000	$ 158,987

The General Fund received $89.97 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 County did not record any revenues for FY 2015-2016 since CMS approval of the program was still pending at fiscal year-end.

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.

Revenues for the public hospitals under Bridge to Reform were comprised of:

1) Medi-Cal DSH
2) SNCP
3) DSRIP

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 2015-2016 are for services provided in FYs 2006-2007 through 2014-2015. The amounts reported below also include IGTs returned by the State for overpayment. The estimated Bridge to Reform revenues for DSH and SNCP include amounts collected and accrued for FY 2015-2016 as adjusted for over/under-realization of revenues for FY 2006-2007 through FY 2014-2015. The amounts below are in thousands:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Bridge to Reform-Continued

	Program Revenues		
	DSH	SNCP	Intergovernmental Transfers Expense
Harbor-UCLA	$ (56,894)	$ 2,445	$ (24,026)
Olive View-UCLA	(36,932)	1,656	(22,241)
LAC+USC	(36,543)	10,806	(23,679)
Rancho	(6,960)	(3,546)	4,261
Total	$ (137,329)	$ 11,361	$ (65,685)

Delivery System Reform Incentive Pool

To obtain funding under the DSRIP, public hospital systems submitted a five-year plan showing how they will accomplish desired results, and were required to achieve significant milestones that were approved by the State and CMS. DSRIP revenues of $2.98 million in the General Fund and $23.70 million for the hospitals were recorded and accrued in FY 2014-2015 and were collected as net patient revenues in FY 2015-2016.

The County recognized the funding received under the Medi-Cal Demonstration Projects by each hospital as net patient services revenue, unless mentioned otherwise, as reflected in the statement of revenues, expenses, and changes in fund net position. The IGT payments were accrued in FY 2014-2015 as nonoperating expenses by each hospital.

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 2015-2016, an estimated $196.52 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 $26.13 million in FY 2015-2016.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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) or the Optional program provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the FPL. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100% through December 31, 2016.

In FY 2015-2016, an estimated $617.86 million in MCE revenues and $185.39 million in Medi-Cal Managed Care Rate Supplement revenues related to MCE were recorded as part of net patient service revenue.

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. FY 2015-2016, an estimated $365.80 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

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 $49.19 million were recognized and recorded as part of net patient service revenue during FY 2015-2016 and included adjustments for the over/under-realization of revenues associated with FY 2005-2006 and FYs 2012-2013 through 2015-2016.

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). The Department-wide CBRC revenues in FY 2015-2016 were $187.09 million. As of June 30, 2016, the County estimated that approximately $129.20

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Cost Based Reimbursement Clinics-Continued

million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital.

Medi-Cal Cost Report Settlements

In FY 2015-2016, the County received favorable audit settlements of $38.26 million and $45.90 million for FYs 2011-2012 and 2013-2014, respectively. The County's various level appeals to the Office of Administrative Appeals of certain audit adjustments have resolutions but settlements have not been issued at this time.

The State auditors are in the process of auditing the FY 2014-2015 CBRC cost reports and audit reports and settlements are expected by January 2017.

Medi-Cal Managed Care Rate Supplements

The State received approval from CMS to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to L.A. Care and Health Net Health Plans for the period July 1, 2014 through June 30, 2015. 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 L.A. 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 2015-2016, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	$ 105,190	$ 63,943
Health Net	6,000	3,660
Total	$ 111,190	$ 67,603

Revenues from the various Medi-Cal programs represent approximately 83% of the hospitals' patient care revenue for the year ended June 30, 2016.

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2016 (in thousands):

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-Net-Continued

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$ 2,683,215	$1,453,417	$ 3,687,063	$ 646,971	$ 8,470,666
Less: Allowance for uncollectible amounts	2,169,974	1,134,965	3,007,964	450,620	6,763,523
Accounts receivable - net	$ 513,241	$ 318,452	$ 679,099	$ 196,351	$ 1,707,143

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, 2016 is as follows (in thousands):

Estimated cost of charity care	$ 589,893
Charity care at established rates	846,697
Charges forgone	855,287

Charity care increased from FY 2014-2015 due to changes in reporting of SNCP funds from County Indigent Program to Medi-Cal under Medi-Cal 2020. The new waiver combined DSH and SNCP funds for the remaining uninsured population under GPP. GPP revenues are temporarily being reported under Medi-Cal until the Office of Statewide Health Planning and Development issues official instructions on proper classification and reporting of these revenues.

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 2015-2016, the State withheld $101.31 million, from the County's Health Realignment account to help support the Social Services programs. This amount withheld is expected to be reconciled against actual revenues and expenses for FY 2015-2016 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.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Realignment-Continued

In FY 2014-2015, the State withheld $238.23 million from County's 1991 Health Realignment Funds. However, based on updated revenues realized for FY 2014-2015 services in FY 2015-2016, the County has determined that an additional $135.10 million will most likely be returned to the State. As a result, in FY 2015-2016, "Intergovernmental Revenue State" revenue has been reduced by $135.10 million in the County's General Fund.

In FY 2013-2014, the State withheld $87.50 million from County's 1991 Health Realignment account. However, pursuant to Section 17612.3(d) of the Welfare and Institutions Code, the DHCS completed its reconciliation in July 2016 of the FY 2013-2014 final redirection and determined that the redirection amount for the County is zero.

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 which is due and payable by December 31, 2016. 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. The fund balance of the General Fund includes the outstanding MLK-LA loan balance of $122.00 million in nonspendable for long-term receivables.

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, 2016.

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, 2016 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 14,250
	Flood Control District	2,011
	Public Library	3,578
	Regional Park and Open Space District	5,233
	Nonmajor Governmental Funds	115,866
	Harbor-UCLA Medical Center	50,331
	Olive View-UCLA Medical Center	31,351
	LAC+USC Medical Center	63,496
	Rancho Los Amigos Nat'l Rehab Center	29,645
	Waterworks Enterprise Funds	1,381
	Nonmajor Aviation Funds	5
	Internal Service Funds	5,736
		322,883
Fire Protection District	General Fund	2,863
	Nonmajor Governmental Funds	642
	Rancho Los Amigos Nat'l Rehab Center	2
	Internal Service Funds	1
		3,508
Flood Control District	General Fund	1,636
	Regional Park and Open Space District	1
	Nonmajor Governmental Funds	3,510
	Waterworks Enterprise Funds	465
	Nonmajor Aviation Funds	64
	Internal Service Funds	10,329
		16,005
Public Library	General Fund	203
	Fire Protection District	2
	Nonmajor Governmental Funds	26
		231

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Regional Park and Open Space District	General Fund	$ 5
Nonmajor Governmental Funds	General Fund	17,961
	Fire Protection District	17
	Flood Control District	53
	Public Library	1
	Nonmajor Governmental Funds	21,223
	Olive View-UCLA Medical Center	145
	Internal Service Funds	21,439
		60,839
Harbor-UCLA Medical Center	General Fund	42,477
	Fire Protection District	14
	Nonmajor Governmental Funds	24,720
	Olive View-UCLA Medical Center	23
	LAC+USC Medical Center	884
		68,118
Olive View-UCLA Medical Center	General Fund	32,840
	Fire Protection District	103
	Nonmajor Governmental Funds	15,974
	Harbor-UCLA Medical Center	10,393
	LAC+USC Medical Center	699
	Rancho Los Amigos Nat'l Rehab Center	23
		60,032
LAC+USC Medical Center	General Fund	25,007
	Fire Protection District	190
	Nonmajor Governmental Funds	63,567
	Harbor-UCLA Medical Center	20,470
	Olive View-UCLA Medical Center	9,389
	Rancho Los Amigos Nat'l Rehab Center	10,390
	Internal Service Funds	1
		129,014

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	$ 5,918
	Fire Protection District	30
	Harbor-UCLA Medical Center	36,285
	Olive View-UCLA Medical Center	10,833
	LAC+USC Medical Center	9,159
	Rancho Los Amigos Nat'l Rehab Center	2
	Internal Service Funds	2
		62,229
Waterworks Enterprise Funds	General Fund	58
	Internal Service Funds	2,293
		2,351
Nonmajor Aviation Funds	Internal Service Funds	50
Internal Service Funds	General Fund	17,918
	Fire Protection District	153
	Flood Control District	25,895
	Nonmajor Governmental Funds	28,625
	Harbor-UCLA Medical Center	861
	Olive View-UCLA Medical Center	6
	LAC+USC Medical Center	294
	Rancho Los Amigos Nat'l Rehab Center	463
	Waterworks Enterprise Funds	4,137
	Nonmajor Aviation Funds	715
		79,067
Total Interfund Receivables/Payables		$ 804,332

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.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2016 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 1,315
	Public Library	48,276
	Nonmajor Governmental Funds	86,859
	Harbor-UCLA Medical Center	203,491
	Olive View-UCLA Medical Center	26,708
	LAC+USC Medical Center	106,183
	Rancho Los Amigos Nat'l Rehab Center	33,484
	Internal Service Funds	239
		506,555
Fire Protection District	Nonmajor Governmental Funds	7,850
Flood Control District	Nonmajor Governmental Funds	3,089
	Internal Service Funds	9,481
		12,570
Public Library	Nonmajor Governmental Funds	1,312
Nonmajor Governmental Funds	General Fund	372,817
	Fire Protection District	338
	Public Library	286
	Nonmajor Governmental Funds	29,979
	Harbor-UCLA Medical Center	51,964
	Olive View-UCLA Medical Center	37,534
	LAC+USC Medical Center	119,024
	Waterworks Enterprise Funds	777
	Internal Service Funds	10,104
		622,823
Harbor-UCLA Medical Center	LAC+USC Medical Center	9,027
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	144
	LAC+USC Medical Center	9,321
		9,465
LAC+USC Medical Center	Harbor-UCLA Medical Center	11
	Olive View-UCLA Medical Center	77
		88
Rancho Los Amigos Nat'l Rehab Center	Harbor-UCLA Medical Center	26
	LAC+USC Medical Center	9,415
		9,441

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Waterworks Enterprise Funds	Internal Service Funds	1,086
Nonmajor Aviation Funds	Internal Service Funds	135
Internal Service Funds	General Fund	24
	Flood Control District	5,684
	Nonmajor Governmental Funds	14,704
	Waterworks Enterprise Funds	1,423
	Nonmajor Aviation Funds	16
		21,851
Total Interfund Transfers		$ 1,202,203

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 $129.20 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

Advances from/to other funds at June 30, 2016 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 13,081	$ 35,139	$ 48,220
	Olive View-UCLA Medical Center	70,658	34,210	104,868
	LAC+USC Medical Center	90,522	55,709	146,231
	Rancho Los Amigos Nat'l Rehab Center	89,602	4,142	93,744
	Internal Service Funds	2,448		2,448
		266,311	129,200	395,511
Flood Control District	Internal Service Funds	6,219		6,219
Nonmajor Governmental Funds	Internal Service Funds	11,994		11,994
Waterworks Enterprise Funds	Internal Service Funds	1,339		1,339
Total Interfund Advances		$ 285,863	$ 129,200	$ 415,063

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.

- 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 were being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

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

- In conjunction with implementing GASB 45, the County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2016.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 1,824,822	$ 21,168	$ 37,378	$ 44,420	$ 203,537
Budgetary fund balances	1,557,345	206,636	386,857	21,161	109,255
Subtotal	3,382,167	227,804	424,235	65,581	312,792
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	155,154	847	2,670	700	
Accrual of compensated absences	64,886				
Unamortized balance of sale of tobacco settlement revenue	(232,661)				
Change in revenue accruals	(137,592)	(15,654)	(3,781)	(2,345)	630
Change in OPEB	152,288	8,756		1,442	
Subtotal	2,075	(6,051)	(1,111)	(203)	630
Fund balance - GAAP basis	$ 3,384,242	$ 221,753	$ 423,124	$ 65,378	$ 313,422

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2016, there were contractual commitments of approximately $14.89 million for various general government construction projects and approximately $193.11 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2016, LACERA had outstanding capital commitments to various investment managers, approximating $4.700 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, 2016, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 428,884	$ 428,884
Fire Protection District	41,947			41,947
Flood Control District	48,956			48,956
Public Library			8,191	8,191
Regional Park and Open Space District	97,521			97,521
Nonmajor Governmental Funds	76,293	2,332	10,554	89,179
Total Encumbrances	$ 264,717	$ 2,332	$ 447,629	$ 714,678

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 2013-2014, FY 2014-2015 or FY 2015-2016.

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, 2016 was approximately $2.433 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2016. Approximately $60,667,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2016, the County's best estimate of these liabilities is $2.728 billion. Changes in the reported liability since July 1, 2014 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
2014-2015				
Workers' Compensation	$ 2,118,497	$ 452,005	$ (402,603)	$ 2,167,899
Other	275,142	73,314	(81,603)	266,853
Total 2014-2015	$ 2,393,639	$ 525,319	$ (484,206)	$ 2,434,752
2015-2016				
Workers' Compensation	$ 2,167,899	$ 672,439	$ (407,344)	$ 2,432,994
Other	266,853	97,924	(69,785)	294,992
Total 2015-2016	$ 2,434,752	$ 770,363	$ (477,129)	$ 2,727,986

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $151.00 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, 2016, the County's estimated pollution remediation obligation totaled $16,995,000. 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, 2016 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. During the current year, $4,263,000 of losses on refunding debt was added to last year's balance of $17,530,000. The amount that was amortized during the current year was $2,482,000, resulting in an ending balance of $19,311,000.

- 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	$ 19,311	$	$ 19,311
Pensions	1,221,433	206,764	1,428,197
Total government-wide deferred outflows of resources	$ 1,240,744	$ 206,764	$1,447,508
Deferred inflows of resources:			
Service concession arrangements	$ 82,544	$	$ 82,544
Pensions	1,318,127	224,935	1,543,062
Total government-wide deferred inflows of resources	$ 1,400,671	$ 224,935	$1,625,606

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	$ 61,978	40,873	85,222	18,691	$206,764	$45,121
Deferred inflows of resources- Pensions	$ 66,942	44,991	92,609	20,393	$224,935	$49,254

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2016 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	$					232,661	$ 232,661
Deferred inflows of resources:							
Tobacco settlement revenues	$ 232,661						$ 232,661
Property tax revenues	103,579	26,163	7,769	4,328	4,751	8,868	155,458
Other long-term receivables	83,820	815	100			109	84,844
Total governmental funds deferred inflows of resources	$ 420,060	26,978	7,869	4,328	4,751	8,977	$ 472,963

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, 2016 (in thousands) are as follows:

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Inventories	$ 59,267	9,667		975		
Long-term receivables	265,288					
Permanent fund principal						2,175
Total Nonspendable	324,555	9,667		975		2,175
Restricted for:						
Purpose of fund		212,086	423,025	11,979	313,422	1,891,828
Purpose of utility user tax	58,304					
Grand Avenue project	4,600					
Sheriff Pitchess landfill	2,976					
La Alameda project	2,000					
Capital projects						142,816
Debt service						417,930
Endowments and annuities						168
Total Restricted	67,880	212,086	423,025	11,979	313,422	2,452,742
Committed to:						
Purpose of fund						43,464
Capital projects and extraordinary maintenance	133,190					66,074
Health services-tobacco settlement	42,434					
Budget uncertainties	46,698					
Low to moderate income housing	1,566					
Assessor tax system	8,939					
Health services operations	16,000					
Interoperable and countywide communication	10,562					
Services to unincorporated areas	12,363					
Financial system	16,538					
Reopening jail beds	12,147					
Department of children and family services	8,840					
Health services future financial requirements	6,513					
Public works-permit tracking system	8,602					

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District	Nonmajor Governmental Funds
TTC remittance processing and mailroom equipment	8,400					
Information technology enhancements	22,564					
Live scan	2,000					
Board budget policies and priorities	6,770					
TTC unsecured property tax system	463					
Sheriff unincorporated patrol	90					
Total Committed	364,679					109,538
Assigned to:						
Purpose of fund			99	52,424		108,165
Future purchases	445,075					
Capital projects						36,334
Imprest cash	1,504					
Total Assigned	446,579		99	52,424		144,499
Unassigned	2,180,549					
Total Fund Balances	$ 3,384,242	221,753	423,124	65,378	313,422	2,708,954

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 $353,652,000 is reported as unassigned fund balance in the General Fund.

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2016, the County issued $800,000,000 in 2016-2017 TRANS, which will mature on June 30, 2017. The TRANS are collateralized by taxes and other revenues attributable to the 2016-2017 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 0.67%.

Public Works Financing Authority – Early Redemption of Flood Control District's Refunding Revenue Bonds Series 2003A and Revenue Bonds Series 2005A

On July 12, 2016, the authority authorized early redemption of the remaining outstanding principal for the Flood Control District's Series 2003A and 2005A Bonds, totaling $12,630,000. Series 2003A Bonds had a remaining outstanding principal of $1,520,000 and a maturity date of March 1, 2017. Series 2005A Bonds had a remaining outstanding principal of $11,110,000 and a maturity date of March 1, 2025. The bonds were fully redeemed on September 1, 2016 from Flood Control Districts funds.

Lease Revenue Obligation Notes

On July 19, 2016, the LACCAL issued an additional $1,710,000 in LRON with an initial weighted average interest rate of 0.50%. On September 9, 2016, the LACCAL issued an additional $10,090,000 in LRON with an initial weighted average interest rate of 0.70%. 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 July 20, 2016, the LACCAL issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 0.93%. Also, on November 2, 2016, the LACCAL issued a $10,000,000 Bond Anticipation Note with an initial interest rate of 1.00%. The rates are adjustable on January 2 and July 1 of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2019. Proceeds of the notes are being used to purchase equipment. The notes are to be paid from the proceeds of lease revenue bonds.

Whole Person Care

As part of the Medi-Cal 2020 Waiver, the federal Centers for Medicaid and Medicare Services (CMS) approved funding for the Whole Person Care (WPC) Pilot program in California. In October 2016, the State Department of Health Care Services (DHCS) approved the County's WPC Program application that will help the County draw down $450.0 million in federal funds over the next five years. The objective of WPC is the coordination of health, behavioral health and social services in a patient-centered manner with the goals of improving beneficiary health and well-being through more efficient and effective use of resources. WPC will help further the goals of the County's integrated care initiatives and to support County initiatives on Homelessness, Diversion/Re-Entry, Substance Use Disorder Treatment, and Severe Mental and Complex Mental Health Care for the most vulnerable population.

22. SUBSEQUENT EVENTS-continued

Whole Person Care-Continued

The WPC program is on a calendar year basis, starting with 2016 (Program Year 1), and the first year funding is based on submission and approval of the WPC application and metrics. The County expects to receive $90.0 million in federal funds by the end of FY 2016-2017 since DHCS approved the County's application.

RPOSD Parcel Tax (Measure A)

On November 8, 2016, Los Angeles County voters approved The Los Angeles County Safe, Clean Neighborhood Parks and Beaches Measure of 2016 (Measure A). Measure A will continue to provide funding for the RPOSD to support local parks, beaches, open space, and water resources through an annual parcel tax of 1.5 cents per square foot of development. The financial impact is not yet determinable.

Proposition 52: State Fees on Hospitals, Federal Medi-Cal Matching Funds

On November 8, 2016, the State of California voters approved the passage of Proposition 52. Under Proposition 52, the sunset date for the Hospital Quality Assurance Fee was repealed. The Hospital Quality Assurance Fee was set to expire on January 1, 2017. The revenue generated by the Hospital Quality Assurance Fee is used to draw down federal Medicaid matching funds which are used to offset State costs for the Medi-Cal program. Proposition 52 provides an estimated $40.0 million in ongoing annual funding to the County hospital program.

LACERA Investment Rate of Return

On December 14, 2016, LACERA's Board of Investments (BOI) voted to make changes to the economic and mortality assumptions that will be incorporated in the June 30, 2016 actuarial valuation. The BOI lowered the investment rate of return assumption from 7.50% to 7.25%, and switched from a Static Mortality approach for the valuation of plan liabilities to a Generational Mortality approach. Since these changes will have a material impact on retirement costs, the cost increases would be phased in over a three-year period with the first increase occurring in FY 2017-2018.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of Net Pension Liability and Related Ratios
(Dollar amounts in thousands)

	06/30/2015[1]	06/30/2014[1]
Pension Plan's fiduciary net position as percentage of total pension liability	86.296%	86.804%
County's proportionate share of the collective net pension liability	$7,448,373	$6,957,082
County's proportion as percentage of the collective net pension liability	96.081%	95.897%
Covered-employee payroll[2]	$6,948,738	$6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	107.190%	104.269%

Schedule of County's Contributions
(Dollar amounts in thousands)

	2016	2015
Actuarially Determined Contribution (ADC)	$1,389,628	$1,437,555
Less: Contributions in relation to the ADC	1,389,628	1,437,555
Contribution Deficiency (excess)	$ 0	$ 0
Covered-employee payroll[2]	$7,279,091	$6,948,738
Contributions as a percentage of total covered-employee payroll	19.091%	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) Covered-employee payroll represents the payroll on which contributions are based. Amounts previously reported were $6,865,817 and $7,261,852 for June 30, 2014 and 2015, respectively. These amounts included total payroll for covered 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, 2010	$ 0	$ 22,939,800	$ 22,939,800	0%	$ 6,695,439	342.62%
July 1, 2012	0	25,733,300	25,733,300	0%	6,619,816	388.73%
July 1, 2014	483,800	27,287,900	26,804,100	1.77%	6,672,228	401.73%

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.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions in the Indenture and the Lease. This summary does not purport to be comprehensive and reference should be made to the Indenture and the Lease for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture and the Lease.

Definitions

"Acquisition Cost" means all the necessary and reasonable costs in connection with the acquisition of any Equipment Component, including, but not limited to, legal fees and expenses of counsel with respect to the financing of the Equipment and the leasing of the Equipment; to the extent such fees and expenses are approved by a Lessee Representative.

"Acquisition Fund" means the fund of that name established pursuant to the Indenture.

"Additional Rental" means the amounts specified as such the Lease.

"Base Rental" means the amount referred to as such in the Lease, as such amounts may be adjusted from time to time in accordance with the terms thereof, but does not include Additional Rental.

"Base Rental Account" means the Base Rental Account within the Bond Fund established pursuant to the Indenture.

"Book Entry Bonds" means the Bonds registered in the name of the Nominee, as the Bondowner thereof, pursuant to the Indenture.

"Bond Fund" means the fund of that name established pursuant to the Indenture.

"Bonds" means the bonds executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture.

"Bond Register" means the books for the registration of the ownership of the Bonds referred to in the Indenture.

"Bondowner" means the registered Bondowner, as indicated in the Bond Register, of any Bond, including DTC or its Nominee, or any successor Depository or its Nominee for the Bonds, as the sole registered Bondowner of Book Entry Bonds.

"Business Day" means any day other than (i) a Saturday, Sunday or (ii) a day on which banks in both New York, New York and the city in which the principal corporate trust office of the Trustee is located are authorized or permitted to be closed.

"Cede & Co." means Cede & Co., the initial Nominee of DTC.

"Closing Date" means the date on which the Bonds are first executed by the Lessor and authenticated and delivered by the Trustee to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate to be executed and delivered by the Lessee relating to the Bonds.

"Cost of Issuance" means all the costs of preparation, sale and issuance of the Bonds and other costs related to such financing including, but not limited to, all document preparation expenses in connection with the Indenture, the Lease, the Bonds and the preliminary and final official statements; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the financing of and leasing of the Equipment; the initial fees and expenses of the Trustee and its counsel and of any paying agent and its counsel; and other fees and expenses incurred in connection with the issuance of the Bonds and the payment of the BANs or the implementation of the financing, to the extent such fees and expenses are approved by a Lessee Representative or a Lessor Representative.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Acquisition Fund pursuant to the Indenture.

"Depository" means DTC and its successors and assigns or if (a) the then depository resigns from its functions as securities depository of the Bonds, or (b) the Lessee discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Lessor.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Earnings Fund" means the fund of that name established pursuant to the Indenture.

"Equipment" means all Equipment Components identified in the Lease, as the same may be amended from time to time.

"Equipment Component" means each discrete component of the personal property described in the Lease, as the same may be amended from time to time.

"Event of Default" means any one or more of the events described in the Indenture.

"Excess Earnings Account" means the account of that name established in the Earnings Fund pursuant to the Indenture.

"Fitch" means Fitch Ratings, New York, New York, its successors and assigns.

"General Account" means the General Account established in the Acquisition Fund pursuant to the Indenture.

"Insurance Proceeds Fund" means the fund established pursuant to the Indenture.

"Interest Account" means the Interest Account established in the Bond Fund pursuant to the Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, commencing on December 1, 2017, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

"Investment Earnings" means interest and income received in respect of the investment of money on deposit in any fund or account maintained under the Indenture.

"Investment Earnings Account" means the Investment Earnings Account established in the Earnings Fund pursuant to the Indenture.

"Lease Payment Date" means a date on or before each Interest Payment Date.

"Lease Year" means the period to be selected by the Lessee in accordance with regulations promulgated under the Code.

"Lessee" means the County of Los Angeles.

"Lessee Representative" means the Treasurer and Tax Collector of the Lessee or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessee with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor" means the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation.

"Lessor Representative" means the Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessor with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Outstanding" when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under the Indenture, except: (1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation; (2) any Bond for the payment or redemption of which funds and/or investments of the type described in clause (A) of the definition of Qualified Investments in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in the Indenture)); (3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation; (4) any Bond in lieu of or in exchange for which another Bond or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture; (5) any Bond that is more particularly described in the Indenture that is not presented for payment, when the principal becomes due; and (6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in the Indenture.

"Principal Account" means the Principal Account established in the Bond Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the office of the Trustee at the address set forth in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Principal Payment Date" means June 1 and December 1 in each year, commencing on December 1, 2017, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

"Qualified Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the Lessee:

(a) For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the of the United States of America, including: (i) United States of America treasury obligations; (ii) all direct or fully guaranteed obligations of the United States of America; (iii) Farmers Home Administration; (iv) General Services Administration; (v) Guaranteed Title XI financing; (vi) Government National Mortgage Association ("GNMA"); and (vii) State and Local Government Series;

Any security used for defeasance pursuant to the Indenture must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Rural Economic Community Development Administration; (iii) U.S. Maritime Administration; (iv) Small Business Administration; (v) U.S. Department of Housing and Urban Development; (vi) Federal Housing Administration; and (vii) Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (ii) obligations of the Resolution Funding Corporation; (iii) senior debt obligations of the Federal Home Loan Bank System; and (iv) senior debt obligations of other Government Sponsored Agencies;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 270 calendar days after the date of purchase (ratings on holding companies are not considered as the ratings of the banks);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by S&P, and which mature not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund that is either (i) restricted to investing in securities described in clause (a) above or (ii) rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in one of the two highest long-term rating categories of Moody's or S&P; or (ii)(A) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting of cash or securities as described in paragraph (2)

above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment in repurchase agreements of any securities authorized in this definition of Qualified Investments, if the Trustee shall have received a perfected first security interest in such securities securing such repurchase agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by the Rating Agencies for a rating of "A" or better; the term "repurchase agreement" means a purchase of securities pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount and will deliver the underlying securities by physical delivery or third-party custodial agreement; the term " counterparty" means the other party to the transaction; a counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security; the term of repurchase agreements shall be for one year or less; such securities, for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity;

(9) The Local Agency Investment Fund of the State of California;

(10) The Los Angeles County Treasury Pool; and

(11) Any other investments which are rated "A" or better by the Rating Agencies which the Lessor deems to be prudent investments and in which the Lessor directs the Trustee to invest.

"Rating Agencies" means Fitch, Moody's and S&P; provided, however, that if either of Fitch or Moody's does not rate investments or obligations of a type described in any of clauses of the definition of "Qualified Investments," a rating by such entity shall not be required.

"Redemption Account" means the Redemption Account established in the Bond Fund pursuant to the Indenture.

"Rental Payments" means the Base Rental plus the Additional Rental payments.

"Reserve Fund" means the fund established pursuant to the Indenture.

"Reserve Requirement" means, as of any date of calculation, the lessor of (i) $1,000,000 or (ii) the total remaining unpaid principal and interest on the Bonds.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"State" means the State of California.

"Tax Certificate" shall have the meaning assigned to such term in the Indenture.

"Term" or "Term of the Lease" has the meaning set forth in the Lease.

"Trustee" means U.S. Bank National Association, and its successors and assigns.

"Useful Life" means, with respect to any Equipment Component, the period of time, expressed in years, and fraction of years, for which the Lessee reasonably expects that such Equipment Component may be economically utilized for the purpose or purposes for which such Equipment Component is intended.

THE INDENTURE

Acquisition Fund

There shall be established in trust a special fund designated as the "Acquisition Fund," which shall consist of a General Account and a Costs of Issuance Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall, on behalf of the Lessor, transfer from the General Account on the Closing Date to the Lessor the amount necessary to pay and redeem the BANs. If there shall remain any balance of money in the General Account following the retirement in full of the BANs, all money so remaining shall be transferred by the Trustee, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, and the excess, if any, of such amount shall be transferred to the Base Rental Account of the Bond Fund. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance promptly after receipt of, and in accordance with, a written direction of a Lessee Representative pursuant to the Indenture. Any funds remaining in the Costs of Issuance Account on the date on which the Lessee Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, thereafter, to the Base Rental Account of the Bond Fund.

Bond Fund

There shall be established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the fund as provided in the Indenture. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account; (c) Principal Account; and (d) Redemption Account.

Base Rental Account. Except as otherwise provided in this paragraph, Base Rental and proceeds of liquidated damages and rental interruption insurance, if any, with respect to the Equipment received by the Trustee shall be deposited into the Base Rental Account. Any delinquent Base Rental payments and any proceeds of liquidated damages or rental interruption insurance deposited in the Base Rental Account shall be applied, first, to the Interest Account for the immediate payment of interest payments, the Bonds, past due and, then, to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond, and, then, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments or proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account to be applied in the manner provided in the Indenture.

Any amounts remaining in the Base Rental Account on any Interest Payment Date or Principal Payment Date after the transfers referred to in the provisions relating to the Interest Account and the Principal Account in the following paragraph shall have been made, other than money held for Bonds not surrendered, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement, and (ii) the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date. Amounts not required to be so deposited shall be remitted to the Lessee except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

Interest Account and Principal Account. The Trustee shall, on or before each Interest Payment Date or Principal Payment Date, transfer money from the Base Rental Account and deposit in the Interest Account and the Principal Account, respectively, an amount which, together with money then on deposit in the Interest Account and available to pay interest due on such date and the Principal Account and available to pay principal due on such date, respectively, equals the interest then due on the Bonds on the Interest Payment Date and the principal due on the Principal Payment Date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds and amounts in the Principal Account shall be used to pay principal on the Bonds.

Redemption Account. Any proceeds of insurance (other than rental interruption proceeds) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of the Indenture, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with the terms of the Indenture, shall be deposited by the Trustee in the Redemption Account. The Trustee shall, upon surrender of the Bonds called for redemption, on or after the scheduled redemption date withdraw from the Redemption Account and pay to the Bondowners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed in accordance with the Indenture. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

Reserve Fund

There shall be established in trust a special fund designated the "Reserve Fund," which shall be held by the Trustee and which shall be held separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Reserve Fund as provided in the Indenture. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. There shall be deposited in the Reserve Fund that portion of the proceeds of the Bonds required to be deposited in the Reserve Fund pursuant to the Indenture and all other amounts required to be deposited in the Reserve Fund pursuant to the Indenture. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts to make up the deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the Lessor and the Lessee of the amount and the date of such transfer. At least five Business Days prior to each Interest Payment Date, the Trustee shall calculate the Reserve Requirement, giving effect to any Bonds to be paid or redeemed on that Interest Payment Date. On such calculation date, the Trustee shall notify the Lessor and the Lessee of any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on that Interest Payment Date. On the Business Day prior to each Interest Payment Date, the Trustee shall transfer any such excess in the Reserve Fund (other than amounts that constitute Investment Earnings) to the Base Rental Account of the Bond Fund for application in accordance with the Indenture. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is determined by the Trustee to be less than the Reserve Requirement, the Trustee shall promptly notify the Lessor and the Lessee of such fact. Upon receipt of such notice, the Lessor shall cause the Lessee to transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. For purposes of determining the amount on deposit at any time in the Reserve Fund the Trustee shall value all Qualified Investments in the Reserve Fund at the cost of such investments (exclusive of accrued interest).

Earnings Fund

The Trustee shall establish, maintain and hold in trust a special fund separate from any other fund or account established and maintained under the Indenture designated as the "Earnings Fund." The Trustee shall administer the Earnings Fund as provided in the Indenture. The Earnings Fund shall be maintained by the Trustee until the Lessor directs, in writing, that it be closed.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to the Indenture, the Trustee shall deposit, as and when received, all Investment Earnings on the funds and accounts established under the Indenture (other than the Costs of Issuance Account and the Excess Earnings Account) into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from the Lessor Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein in accordance with the provisions of the Tax Certificate, shall pursuant to written instructions from the Lessor Representative be deposited, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, second, to the Interest Account of the Bond Fund. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the Lessor Representative.

Insurance Proceeds Fund

If any Equipment Component shall be damaged, destroyed or stolen, the Lessee may elect to repair or replace such affected Equipment Component if the conditions set forth in the Lease are satisfied. If any Equipment Component shall be damaged, destroyed or stolen and the Lessee exercises its option to repair or replace such affected Equipment Component, the Lessee shall deposit with the Trustee the full amount of any insurance deductible relating to any insurance policy pursuant to which the Lessee will file an insurance claim. The proceeds of any insurance (other than any rental interruption), including the proceeds of any self insurance fund or insurance deductible received on account of any damage, destruction or taking of any Equipment Component or portion thereof and any other amount which the Lessee elects to deposit with the Trustee for purposes of repairing or replacing any Equipment Component, shall be held by the Trustee in a special fund to be created by the Trustee, designated as the "Insurance Proceeds Fund," and held under the Indenture and, if the Lessee exercises its option to repair or replace such affected Equipment Component, such proceeds shall be made available for, and to the extent necessary to be applied to, the cost of the repair or replacement upon receipt by the Trustee of a requisition executed by a Lessor Representative, together with invoices for the repair or replacement as provided in the Lease. Pending such application, such proceeds may be invested by the Trustee solely at the written direction of the Lessor, in Qualified Investments that mature not later than the times money is expected to be needed to pay the costs of repair or replacement. If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self insurance fund claim relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be, at the direction of the Lessee, transferred to the Lessee if and to the extent that the Base Rental due under the Lease does not exceed the fair rental value of the remaining Equipment or deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in the Indenture.

Investments Authorized

Except as otherwise provided in the Indenture, money held by the Trustee in any fund or account under the Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing or shall confirm in writing pending application as provided in the Indenture, provided that amounts in the Reserve Fund shall be invested in Qualified Investments that will mature not more than five years after the date the Reserve Fund acquires the investment. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under the Indenture by it in securities described in subsection (5) of the definition of Qualified Investments. The Lessor agrees that it will give direction to invest or confirm investments only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate, principal or agent, investments authorized by this paragraph. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under the Indenture and, subject to the Tax Certificate, to the highest yield practicably obtainable giving due regard to the safety of the funds and the date upon which the funds will be required for the uses and purposes required by the Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grants the Lessor the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which will include detail for all investment transactions made by the Trustee under the Indenture.

Provisions Relating to the Trustee

The Trustee is appointed to act solely as set forth in the Indenture, to receive, hold and disburse in accordance with the terms of the Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be made by the Lessee under the Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in the Indenture. By executing and delivering the Indenture, the Trustee accepts the duties and obligations provided in the Indenture.

The Lessor may at any time, so long as no Event of Default has occurred and is continuing, by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a commercial bank, national banking association, or trust company having an office in Los Angeles, California, which, together with the corporate parent of such Trustee, has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or state banking authority. Notwithstanding the foregoing, a bank, national banking association or trust company which does not have a combined capital and surplus of at least $100,000,000 may be appointed as the successor Trustee if its obligations under the Indenture are guaranteed by an affiliate which meets the capitalization requirement set forth in the preceding sentence, which guaranty shall be acceptable as to form and substance to the Lessor. If the bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes as provided for under the Indenture, the combined capital and surplus of the bank, national banking association or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been affected. Upon receiving the notice of resignation, the Lessor shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation or following its removal of the Trustee, the retiring Trustee may, at the expense of the Lessor, petition the appropriate court having jurisdiction to appoint a successor Trustee.

Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee. Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in the Indenture. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Indenture), shall be the successor to the Trustee without the execution or filing of any paper or further action, anything in the Indenture to the contrary notwithstanding.

Amendments

Amendments to Indenture. The Indenture may be modified or amended at any time without the consent of any Bondowners, upon the written agreement of the Lessor and the Trustee, but only (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provisions contained in the Indenture, (b) in regard to questions arising under the Indenture which the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Bondowners then Outstanding, (c) to qualify the Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (d) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Bondowner to receive the Bondowner's proportionate share of Base Rental in accordance with the provisions of the Owner's Bond without the prior written consent of the Bondowner so affected, and no amendment shall reduce the percentage of Bondowners whose consent is required for any amendment to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding. The Trustee may in its discretion, but shall not be obligated to, enter into any such amendment which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture.

Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to the Lease; or (f) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of an Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond or shall decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

Consent of Bondowners. If the consent of the Bondowners is required or requested with respect to any proposed amendment to the Indenture or to the Lease, it shall not be necessary for the consent of the Bondowners to approve the particular form of any such amendment, but it shall be sufficient if such consent shall approve the substance thereof. If at any time the Lessee or the Lessor shall request the Trustee to enter into any amendment to the Indenture or to consent to an amendment to the Lease and the Trustee determines that the consent of the Bondowners is required for such amendment, then the Trustee shall, at the expense of the Lessor, cause notice of the proposed execution of a document containing such amendment, and requesting their consent thereto, to be mailed, postage prepaid, to the Owners of all Outstanding Bonds at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondowners.

Whenever, at any time after the date of the mailing of such notice, there shall be delivered to the Trustee an instrument or instruments in writing purporting to be executed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee upon having received the consent of the Lessor may execute such amendment or give its consent thereto in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Bondowner shall have consented thereto. If the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution of such supplemental agreement as provided under the Indenture, no Owner of any Bond shall have any right to object to the execution of such amendment, or to object to any of the terms and provisions contained in such supplemental agreement or the operation thereof or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Lessor from executing the same or from taking any action pursuant to the provisions of such supplemental agreement.

The lack of actual receipt by any Bondowner of such notice and request for consent and any defects in such notice and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the Trustee that the notice and request for consent have been mailed as provided in the Indenture shall be conclusive as against all parties. Any such written consent shall be binding upon the Bondowner giving such consent and on any subsequent Bondowner (whether or not such subsequent Bondowner has notice thereof) unless such consent is revoked in writing by the Bondowner giving such consent or by the subsequent Bondowner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the Trustee shall have executed the applicable amendment or given its consent to the applicable amendment as provided under the Indenture.

Covenants

Lessor to Perform Pursuant to Lease. The Lessor covenants and agrees with the Bondowners to perform all obligations and duties imposed on it as Lessor under the Lease.

Extension of Payment of Bonds. The Lessor shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Indenture shall be deemed to limit the right of the Lessor to issue any securities for the purpose of providing funds for the repayment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Access to Books and Records; Notices. The Trustee shall at all times have access to those books and records of the Lessor which may be reasonably required by the Trustee to fulfill its duties and obligations under the Indenture.

General. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of the Indenture. The Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor and all deputies or assistants of such officer are designated agents of the Lessor for the purposes of instructing the Trustee under the Indenture and executing and delivering any documents necessary or advisable for the transactions contemplated by the Indenture or in order to accomplish the purposes of the Indenture, and the Lessor further authorizes such persons to instruct the Trustee as they deem necessary and to execute and deliver such documents. The Lessor certifies, declares, recites and warrants that upon the date of initial issuance of any of the Bonds, (a) all conditions, acts and things with respect to the Lessor required by the Constitution and the laws of the State and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution of the State and the applicable laws of the State, and (b) the Lessor is duly authorized to execute and enter into the Indenture.

Tax Matters. The Lessor shall at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Lessor agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate.

Prosecution and Defense of Suits. The Lessor shall promptly take such action as may be necessary to cure any defect in the title to the Equipment or any Equipment Component, whether now existing or hereafter occurring, and shall prosecute and defend all suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances. The Lessor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the provisions of the Indenture, and for the better assuring and confirming to the Trustee, on behalf of the Bondowners, the rights and benefits provided in the Indenture.

Continuing Disclosure. The Lessee has covenanted and agreed in the Disclosure Certificate that the Lessee will comply with and carry out all of the provisions of the Disclosure Certificate. Notwithstanding anything to the contrary contained in the Indenture, failure to comply with the provisions of the Disclosure Certificate shall not be considered an Event of Default under the Indenture; provided, however, the Trustee at the written request of any Bondowner of at least 25% aggregate principal amount of Bonds, shall, or any Bondowner may, take such actions as may be necessary and appropriate but only to the extent indemnified to its satisfaction from any cost, liability, expense or additional charges, including without limitation fees and expenses of its attorneys, including seeking mandate on specific performance by court order, to cause the Lessee to comply with its obligations under the Disclosure Certificate.

Notices to Rating Agencies . The Trustee covenants and agrees that it shall give or cause to be given notice to the Rating Agencies of the occurrence of any amendments to the Indenture or the Lease, to the extent actually known to it; and any redemption, purchase or defeasance of the Bonds.

Events of Default and Remedies of Owners

The following shall be "Events of Default" under the Indenture: (a) an event of default shall have occurred under the Lease; or (b) breach by the Lessor of any other terms, covenants or conditions contained in the Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such breach cannot be remedied within the 60 day period, the Lessor, the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall not unreasonably withhold their consent to an extension of time if corrective action is instituted by the Lessee within the 60 day period and diligently pursued until the default is corrected. In the event an Event of Default has occurred and is continuing and the Trustee has actual knowledge of such Event of Default, the Trustee shall give notice, at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to Bondowners provided for under the Indenture shall be given by first class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

Upon the occurrence and continuance of any Event of Default specified in subsection (a) of the immediately preceding paragraph, the Trustee may proceed ((upon written request of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in of the Lease or available to the Trustee under the Indenture. The Trustee shall exercise the rights and remedies vested in it under the Indenture with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his affairs. No remedy conferred upon or reserved to the Trustee under the Indenture or the Lease is intended to be exclusive and every remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Bondowners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than the notice as may be required in the Indenture or by law. In the event any provision contained in the Indenture should be breached by a party and thereafter waived by another party, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach.

In the event the Trustee fails to take any action to eliminate an Event of Default under the Lease or under the Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or the Indenture, but only if such Bondowners, shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Lease or the Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time. Notwithstanding any other provisions in the Indenture, the right of any Bondowner to receive the Bondowner's share of Base Rental in accordance with the provisions of his Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Bondowner.

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to the Lease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Indenture or the Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the owners of the Bonds, be distributed pro rata to such owners on the basis of the amount of interest due and unpaid to the owners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to such owners, be distributed pro rata to such owners on the basis of the amount of principal due and unpaid to the owners.

To the extent not required to be deposited into the Base Rental Account pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Indenture or the Lease shall be applied as follows in the order of priority indicated: (a) first, deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (b) second, to the payment of Additional Rental then due and payable; and (c) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

Limitation of Liability

Neither the Lessee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the performance by the Trustee of any duty imposed upon the Trustee under the Indenture, including the distribution by the Trustee of principal of and interest on the Bonds to the owners of the Bonds. Except as provided in the Indenture, neither the Trustee nor the Lessor shall have any obligation or liability to the owners of the Bonds with respect to the payment of Base Rental by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by the Lessee in the Lease. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the provisions of the Lease, and (b) the performance by the Lessee of its obligations and duties as set forth in the Lease, the Lessee shall have no obligation or liability to the Trustee or the owners of the Bonds.

Neither the Trustee nor the Lessor shall have any obligation or responsibility for providing information to the Bondowners concerning the investment quality of the Bonds, for the sufficiency of any Base Rental or for the actions or representations of the Lessee. Neither the Trustee nor the Lessor (except as provided below) shall have any obligation or liability to the Lessee with respect to the failure or refusal of the Lessee to perform any covenant or agreement made by it under the Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Indenture. Notwithstanding the foregoing, the Lessor shall be liable to the owners of the Bonds with respect to the failure of the Lessee to perform any covenant or agreement contained in the Lease, but only to the extent of the Lessor's interest in the Equipment. The recitals of facts, covenants, and agreements contained in the Lease shall be taken as statements, covenants and agreements of the Lessee and neither the Trustee nor the Lessor assumes any responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of the Indenture, the Lease or the Bonds, or as to the value of or title to the Equipment and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it under the Indenture. The Trustee shall not be liable except for its own negligence or willful misconduct.

To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof (which includes legal fees and expenses), where and to the extent such claim, suit or action arises out of the performance of its duties under the Indenture, or the actions of any other party to the Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under the Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to the Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as provided in the Indenture, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. This section will survive the termination of the Indenture and the earlier removal or resignation of the Trustee.

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee and the owners of the Bonds any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision of the Indenture; and all such covenants, conditions, and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the owners of the Bonds.

Defeasance

All or any of the Bonds shall be paid or be deemed to be paid in one of the following ways: (1) by the deposit by the Lessor with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Bond Fund and the Reserve Fund and dedicated, as evidenced by a certificate of a Lessor Representative, to this purpose, without the need for further investment, is fully sufficient to pay the Bonds, including all principal and interest due with respect thereto, provided, however, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided for in the Indenture, will not cause the then current ratings to be reduced or withdrawn; or (2) by the deposit with the Trustee in accordance with the Lease, at or before maturity of the Bonds, of cash and/or Qualified Investments which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue on the Qualified Investments without the need for further investment, to pay when due the debt service on the Bonds, including all principal, redemption premium, if any, and interest payable with the respect thereto, provided, however, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided in the Indenture, will not cause the then current ratings to be reduced or withdrawn.

When any Bond has been paid or is deemed to have been paid as provided in the Indenture, the Bond shall no longer be deemed Outstanding under the provisions of the Indenture, and all obligations of the Trustee and the Lessor under the Indenture with respect to the Bond shall cease, except only the obligations of the Trustee under certain provisions of the Indenture and the obligations to pay or cause to be paid to the Bondowner thereof all sums due with respect thereto and to pay to the Trustee any amounts due pursuant to the Indenture.

THE LEASE AGREEMENT

Term

The Term of the Lease shall commence on the Closing Date, and shall end on the earlier of (1) such time as the Bonds payable from Base Rental attributable to all the Equipment Components shall have been paid (including any abated Base Rental) and provided no default or event of default then exists and is continuing under the Lease, or (2) December 1, 2020 unless such Term is otherwise terminated or extended as hereinafter provided. If on December 1, 2020, the Indenture shall not be discharged by its terms, or if the Base Rental payable under the Lease shall be abated at any time and for any reason, then the Term of the Lease shall be extended until the Indenture shall be discharged by its terms. If prior to December 1, 2020, the Base Rental and Additional Rental shall have been fully paid in connection with the Bonds, the Term of the Lease shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor to the effect that the Base Rental and Additional Rental payable under the Lease shall be fully paid and all Bonds have been fully paid, and the Lease shall thereupon terminate.

Base Rental

Subject to the provisions of the Lease, the Lessee shall pay to the Lessor, its successors and assigns, as a portion of the rental for the use and possession of the Equipment, Base Rental payments, each comprised of components of principal and interest, equal to the aggregate Base Rental specified in the Lease. Except as otherwise required under the Lease, in no event shall the Base Rental on any date be less than the aggregate amount of principal and interest required to be paid or redeemed on such date with respect to the Bonds. Base Rental payable by the Lessee shall be due on or before each Interest Payment Date during the Term of the Lease, each such date being a "Lease Payment Date." The interest component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. The principal component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 3l of such year and the principal component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on or before each Lease Payment Date with the Trustee, in immediately available funds, on or before that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date.

Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee's use, the Lessee covenants to take such action as may be necessary to include all Rental Payments due under the Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants made by the Lessee under the Lease. Subject to certain provisions of the Lease, the Lessee's obligation to make Rental Payments when due shall be absolute and unconditional without any right of set off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under the Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Equipment Component to perform the task for which it is leased, the Lessee shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event the Lessee should fail to make any of the payments required, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable to the Lessor, its successors and assigns, at the rate equal to the net effective interest rate paid with the respect to the Bonds on the date such interest was due.

The Base Rental and the Additional Rental required by the Lease shall be paid by the Lessee in consideration of the right of possession of, and the continued use and possession of, the Equipment during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that the Base Rental for each of such period as set forth in the Lease does not exceed the fair rental value of the Equipment. In making such determination, consideration has been given to the Acquisition Costs, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Equipment and the benefits therefrom which will accrue to the Lessee and the general public. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee agrees to pay to the Trustee at the Principal Corporate Trust Office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the Lease. The total Rental Payments due in any Fiscal Year shall be for the use and possession of the Equipment for such Fiscal Year. Base Rental payments shall be subject to abatement as provided in the Lease.

Additional Rental

In addition to the Base Rental, the Lessee shall pay as Additional Rental such amounts as shall be required for the payment of all administrative costs of the Lessor, if any, relating to the Equipment or the issuance of the Bonds, including without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Equipment or undertaking of the transactions contemplated in the Lease or in the Indenture, fees of auditors, accountants, attorneys or engineers, fees, expenses and indemnification costs of the Trustee and all other necessary administrative costs of the Lessor and Lessee or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Lease, the Bonds or of the Indenture, including the insurance premiums required to maintain insurance as required under the Lease, or to defend the Lessor, its members and each Indemnified Party. Additional Rental due under the Lease shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or within thirty days after notice in writing from the Trustee to the Lessee, stating the amount of additional payments then due and payable and the purpose thereof.

Substitution of Equipment Components

The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the existing Exhibit B to the Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms of the Lease. Notwithstanding any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution.

Option to Purchase Equipment Components and Prepay Base Rental

The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase the Equipment under the Lease by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base

Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to the Lease, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each purchased Equipment Component. If the Lessee shall properly exercise the option provided in the Lease prior to the expiration of the Term of the Lease, and the Lessor and the Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then the Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms set forth in the Lease.

In the event that the Lessee exercises its option to purchase all of the Equipment and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph and pays all Additional Rental required by the Lease, the Lessee's obligations under the Lease shall thereupon cease and terminate, including but not limited to the Lessee's obligations to continue to pay Base Rental under the Lease.

The Lessee shall also have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase the Lessor's right, title and interest in any Equipment Component on any Business Day, upon payment of the option price therefor, but only if the Lessee is not then in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase under this paragraph by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in any Equipment Component and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its purchase option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised its option to purchase any Equipment Component pursuant to this paragraph, and shall have paid the option price therefor, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each Equipment Component. If the Lessee shall properly exercise the option provided in this paragraph as to any Equipment Component prior to the expiration of the Term of the Lease, then the lease for that Component shall terminate and thereafter the Lessee shall be obligated to pay Base Rental only on the remaining Equipment Components.

In the event the Lessee exercises its option to purchase any Equipment Component and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph with respect to such Equipment Component, the principal component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the principal amount of Bonds payable on that Lease Payment Date which were redeemed or defeased (as a result of such purchase) and the interest component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the interest which would have been payable on that Lease Payment Date on the prepaid principal components (as a result of such purchase) had such amounts not been prepaid. If any such reductions in Base Rental shall occur, the Lease shall be amended by the Lessee to reflect such reductions.

Maintenance

The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment, without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under the Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in the Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of the Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than provided in the Lease, and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with the Lease.

Insurance

The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Equipment required by the Lease. Such insurance shall consist of: (a) a policy or policies of insurance against loss or damage to the Equipment known as "all risk," including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding (such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 from all losses in any year; if such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies); (b) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment (such insurance shall afford protection with a combined single limit of not less than $100,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the Lessee's risk management officer or an independent insurance consultant retained by the Lessee for that purpose); provided, however, that the Lessee's obligations under this clause (b) may be satisfied by self-insurance; (c) rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years (the Lessee may not self -insure for rental interruption insurance); and (d) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers' Compensation Insurance and Safety Act in force in the State, or any act enacted after the date of the Lease as an amendment or supplement thereto or in lieu thereof.

Liens

Except as provided in the Lease, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgages, pledges, liens, charges, encumbrances or claims, as applicable, on or with respect to the Equipment, other than the respective rights of the Lessor and the Lessee as provided in the Lease. Except as expressly provided in the Lease, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided, however, that the Lessee (a) may contest any such mortgage, pledge, lien, charge, encumbrance or claim without payment thereof so long as such non-payment and contest stays execution or enforcement of such mortgage, pledge, lien, charge, encumbrance or claim, but if such mortgage, pledge, lien, charge, encumbrance or claim is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the Lessee shall forthwith pay and discharge such judgment or such mortgage, pledge, lien, charge, encumbrance or claim, or (b) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Laws and Ordinances

The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to each Equipment Component and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor shall not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Equipment in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of condemnation, damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any Equipment Component by the Lessee and the Base Rental due hereunder shall exceed the fair rental value of the Equipment. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the Lessee and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, do not exceed the fair rental value for the use and possession of the Equipment Components not condemned, taken, damaged or destroyed. Such abatement shall commence on the date of condemnation, theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment Component or the delivery of a replacement Equipment Component. Additional Rental shall not be abated so long as a significant portion of the Equipment Components remains available for the use and possession of the Lessee. Except as provided in the Lease, in the event of any such condemnation, theft, damage or destruction, the Lease shall continue in full force and effect and the Lessee waives any right to terminate the Lease by virtue of any such condemnation, theft, damage or destruction.

Application of Insurance Proceeds

If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment exceeds the Base Rental due hereunder, such insurance proceeds may be retained by the Lessee without any obligation to repair or replace the condemned, stolen, damaged or destroyed Equipment Component. If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment is less than the Base Rental due hereunder, the Lessee shall either promptly repair or replace the condemned, stolen, damaged or destroyed Equipment Component so long as such repair or replacement can be completed within the period during which rental interruption insurance proceeds will be available if Base Rental is to be abated as a result of any such condemnation, theft, damage or destruction, or apply any insurance proceeds received as a result of such condemnation, theft, damage or destruction to the extraordinary redemption of the Bonds as provided in the Indenture so that the remaining Base Rental due hereunder shall be at least equal to the fair rental value of the remaining Equipment.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component as set forth in the preceding paragraph, the Lessee shall deposit with the Trustee the amount of any insurance deductible with respect to such affected Equipment Component and such amount together with any insurance proceeds received as a result of such condemnation, theft, damage or destruction shall be applied to the repair or replacement of the affected Equipment Component in accordance with the Lease and the Indenture.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component, the Lessee agrees to diligently and expeditiously pursue the repair or replacement of such condemned, stolen, damaged or destroyed Equipment Component. In connection with the repair or replacement of the affected Equipment Component, insurance proceeds (together with any insurance deductible required to be deposited with the Trustee) shall be made available to the Lessee from time to time upon receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made pursuant to such requisition (a) the requisition number, (b) the name and address of the person, firm or corporation to whom payment is due, (c) the amount to be paid, (d) that each obligation mentioned in the requisition has been properly incurred, is a proper charge against the Insurance Proceeds Fund, and (e) that such payment has not been the basis of any previous withdrawal. Each such requisition shall specify in reasonable detail the nature of the obligation and shall be accompanied by a bill or a statement of account for such obligation. Upon completion of such repair or replacement as evidenced by a certificate of a Lessee Representative delivered to the Trustee any remaining moneys in the Insurance Proceeds Fund shall be applied to the extraordinary redemption as provided in the Indenture.

Assignment, Subleasing and Amendment of the Lease

Except as provided in the Indenture, the Lessor will not assign the Lease, its right to receive Base Rental from the Lessee, or its duties and obligations under the Lease to any other person, firm or corporation.

The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions: (a) the Lease and the obligation of the Lessee to make Base Rental under the Lease shall remain obligations of the Lessee; (b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (c) no sublease by the Lessee shall cause any Equipment Component to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and (d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Bond Counsel to the effect that the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

The Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel the Lease except as permitted by the Indenture.

Events of Default and Remedies

The following shall be "events of default" under the Lease and the terms "events of default" and "defaults" shall mean, whenever they are used in the Lease, any one or more of the following events: (a) failure by the Lessee to pay any Base Rental required to be paid under the Lease when due on a Lease Payment Date; (b) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease or otherwise with respect to the Lease or in the Indenture, other than as referred to in clause (a) of this paragraph, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, or the Bondowners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee or such Owners, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; (c) the filing by the Lessee of a case in bankruptcy, or the subjection of any right or interest of the Lessee under the Lease to any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may be enacted after the date of the Lease; and (d) the Lessor 's failure to perform any of its obligations under the Lease shall not be an event permitting the nonpayment of Base Rental by the Lessee or the termination of the Lease by the Lessee.

The parties hereto agree that any remedies provided under the Lease shall be exercised by the Trustee, as assignee of the Lessor's rights. Upon the occurrence and continuance of any event of default, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall proceed) to exercise the remedies set forth in the Lease. Pursuant to California Civil Code Section 1951.4, notwithstanding that the Lessee has breached the Lease and abandoned the Equipment, the Lease shall continue in effect and the Lessor or the Trustee may enforce all of their rights and remedies under the Lease. Without limiting any other remedies available to the Trustee under the Lease or at law, the Trustee shall have the right, at its option, without any further notice (a) to recover rent as it becomes due under the Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease. In addition, unless and until the Lease has been terminated pursuant to its terms, the Lessee shall be liable for all unpaid rent and other amounts due under the Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

Neither the Lessor nor the Trustee shall exercise its remedies under the Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under the Lease. Notwithstanding any provision of the Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, proposes to issue its approving opinion in substantially the following form:

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

County of Los Angeles
Los Angeles, California

We have examined a record of proceedings relating to the issuance of $37,480,000 Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2017 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as Trustee (the "Trustee"). The Bonds are payable from and secured by payments of Base Rental, as such term is defined in the Lease Agreement, dated as of June 1, 2017 (the "Lease Agreement"), by and between the Corporation, as lessor, and the County of Los Angeles, California, a political subdivision of the State of California, as lessee (the "County"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture and the Lease Agreement.

We are of the opinion that:

1. The Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.

2. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.

3. The obligation of the County to make Base Rental payments during the term of the Lease Agreement constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or State of California has levied or pledged any form of taxation.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of issuance of the Bonds, the County and the Corporation will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the County and the Corporation covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest on the Bonds will, for federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. In rendering the opinion in this paragraph (4), we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the County and the Corporation, and (ii) compliance by the County and the Corporation with procedures and representations set forth in the Tax Certificate as to such matters.

5. Under existing statutes, interest on the Bonds is exempt from State of California personal income tax.

We have examined an executed Bond and in our opinion, the form of said Bond and its execution are regular and proper.

Except as stated in paragraphs (4) and (5) above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2017 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2017 (the "Indenture"), by and between the County and U.S. Bank National Association, as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County relating to the issuance of the Bonds. The County hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"EMMA System" means the MSRB's Electronic Municipal Market Access system.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the County's fiscal year, commencing with the report for the County's June 30, 2017 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 Business Days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the County shall send a notice of this event to the MSRB in electronic form prescribed by the MSRB.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with (1) generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and (2) reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers, or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond holders;

(iii) optional, unscheduled or contingent Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the County determines would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements,

(i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 29, 2017.

COUNTY OF LOS ANGELES

By:______________________________________

Authorized Signatory

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC, and neither the County (as defined in the front part of this Official Statement) nor Corporation (as defined in the front part of this Official Statement) take responsibility for the accuracy thereof. The County and the Corporation cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of the principal or interest components with respect the Bonds ("Debt Service"); (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Neither the County, the Corporation, nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners, as defined below, with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture (as such term is defined in the Official Statement to which this Appendix F is attached); or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book- entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and

www.dtc.org. The information presented on each website is not incorporated by reference as part of this Official Statement.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MALI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered in accordance with the provisions of the Indenture.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Holders and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the County for further information regarding such provisions of the Indenture.

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LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION • LEASE REVENUE BONDS, 2017 SERIES A (LAC-CAL EQUIPMENT PROGRAM)

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