



County of Los Angeles, California Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016
John Naimo • Auditor-Controller

**County of Los Angeles, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016**

Prepared by the Office of Auditor-Controller
John Naimo • Auditor-Controller

COUNTY OF LOS ANGELES, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016
 TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION:

Auditor-Controller’s Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	ix
Board of Supervisors and Principal County Officials	x
Organization Chart.....	xi

II. FINANCIAL SECTION:

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited).....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet - Governmental Funds	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	30
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis:	
General Fund	35
Fire Protection District	36
Flood Control District.....	37
Public Library	38
Regional Park and Open Space District	39
Statement of Net Position - Proprietary Funds.....	40
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	42
Statement of Cash Flows - Proprietary Funds	44
Statement of Fiduciary Net Position - Fiduciary Funds	48
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	49
Statement of Net Position - Discretely Presented Component Units	50
Statement of Activities - Discretely Presented Component Units.....	51
Notes to the Basic Financial Statements	53
Required Supplementary Information (Unaudited):	
Los Angeles County Employees Retirement Association:	
Schedule of Net Pension Liability and Related Ratios	146
Schedule of County’s Contributions.....	146
Schedules of Funding Progress - Other Postemployment Benefits.....	148

COUNTY OF LOS ANGELES, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016
 TABLE OF CONTENTS

	Page
Combining and Individual Fund Statements and Schedules:	
Major Governmental Fund - General Fund -	
Schedule of Expenditures - Budget and Actual on Budgetary Basis.....	149
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds - Summary.....	151
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds - Summary.....	152
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue.....	154
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds - Special Revenue	158
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual on Budgetary Basis - Nonmajor Governmental Funds - Special	
Revenue:	
Totals	161
Road.....	162
Other Streets, Highways, Roads, and Bridges	163
Street Lighting Districts	164
Garbage Disposal Districts.....	165
Sewer Maintenance Districts.....	166
Health Services Measure B.....	167
Health and Sanitation.....	168
Mental Health Services Act	169
Other Public Protection	170
Public Assistance	171
Recreation.....	172
Courthouse Temporary Construction	173
Criminal Justice Temporary Construction.....	174
Registrar Recorder Improvement.....	175
Other Special Revenue	176
Combining Balance Sheet - Nonmajor Governmental Funds - Debt Service	177
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds - Debt Service.....	178
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual on Budgetary Basis - Nonmajor Governmental Funds - Debt	
Service - Regional Park and Open Space District.....	179
Combining Balance Sheet - Nonmajor Governmental Funds - Capital Projects.....	180
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds - Capital Projects	181
Combining Balance Sheet - Nonmajor Governmental Funds - Permanent Funds	182
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds - Permanent Funds.....	183

COUNTY OF LOS ANGELES, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016
 TABLE OF CONTENTS

	Page
Internal Service Funds:	
Combining Statement of Net Position - Internal Service Funds	185
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	186
Combining Statement of Cash Flows - Internal Service Funds.....	187
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position - Fiduciary Funds - Pension and Other Postemployment Benefit Trust Funds.....	189
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds - Pension and Other Postemployment Benefit Trust Funds.....	190
Combining Statement of Fiduciary Net Position - Fiduciary Funds - Investment Trust Funds	191
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds - Investment Trust Funds	192
Statement of Changes in Assets and Liabilities - Fiduciary Funds - Agency Funds	193
III. STATISTICAL SECTION (Not covered by Independent Auditor's Report):	
Statistical Section - Contents.....	195
Schedules of Financial Trends Information:	
Net Position by Category - Last Ten Fiscal Years	197
Changes in Net Position - Last Ten Fiscal Years	198
Fund Balances, Governmental Funds - Last Ten Fiscal Years	200
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years.....	202
Bar Chart-Governmental Funds Expenditures and Revenues - Last Ten Fiscal Years	203
Schedules of Revenue Capacity Information:	
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	204
Property Tax Rates - Direct and Overlapping Rates for Tax Area #4 - Last Ten Fiscal Years.....	205
Principal Property Taxpayers - Current Year and Nine Years Ago	206
Property Tax Levies and Collections - Last Ten Fiscal Years.....	207

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016
TABLE OF CONTENTS

	Page
Schedules of Debt Capacity Information:	
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years.....	208
Ratio of Net General Bonded Debt - Last Ten Fiscal Years.....	209
Estimated Direct and Overlapping Bonded Debt.....	210
Computation of Legal Debt Margin - Last Ten Fiscal Years.....	212
Pledged-Revenue Coverage - Last Ten Fiscal Years.....	213
Schedules of Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years.....	214
Ten Largest Industries – Current Year and Nine Years Ago.....	215
Schedules of Operating Information:	
Full-Time Equivalent County Employees by Function/Program - Last Ten Fiscal Years.....	216
Operating Indicators by Function/Program - Last Ten Fiscal Years.....	217
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years.....	218



JOHN NAIMO
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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December 15, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

In accordance with Section 25253 of the Government Code of California, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the County of Los Angeles for the year ended June 30, 2016. The report contains financial statements that have been prepared in accordance with generally accepted accounting principles (GAAP) prescribed for governmental entities, and provides a comprehensive overview of the County's financial operations and financial position. The accuracy, completeness and fairness of the presentation of all information in this report are the responsibility of the County.

The Independent Auditor's Report is presented at the front of the financial section of this report. Management's Discussion and Analysis (MD&A), immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The report includes financial data for all County funds. Additionally, the following entities are considered part of the County for purposes of meeting the reporting entity requirements prescribed by the Governmental Accounting Standards Board:

Fire Protection District	Waterworks Districts
Flood Control District	Los Angeles County Capital Asset Leasing Corporation
Garbage Disposal Districts	Various Joint Powers Authorities
Improvement Districts	Los Angeles County Employees Retirement Association
Regional Park and Open Space District	Los Angeles County Securitization Corporation
Sewer Maintenance Districts	Community Development Commission
Street Lighting Districts	First 5 LA

These entities are component units of the County and are included in the County's basic financial statements because the County Board of Supervisors is financially accountable for them. All component units are blended into the basic financial statements except for the Community Development Commission (CDC) and First 5 LA, which are discretely presented. Note 1 to the basic financial statements contains additional information regarding the relationship between the County and these entities.

Other local governmental entities provide public or specialized services to the residents of the County, including over eighty cities, one hundred school districts, and numerous special districts. The operations of these entities are not included in the County's reporting entity since each entity is responsible for conducting its own day-to-day operations and is compelled to answer to its own separately elected governing board. Significant entities that do not meet the criteria for inclusion in this report include the Los Angeles County Office of Education, Los Angeles Unified School District, and Los Angeles County Sanitation Districts. Also, the Los Angeles County Superior Court is not included due to legislation (AB233) which transferred oversight responsibilities for Court operations to the State in 1997-98. However, AB233 requires the County to continue to fund certain Court-related expenditures, and the County continues to receive certain Court collections. Accordingly, the County's financial statements include various Court-related financial transactions.

LOS ANGELES COUNTY AND ITS SERVICES

Los Angeles County was established by an act of the State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern portion of the State, the County covers 4,083 square miles. With a population of over 10 million, its population is the largest of any county in the nation.

Los Angeles County was a general law county until 1913 when it became a charter county, as a result of local election. The County is governed by a five-member Board of Supervisors (Board) who are elected by district to serve alternating four-year terms. The Assessor, District Attorney, and Sheriff are also elected officials while all other departments are headed by appointed officials. On March 5, 2002, County voters approved two charter amendments providing for term limits for members of the Board. The affected officials are limited to three consecutive terms, a total of 12 years, commencing December 2002. On December 5, 2016, two members of the Board reached their term limits and two newly elected Board members assumed office.

On July 7, 2015, the Board approved recommendations to amend the County Code by repealing the 2007 Interim Governance Structure Ordinance and to establish a new governance structure. Under the new governance structure, all non-elected department heads report directly to the Board. County departments continue to report to the Chief Executive Officer (CEO) for day-to-day operations, as well as for administrative and budget matters. The CEO acts as the Board's agent to manage Countywide policy objectives and departmental performance management. The new governance structure was designed to streamline the County bureaucracy by improving communications with County departments,

facilitating effective decision making, and enhancing responsiveness to the Board's policy objectives.

There are over one million residents in the unincorporated areas of the County. These residents receive all municipal services from the County, including law enforcement, fire protection, land use and zoning, building and business permits, local road building and maintenance, animal care and control, and public libraries. In addition, the County provides a wide range of services to all County residents.

The County also provides municipal services to many incorporated cities within its boundaries under the Contract Services Plan (Plan). Established in 1954, the Plan allows cities to provide municipal services without incurring the cost of creating numerous city departments and facilities by having the County provide, at cost, any or all municipal services within a city at the same level as provided in unincorporated areas, or at any higher level the city may choose. Although the Plan was developed to assist new cities, the great majority of the cities in the County now contract for one or more services.

The County's principal functions include seven major areas as required under the County's charter, County ordinances, or by State or federal mandate: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The State and federal governments mandate certain minimum levels of services in the public assistance and health areas.

ECONOMIC OVERVIEW

With a 2015 Gross Domestic Product (GDP) of \$664.2 billion, Los Angeles County's economy is larger than that of 44 states and all but 20 countries. The County serves as the central trade district for the western United States and the 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 2015, with an increase of 3.7% in economic output (as measured by GDP), and a 2.9% increase in total taxable sales. The economic recovery is expected to continue, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 6.9% in 2015, which reflects the ongoing improvement in the job market and the lowest rate of the post-recession period. The positive developments in the job market are expected to continue the downward trend in the unemployment rate. Employment prospects are also strengthened by the recent (November 8, 2016) passage of a new Countywide transit improvement sales tax, which, when combined with over \$16 billion in voter approved general obligation bond measures, will provide financing for major capital construction projects and improvements benefiting local governments and school districts.

The County enjoys a diverse industrial base, as private sector employment is well-represented in wholesale and retail trade, health care, manufacturing, and leisure and hospitality. The two major seaports in the County, located in the cities of Los Angeles and

Long Beach, encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and on a combined basis rank ninth largest among the world's port facilities. The County's technology sector, known as "Silicon Beach," has become a large and growing source of highly compensated jobs and this sector employed an estimated 195,800 workers in 2015.

INTERNAL AND BUDGETARY CONTROLS

The County has developed a system of internal accounting controls designed to provide reasonable, but not absolute, assurance to safeguard assets against loss from unauthorized use. It also provides reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the costs of a system of internal accounting controls should not outweigh related benefits. Also, the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting control evaluations occur within the above framework. We believe that the County's system of internal accounting controls adequately safeguards assets and also provides reasonable assurance of proper recording of financial transactions.

In accordance with the provisions of Section 29000-29144 of the Government Code, commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 of each fiscal year. Except for capital assets, expenditures are controlled at the following object levels for all budget units: salaries and employee benefits, services and supplies, other charges, and other financing uses. Amounts are budgeted and controlled for capital assets at the following sub-object levels: land, buildings and improvements, infrastructure, and equipment.

The County uses encumbrance accounting to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as restricted, committed, or assigned fund balance for subsequent year expenditures.

After the original budget is adopted, the Board of Supervisors must approve all transfers of appropriations between budget units and transfers exceeding \$250,000 within budget units. The Board must also approve necessary supplemental appropriations, normally financed by unanticipated revenues earned during the year.

In addition to these procedural controls, the Auditor-Controller's (A-C) Audit Division performs periodic internal control, operational, and management audits of various County departments. On an annual basis, an audit plan is recommended by the A-C and approved by the County's Audit Committee, an oversight group appointed by the Board of Supervisors. These audits help to ensure that prescribed procedures are followed and that operations are conducted in an efficient manner. The A-C's Countywide Contract Monitoring Division reviews various social service contract providers to enhance accountability and performance effectiveness. In addition, the A-C operates the County's federal Health Insurance Portability and Accountability Act (HIPAA) Privacy Program, providing supervision and oversight of the County's HIPAA-covered departments. A fraud

hotline provides County employees and citizens with a way to anonymously report perceived fraudulent activities by County employees, vendors, contractors, inspectors, etc. Allegations reported to the hotline are evaluated and investigated, as appropriate, by the Office of County Investigations within the A-C.

BUDGET OUTLOOK AND MAJOR INITIATIVES

The Fiscal Year (FY) 2016-17 Budget outlook strives to maintain a balance between service delivery and fiscal sustainability, while addressing the Board's program initiatives in the areas of homelessness, wage enforcement, economic development, affordable housing, and criminal justice diversion. Growth in the labor market is strong, with experts asserting that the national economy is back to full employment levels and forecasting higher wages supported by market conditions. The housing market continues to improve as prices grow moderately and demand persists for single-family homes, as well as rental units. Consumer spending has demonstrated strong growth, which will bolster the local economy.

NEWLY FUNDED PROGRAM INITIATIVES

Outlined below are significant program initiatives that were funded or augmented by the FY 2016-17 Budget process:

- The Board added \$185 million of appropriations and authorized 163 new positions for a variety of mental health program initiatives, which include wellness centers, mental health enforcement teams that will partner with law enforcement agencies, expanded services at directly operated clinics, and expansion of community services and support programs provided by organizations with County contracts. The County's Mental Health Services Act Special Revenue Fund represents the funding source for these appropriations.
- New funding of \$73 million, primarily from federal and State sources, was used to support new positions to reduce worker caseloads in the continuing services and emergency response units. The funding also augments the County's efforts to combat the commercial and sexual exploitation of children and to promote foster parent recruitment.
- Appropriation increases of \$37 million were allocated for the In-Home Supportive Services (IHSS) Program to provide for Board-approved wage increases for IHSS workers, healthcare benefit support costs, and to comply with State law requiring a higher level of local maintenance of effort.
- The Board took actions to support ongoing initiatives to address homelessness and housing issues by identifying new funds totaling \$34 million, of which \$22 million is State-funded, with the remainder from the County's General Fund. The funding will be applied to the County's strategic initiatives in this area, which emphasize services to the homeless population and prevention efforts designed to target the at-risk population to prevent homelessness.

CAPITAL ASSET AND DEFERRED MAINTENANCE INITIATIVES

The County continues to plan for, and fund, high priority capital asset projects that address health, public safety, recreation, and infrastructure needs. Many capital asset initiatives are multi-year in nature and the FY 2016-17 Budget provides ongoing funding for initiatives in progress as well as new projects.

The FY 2016-17 Budget reflects a decrease in funding for capital projects by over \$66 million in comparison with the previous year's budget. During FY 2015-16, there were 30 projects completed, including the Zev Yaroslavsky Family Support Center Project.

A high priority for capital asset funding continues to be custody and law enforcement facility improvements throughout the County. The FY 2016-17 Budget appropriates \$148 million in this area, which includes \$118 million for the refurbishment of the Mira Loma Detention Center and \$5 million for the Men's Central Jail replacement planning effort.

The County continues to invest in deferred maintenance to meet performance requirements and expectations for its facilities. The FY 2016-17 Budget earmarks \$192 million for high priority repairs, maintenance, and accessibility modification needs at County facilities, including juvenile halls, animal shelters, beaches, parks, and for various roof repairs.

In 2016-17, the second phase of building condition assessments of County-owned and/or County-maintained facilities will continue with the development of prioritized capital plans to address deferred maintenance. It is anticipated that the condition of approximately 12.6 million square feet of buildings will be assessed during the fiscal year.

STRATEGIC PLANNING INITIATIVES

On November 15, 2016, the Board of Supervisors approved the County of Los Angeles FY 2016-2021 Strategic Plan, *Creating Connections: People, Communities, and Government*. The approved plan includes an updated vision, mission, and values, with three new goals, 10 strategies and objectives with a focus on Board priorities and initiatives.

The strategic plan's underlying goals are summarized as follows:

Make Investments that Transform Lives by increasing our focus on prevention initiatives; enhancing our delivery of comprehensive interventions; and reforming service delivery within our justice systems.

Foster Vibrant and Resilient Communities by driving economic and workforce development in the County; supporting the wellness in our communities; and making environmental sustainability our daily reality.

Realize Tomorrow's Government Today by pursuing development of our workforce; embracing digital government for the benefit of our customers and communities; pursuing

operational effectiveness, fiscal responsibility, and accountability; and engaging our customers, communities, and partners.

LONG-TERM FINANCIAL PLANNING

The Board has adopted policies, which guide the County's Chief Executive Officer in financial planning and recommending budget proposals. Key policy elements include:

- Ongoing costs should be funded with ongoing revenues. Aligning continuing expenditures with continuing revenues, on a level that can be reasonably sustained, will foster stability, predictability, and long-range planning, while avoiding volatility in service levels. Before expanding services, use new, ongoing revenues to meet current obligations and reduce reliance on one-time funding. New programs should not be proposed without identifying specific and continuous funding sources.
- Budget decisions should be considered within the context of revenues and expenditures projected beyond a single fiscal year. A long-range forecast should be developed and maintained to reflect continuing programs, anticipated new initiatives, revenue changes, cost increases, potential problem issues and other factors that may impact strategies for maintaining a balanced budget over several years.

Board policy also established a "Reserve for Rainy Day" (Reserve) account within the County's General Fund. It is intended to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10% of ongoing locally generated revenue. Transfers, at a minimum of ten percent (10%) of excess fund balance, less Board approved carryover balances, shall be set aside in the Rainy Day Fund and/or the Other Postemployment Benefits (OPEB) Trust Fund each year until the 10% cap is met. When the reserve cap of 10% is exceeded, the excess balance should be deposited into the OPEB Trust Fund in order to fund retiree health obligations. The objective is to avoid ongoing commitments with funding that may not be sustainable in an economic downturn.

For the year ended June 30, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions." The County's policies for use of the Reserve are not within the GASB 54 definition of a stabilization arrangement. Therefore, the Reserve is classified as General Fund unassigned fund balance in the GAAP financial statements. As of June 30, 2016, the Reserve balance was \$353.7 million and it was not used as a financing source for purposes of balancing the FY 2016-17 County Budget. On September 27, 2016, the Board added \$27.8 million to the County's Reserve for Rainy Day, bringing the total balance to \$381.5 million.

OTHER INFORMATION

INDEPENDENT AUDIT

The basic financial statements have been audited by Macias Gini & O'Connell LLP (MGO). In accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), MGO is also in the process of completing an annual financial and compliance audit of federal funds received by the County in FY 2015-16. The County's single audit for FY 2014-15 has been completed.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Los Angeles for its Comprehensive Annual Financial Report for the past thirty-four fiscal years.

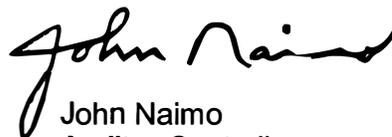
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

I would like to express my appreciation to my Accounting Division, the various County departments who assisted in the preparation of this report, and also acknowledge the efforts of our independent auditor.

Sincerely,



John Naimo
Auditor-Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Los Angeles
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS AND PRINCIPAL COUNTY OFFICIALS
AS OF JUNE 30, 2016

BOARD OF SUPERVISORS

Hilda L. Solis, Chair
First District

Mark Ridley-Thomas
Second District

Don Knabe
Fourth District

Sheila Kuehl
Third District

Michael D. Antonovich
Fifth District

Lori Glasgow
Executive Officer
Board of Supervisors

PRINCIPAL COUNTY OFFICIALS

Jeffrey Prang
Assessor

Jackie Lacey
District Attorney

Jim McDonnell
Sheriff

Sachi A. Hamai
Chief Executive Officer

Joseph Kelly
Treasurer and Tax Collector

John Naimo
Auditor-Controller

Mary C. Wickham
County Counsel





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

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

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>16,194,139</u>	<u>16,152,897</u>	<u>3,045,644</u>	<u>3,005,864</u>	<u>19,239,783</u>	<u>19,158,761</u>
Total assets	<u>25,927,664</u>	<u>25,349,258</u>	<u>4,883,843</u>	<u>4,626,116</u>	<u>30,811,507</u>	<u>29,975,374</u>
Deferred outflows of resources	<u>1,240,744</u>	<u>1,267,447</u>	<u>206,764</u>	<u>211,805</u>	<u>1,447,508</u>	<u>1,479,252</u>
Current and other liabilities	2,252,076	1,982,863	452,338	418,664	2,704,414	2,401,527
Long-term liabilities	<u>22,932,611</u>	<u>20,960,211</u>	<u>5,497,786</u>	<u>4,829,855</u>	<u>28,430,397</u>	<u>25,790,066</u>
Total liabilities	<u>25,184,687</u>	<u>22,943,074</u>	<u>5,950,124</u>	<u>5,248,519</u>	<u>31,134,811</u>	<u>28,191,593</u>
Deferred inflows of resources	<u>1,400,671</u>	<u>2,550,590</u>	<u>224,935</u>	<u>426,559</u>	<u>1,625,606</u>	<u>2,977,149</u>
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)	<u>(17,719,601)</u>	<u>(16,822,355)</u>	<u>(3,446,986)</u>	<u>(3,220,744)</u>	<u>(21,166,587)</u>	<u>(20,043,099)</u>
Total net position	<u>\$ 583,050</u>	<u>\$ 1,123,041</u>	<u>\$ (1,084,452)</u>	<u>\$ (837,157)</u>	<u>\$ (501,402)</u>	<u>\$ 285,884</u>

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

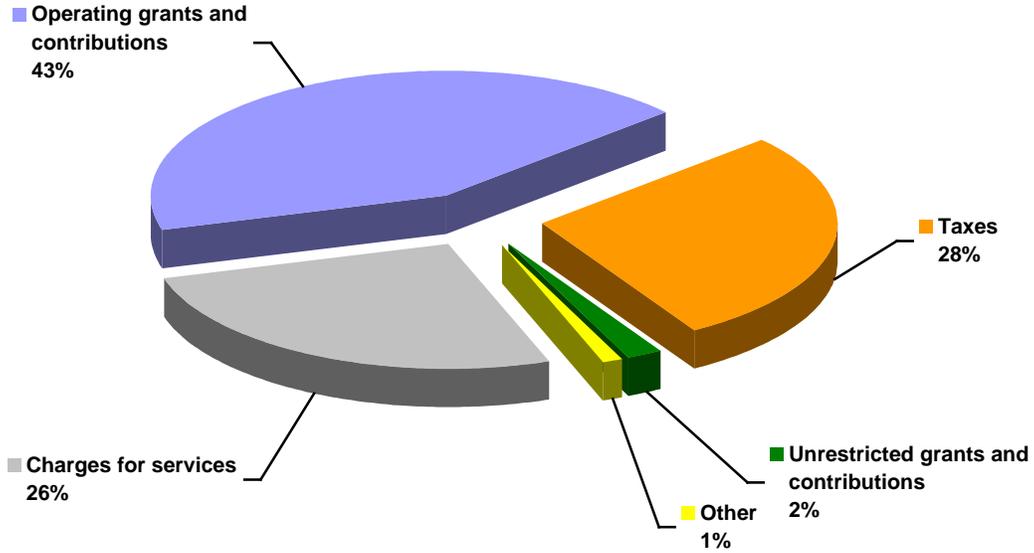
The following table details and identifies changes in net position for governmental and business-type activities:

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

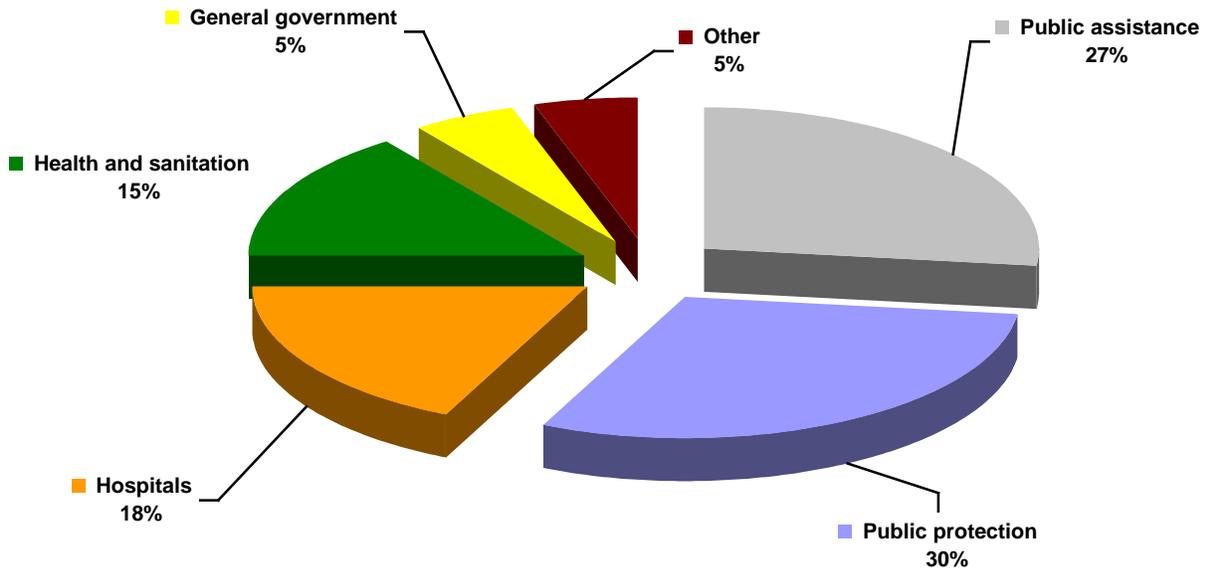
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,608,084	\$ 2,505,007	\$ 3,245,260	\$ 3,037,826	\$ 5,853,344	\$ 5,542,833
Operating grants and contributions	9,296,996	8,976,986	315,070	500,840	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	<u>141,146</u>	<u>181,119</u>	<u>61</u>	<u>26,012</u>	<u>141,207</u>	<u>207,131</u>
Total revenues	<u>18,983,607</u>	<u>18,446,284</u>	<u>3,572,745</u>	<u>3,573,239</u>	<u>22,556,352</u>	<u>22,019,523</u>
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			<u>5,661</u>	<u>6,675</u>	<u>5,661</u>	<u>6,675</u>
Total expenses	<u>18,941,899</u>	<u>18,201,063</u>	<u>4,401,739</u>	<u>4,109,787</u>	<u>23,343,638</u>	<u>22,310,850</u>
Excess (deficiency) before transfers	41,708	245,221	(828,994)	(536,548)	(787,286)	(291,327)
Transfers	<u>(581,699)</u>	<u>(603,762)</u>	<u>581,699</u>	<u>603,762</u>		
Changes in net position	(539,991)	(358,541)	(247,295)	67,214	(787,286)	(291,327)
Net position - beginning	<u>1,123,041</u>	<u>1,481,582</u>	<u>(837,157)</u>	<u>(904,371)</u>	<u>285,884</u>	<u>577,211</u>
Net position - ending	<u>\$ 583,050</u>	<u>\$ 1,123,041</u>	<u>\$ (1,084,452)</u>	<u>\$ (837,157)</u>	<u>\$ (501,402)</u>	<u>\$ 285,884</u>

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

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



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



**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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):

<u>Category</u>	Increase (Decrease) From Original <u>Budget</u>	Final Budget <u>Amount</u>	Actual <u>Amount</u>	Variance- Positive <u>(Negative)</u>
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	<u>10,972</u>	<u>731,626</u>	<u>353,289</u>	<u>(378,337)</u>
Total	<u>\$ 232,012</u>	<u>\$ 17,641,550</u>	<u>\$ 16,551,558</u>	<u>\$ (1,089,992)</u>

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

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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):

<u>Category</u>	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:

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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:

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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 <u>Year</u>	Prior <u>Year</u>	Increase <u>(Decrease)</u>
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	<u>864,824</u>	<u>729,132</u>	<u>135,692</u>
Total	<u>\$ 19,239,783</u>	<u>\$ 19,158,761</u>	<u>\$ 81,022</u>

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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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:

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
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.

**COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)-Continued
FOR THE YEAR ENDED JUNE 30, 2016**

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

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
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	<u>6,961,426</u>	<u>120,022</u>	<u>7,081,448</u>	<u>579,198</u>
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	<u>16,194,139</u>	<u>3,045,644</u>	<u>19,239,783</u>	<u>186,719</u>
TOTAL ASSETS	<u>25,927,664</u>	<u>4,883,843</u>	<u>30,811,507</u>	<u>1,095,926</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	<u>1,240,744</u>	<u>206,764</u>	<u>1,447,508</u>	<u>11,893</u>
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	<u>25,184,687</u>	<u>5,950,124</u>	<u>31,134,811</u>	<u>148,572</u>
DEFERRED INFLOWS OF RESOURCES (Note 20)	<u>1,400,671</u>	<u>224,935</u>	<u>1,625,606</u>	<u>13,703</u>
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)	<u>\$ 583,050</u>	<u>(1,084,452)</u>	<u>\$ (501,402)</u>	<u>\$ 945,544</u>

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)

FUNCTIONS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
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	<u>18,941,899</u>	<u>2,608,084</u>	<u>9,296,996</u>	<u>24,860</u>
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	<u>4,401,739</u>	<u>3,245,260</u>	<u>315,070</u>	<u>5,582</u>
Total primary government	<u>\$ 23,343,638</u>	<u>5,853,344</u>	<u>9,612,066</u>	<u>30,442</u>
DISCRETELY PRESENTED COMPONENT UNITS	<u>\$ 633,896</u>	<u>25,317</u>	<u>480,385</u>	<u>3,701</u>

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
\$ (657,351)		\$ (657,351)		PRIMARY GOVERNMENT:
(4,298,717)		(4,298,717)		Governmental activities:
(183,781)		(183,781)		General government
(461,653)		(461,653)		Public protection
(942,104)		(942,104)		Public ways and facilities
(138,315)		(138,315)		Health and sanitation
(237,016)		(237,016)		Public assistance
(93,022)		(93,022)		Education
(7,011,959)		(7,011,959)		Recreation and cultural services
				Interest on long-term debt
				Total governmental activities
	(832,917)	(832,917)		Business-type activities:
	(7,141)	(7,141)		Hospitals
	4,231	4,231		Waterworks
	(835,827)	(835,827)		Aviation
(7,011,959)	(835,827)	(7,847,786)		Total business-type activities
				Total primary government
			\$ (124,493)	DISCRETELY PRESENTED COMPONENT UNITS
5,768,830	5,309	5,774,139		GENERAL REVENUES:
57,521		57,521		Taxes:
363,089		363,089		Property taxes
85,077		85,077		Utility users taxes
34,487		34,487		Voter approved taxes
106,490		106,490		Documentary transfer taxes
				Other taxes
374,264		374,264		Sales and use taxes, levied by the State
122,763	1,463	124,226	9,508	Grants and contributions not restricted to special programs
141,146	61	141,207	119	Investment income
(581,699)	581,699			Miscellaneous
6,471,968	588,532	7,060,500	9,627	TRANSFERS - NET
(539,991)	(247,295)	(787,286)	(114,866)	Total general revenues and transfers
1,123,041	(837,157)	285,884	1,060,410	CHANGE IN NET POSITION
\$ 583,050	(1,084,452)	\$ (501,402)	\$ 945,544	NET POSITION (DEFICIT), JULY 1, 2015
				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	<u>3,181,151</u>	<u>228,585</u>	<u>488,154</u>	<u>69,660</u>
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	<u>5,987,019</u>	<u>309,635</u>	<u>525,716</u>	<u>79,037</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 20)				
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,987,019</u>	<u>309,635</u>	<u>525,716</u>	<u>79,037</u>
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	<u>2,182,717</u>	<u>60,904</u>	<u>94,723</u>	<u>9,331</u>
DEFERRED INFLOWS OF RESOURCES (Note 20)	<u>420,060</u>	<u>26,978</u>	<u>7,869</u>	<u>4,328</u>
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	<u>3,384,242</u>	<u>221,753</u>	<u>423,124</u>	<u>65,378</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,987,019</u>	<u>309,635</u>	<u>525,716</u>	<u>79,037</u>

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
\$ 316,551	2,556,356		\$ 5,808,528	Pooled cash and investments: (Notes 1 and 5)
660	61,913		1,094,502	Operating
317,211	2,618,269		6,903,030	Other
	97,786	(50,610)	51,986	Total pooled cash and investments
707	11,187		214,598	Other investments (Notes 4 and 5)
858	5,982		24,755	Taxes receivable
4,999	36,911		1,936,072	Interest receivable
5	60,839		403,471	Other receivables
	11,994		413,724	Due from other funds (Note 15)
			69,909	Advances to other funds (Note 15)
323,780	2,842,968	(50,610)	10,017,545	Inventories
				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
				DEFERRED INFLOWS OF RESOURCES (Note 20)
4,751	8,977		472,963	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	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)	(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	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	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)	(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
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
<u>27,750</u>	<u>1,332,468</u>	<u>(3,422)</u>	<u>18,922,536</u>	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
<u>44,572</u>	<u>1,145,112</u>	<u>(35,692)</u>	<u>18,396,305</u>	TOTAL EXPENDITURES
				EXCESS (DEFICIENCY) OF REVENUES OVER
<u>(16,822)</u>	<u>187,356</u>	<u>32,270</u>	<u>526,231</u>	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
	<u>(121,174)</u>		<u>(219,028)</u>	TOTAL OTHER FINANCING SOURCES (USES)
<u>(16,822)</u>	<u>66,182</u>	<u>32,270</u>	<u>307,203</u>	NET CHANGE IN FUND BALANCES
<u>330,244</u>	<u>2,642,772</u>	<u>(82,880)</u>	<u>6,759,060</u>	FUND BALANCES, JULY 1, 2015
<u>\$ 313,422</u>	<u>2,708,954</u>	<u>(50,610)</u>	<u>\$ 7,066,263</u>	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	<u>9,821</u>	<u>6,152</u>	<u>13,434</u>	<u>2,457</u>
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	<u>614,428</u>	<u>403,118</u>	<u>854,057</u>	<u>267,204</u>
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	<u>762,113</u>	<u>278,900</u>	<u>878,968</u>	<u>203,863</u>
Total noncurrent assets	<u>879,531</u>	<u>351,845</u>	<u>939,605</u>	<u>222,763</u>
TOTAL ASSETS	<u>1,493,959</u>	<u>754,963</u>	<u>1,793,662</u>	<u>489,967</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	<u>61,978</u>	<u>40,873</u>	<u>85,222</u>	<u>18,691</u>
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	<u>393,974</u>	<u>246,721</u>	<u>428,200</u>	<u>307,212</u>
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	<u>1,835,052</u>	<u>1,042,348</u>	<u>1,955,827</u>	<u>382,352</u>
TOTAL LIABILITIES	<u>2,229,026</u>	<u>1,289,069</u>	<u>2,384,027</u>	<u>689,564</u>
DEFERRED INFLOWS OF RESOURCES (Note 20)	<u>66,942</u>	<u>44,991</u>	<u>92,609</u>	<u>20,393</u>
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)	<u>\$ (740,031)</u>	<u>(538,224)</u>	<u>(597,752)</u>	<u>(201,299)</u>

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
\$ 80,187	5,853	\$ 89,818	\$ 51,994
1,740	160	29,986	6,620
<u>81,927</u>	<u>6,013</u>	<u>119,804</u>	<u>58,614</u>
753		753	
11,972	3,448	1,722,563	
211	18	394	209
1		57,294	7,579
2,351	50	321,794	79,067
1,339		1,339	
		22,949	8,941
<u>98,554</u>	<u>9,529</u>	<u>2,246,890</u>	<u>154,410</u>
		140,700	18,964
		129,200	
11,786	134,692	184,580	
119,091	37,907	2,661,548	
1,068	1,565	294,288	329,940
1,322		58,922	
1,201,983	55,044	1,257,027	
28,852	7,003	158,966	
(633,612)	(64,674)	(1,589,460)	(174,722)
<u>730,490</u>	<u>171,537</u>	<u>3,025,871</u>	<u>155,218</u>
<u>730,490</u>	<u>171,537</u>	<u>3,295,771</u>	<u>174,182</u>
<u>829,044</u>	<u>181,066</u>	<u>5,542,661</u>	<u>328,592</u>
		206,764	45,121
3,125	8	328,843	10,309
		90,505	17,449
	45	11,818	2,443
		19,389	519
5,983	784	291,911	39,851
		393,063	22,000
25		608	223
1,832	95	251,867	60,429
<u>10,965</u>	<u>932</u>	<u>1,388,004</u>	<u>153,223</u>
		189,715	51,138
7,874	1,813	744,717	14,275
		32,004	
		256,715	42,881
		66,767	
		1,066,720	232,761
		2,207,290	461,348
		661,338	
<u>7,874</u>	<u>1,813</u>	<u>5,225,266</u>	<u>802,403</u>
<u>18,839</u>	<u>2,745</u>	<u>6,613,270</u>	<u>955,626</u>
		224,935	49,254
722,434	169,629	2,264,707	109,453
		4,928	
87,771		87,771	
	8,692	(3,446,186)	(740,620)
<u>\$ 810,205</u>	<u>178,321</u>	<u>(1,088,780)</u>	<u>\$ (631,167)</u>
		4,328	
		<u>\$ (1,084,452)</u>	

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 5)

Operating

Other

Total pooled cash and investments

Taxes receivable

Accounts receivable - net (Note 14)

Interest receivable

Other receivables

Due from other funds (Note 15)

Advances to other funds (Note 15)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 5)

Other receivables (Note 14 and 15)

Capital assets: (Notes 6 and 10)

Land and easements

Buildings and improvements

Equipment

Intangible - software

Infrastructure

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

DEFERRED OUTFLOWS OF RESOURCES (Note 20)

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 15)

Advances from other funds (Note 15)

Advances payable

Current portion of long-term liabilities (Note 11)

Total current liabilities

Noncurrent liabilities:

Accrued compensated absences (Note 11)

Bonds and notes (Note 11)

Premiums on bonds and notes payable (Note 11)

Workers' compensation (Notes 11 and 18)

Litigation and self-insurance (Notes 11 and 18)

Net pension liability (Notes 8 and 11)

OPEB obligation (Notes 9 and 11)

Third party payor (Notes 11 and 14)

Total noncurrent liabilities

TOTAL LIABILITIES

DEFERRED INFLOWS OF RESOURCES (Note 20)

NET POSITION

Net investment in capital assets

Restricted:

Debt service

Public ways and facilities

Unrestricted (deficit)

TOTAL NET POSITION (DEFICIT) (Note 3)

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

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	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
\$		\$ 3,161,974	\$	OPERATING REVENUES:
	3,953	3,953	30,164	Net patient service revenues (Note 14)
78,964	369	79,333	495,802	Rentals
61		314,785		Charges for services
				Other (Note 14)
79,025	4,322	3,560,045	525,966	TOTAL OPERATING REVENUES
		2,261,600	433,217	OPERATING EXPENSES:
60,293	2,189	587,964	46,659	Salaries and employee benefits
3,917	1,508	734,196	40,314	Services and supplies
22,063	1,964	89,290	38,627	Other professional services
		11,308		Depreciation and amortization (Note 6)
		21,223		Medical malpractice
				Rent
86,273	5,661	3,705,581	558,817	TOTAL OPERATING EXPENSES
(7,248)	(1,339)	(145,536)	(32,851)	OPERATING INCOME (LOSS)
5,309		5,309		NONOPERATING REVENUES (EXPENSES):
812	83	1,409	320	Taxes
(190)		(52,097)	(1,728)	Investment income
		(645,279)		Interest expense
				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	<u>\$ 92,100</u>	<u>44,887</u>	<u>18,362</u>	<u>17,215</u>

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	
\$		\$ 3,155,411	\$	
	3,953	3,953	7	CASH FLOWS FROM OPERATING ACTIVITIES
			29,923	Cash received from patient services
78,896	(2,329)	76,567	61,009	Rentals received
61		314,785		Rentals received from other funds
		103,637	439,258	Cash received from (returned for) charges for services
		(2,056,514)	(396,743)	Other operating revenues
(59,206)	(1,993)	(82,386)	(43,283)	Cash received for services provided to other funds
(3,917)	(1,508)	(768,997)	(40,314)	Cash paid for salaries and employee benefits
		(418,665)		Cash (paid) returned for services and supplies
				Other operating expenses
				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
774	83	1,341	275	CASH FLOWS FROM INVESTING ACTIVITIES
				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	
\$ (7,248)	(1,339)	\$ (145,536)	\$ (32,851)	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
				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
(54)	(2,696)	(239,026)		(Increase) decrease in:
(1)		24,712	6,277	Accounts receivable - net
(13)	(2)	100,941	(919)	Other receivables
		494	910	Due from other funds
				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
<u>23,082</u>	<u>(538)</u>	<u>473,327</u>	<u>82,708</u>	TOTAL ADJUSTMENTS
<u>\$ 15,834</u>	<u>(1,877)</u>	<u>\$ 327,791</u>	<u>\$ 49,857</u>	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
<u>\$ 87</u>		<u>\$ 3,489</u>	<u>\$</u>	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
<u>\$ 81,927</u>	<u>6,013</u>	<u>\$ 260,504</u>	<u>\$ 77,578</u>	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)

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

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	<u>175,126</u>	<u>11,593</u>	<u>186,719</u>
TOTAL ASSETS	<u>588,152</u>	<u>507,774</u>	<u>1,095,926</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>11,893</u>		<u>11,893</u>
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	<u>113,904</u>	<u>34,668</u>	<u>148,572</u>
DEFERRED INFLOWS OF RESOURCES	<u>13,703</u>		<u>13,703</u>
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	<u>\$ 472,438</u>	<u>473,106</u>	<u>\$ 945,544</u>

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	<u>(37,249)</u>	<u>(87,244)</u>	<u>(124,493)</u>
GENERAL REVENUES:			
Investment income	4,684	4,824	9,508
Miscellaneous		119	119
Total general revenues	<u>4,684</u>	<u>4,943</u>	<u>9,627</u>
CHANGE IN NET POSITION	(32,565)	(82,301)	(114,866)
NET POSITION, JULY 1, 2015	<u>505,003</u>	<u>555,407</u>	<u>1,060,410</u>
NET POSITION, JUNE 30, 2016	<u>\$ 472,438</u>	<u>\$ 473,106</u>	<u>\$ 945,544</u>

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



COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 XIII A 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Accumulated Deficit</u>
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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

5. CASH AND INVESTMENTS-Continued

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
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	<u>\$ 26,731,728</u>	<u>\$ 50,526,636</u>	<u>\$ 150,933</u>	<u>\$ 8,731</u>	<u>\$ 77,418,028</u>

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	<u>183,110</u>

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	<u>\$77,418,028</u>

Investments:

In Treasury Pool	26,709,881
In Specific Purpose Investment (SPI)	89,521
In Other Specific Investments Held by Outside Trustees	302
In LACERA	50,171,504
In Discretely Presented Component Unit - CDC	207,686
Total Investments	<u>77,234,918</u>
Total Cash and Investments	<u>\$77,418,028</u>

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

Pool	Fair Value	Fair Value Measurement Using			
		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	<u>\$26,709,881</u>	<u>\$</u>	<u>\$26,659,974</u>	<u>\$ 49,907</u>	<u>\$</u>
<u>SPI</u>					
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	<u>\$ 89,521</u>	<u>\$</u>	<u>\$ 42,360</u>	<u>\$ 4,694</u>	<u>\$ 42,467</u>
<u>Other Specific Investments</u>					
U.S. Treasury Bills	\$ 302	\$	\$ 302	\$	\$
Total Investments	<u>\$ 302</u>	<u>\$</u>	<u>\$ 302</u>	<u>\$</u>	<u>\$</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

Authorized Investment Type	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
	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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

<u>Pool</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate</u> <u>Range</u>	<u>Maturity Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>In Years</u>
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	<u>\$ 26,709,881</u>	<u>\$ 26,678,801</u>			<u>1.66</u>

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):

<u>SPI</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate</u> <u>Range</u>	<u>Maturity Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>In Years</u>
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	<u>\$ 89,521</u>	<u>\$ 89,198</u>			<u>4.91</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

5. CASH AND INVESTMENTS-Continued

Specific Purpose Investments and Other Specific Investments-Continued

<u>Other Specific Investments</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity in Years</u>
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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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):

<u>Issuer</u>	<u>Pool</u>		<u>SPI</u>	
	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
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:

<u>Pool</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
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%
<u>SPI</u>				
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%
<u>Other Specific Investments</u>				
U.S. Treasury Bills	Not Rated	Not Rated	AAA	100.00%
				100.00%

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Amortized Cost</u>	<u>Principal</u>	<u>Interest Rate %</u> <u>Range</u>	<u>Maturity Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(Years)</u>
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:

<u>Other Investments</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of</u> <u>Portfolio</u>
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:

	<u>Fair</u> <u>Value</u>
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	<u>\$ 50,171,504</u>

* 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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%
<hr/>									
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%
<hr/>					
Total Investment in					
Fixed Income Securities -					
OPEB Trust					
	\$ 12,056	\$ 1,002	\$ 36,993	\$ 50,051	100%

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 RMB	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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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
<hr/>	
Total Holdings Subject to Foreign Currency Risk - OPEB Trust	\$ 210,589

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
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)

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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)

<u>Counterparty Name</u>	<u>Total Fair Value</u>	<u>S&P Rating</u>	<u>Fitch Rating</u>	<u>Moody's Rating</u>
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 PI	49	BBB+	A	A3
Morgan Stanley Co. Incorporated	136	BBB+	A	A3

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	<u>\$ 152,060</u>			

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 Type	Notional Value	Notional Units	Investment Maturities (in years)					No Maturity
			Fair Value	Less Than 1	1 - 5	6 - 10	More than 10	
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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
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	<u>13,564,703</u>	<u>266,105</u>	<u>13,067,398</u>	<u>231,200</u>
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	<u>22,464,620</u>	<u>22,275,498</u>	<u>184,883</u>	<u>4,239</u>
Real Estate				
Debt	22,706			22,706
Properties	5,318,096			5,318,096
Total Real Estate	<u>5,340,802</u>			<u>5,340,802</u>
Collateral from Securities Lending	872,139		872,139	
Total Investments by Fair Value Level	<u>\$ 42,242,264</u>	<u>\$ 22,541,603</u>	<u>\$ 14,124,420</u>	<u>5,576,241</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	<u>721,978</u>
Total Investments Measured at NAV	<u>6,576,236</u>
Total Investments	<u>\$ 48,818,500</u>

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	<u>(47,734)</u>	<u>44</u>	<u>(47,778)</u>	
Total Derivatives	<u>\$ (42,946)</u>	<u>\$ 262</u>	<u>\$ (43,196)</u>	<u>\$ (12)</u>

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⁾	<u>721,978</u>	139,047	Not Eligible	N/A
Total Investments Measured at the NAV	<u>\$6,576,236</u>			

(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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	\$

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Governmental Activities</u>				
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	<u>292,526</u>	<u>103,789</u>	<u>(86,674)</u>	<u>309,641</u>
Subtotal	<u>8,003,660</u>	<u>334,969</u>	<u>(285,478)</u>	<u>8,053,151</u>
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	<u>7,782,052</u>	<u>50,495</u>	<u>(289)</u>	<u>7,832,258</u>
Subtotal	<u>15,081,702</u>	<u>411,081</u>	<u>(156,343)</u>	<u>15,336,440</u>
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	<u>(3,676,471)</u>	<u>(165,817)</u>	<u>26</u>	<u>(3,842,262)</u>
Subtotal	<u>(6,932,465)</u>	<u>(411,621)</u>	<u>148,634</u>	<u>(7,195,452)</u>
Total capital assets, being depreciated, net	<u>8,149,237</u>	<u>(540)</u>	<u>(7,709)</u>	<u>8,140,988</u>
Governmental activities capital assets, net	<u>\$ 16,152,897</u>	<u>334,429</u>	<u>(293,187)</u>	<u>\$ 16,194,139</u>
<u>Business-type Activities</u>				
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	<u>23,458</u>	<u>19,889</u>	<u>(7,492)</u>	<u>35,855</u>
Subtotal	<u>238,729</u>	<u>112,675</u>	<u>(7,858)</u>	<u>343,546</u>
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	<u>1,249,534</u>	<u>7,493</u>		<u>1,257,027</u>
Subtotal	<u>4,292,778</u>	<u>39,412</u>	<u>(23,717)</u>	<u>4,308,473</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
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	<u>(1,525,643)</u>	<u>(97,167)</u>	<u>16,435</u>	<u>(1,606,375)</u>
Total capital assets, being depreciated, net	<u>2,767,135</u>	<u>(57,755)</u>	<u>(7,282)</u>	<u>2,702,098</u>
Business-type activities capital assets, net	<u>\$ 3,005,864</u>	<u>54,920</u>	<u>(15,140)</u>	<u>\$ 3,045,644</u>
Total capital assets, net	<u>\$ 19,158,761</u>	<u>389,349</u>	<u>(308,327)</u>	<u>\$ 19,239,783</u>

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	<u>30,750</u>
Total depreciation expense, governmental activities	<u>\$ 411,621</u>

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	<u>7,877</u>
Total depreciation expense, business-type activities	<u>\$ 97,167</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

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

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):

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

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

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

Golf Courses

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

As of June 30, 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.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Deferred Outflows/(Inflows) of Resources</u>
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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Asset Class</u>	<u>Weighted Average Long-Term Expected Rate of Return (Geometric) Expected Alpha</u>
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	<u>2.00%</u>	<u>1.75%</u>	<u>0.25%</u>
TOTAL	<u>100.00%</u>	<u>6.85%</u>	<u>0.30%</u>

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 <u>(6.63%)</u>	Discount Rate <u>(7.63%)</u>	1% Increase <u>(8.63%)</u>
Net Pension Liability	\$ 14,410,332	\$ 7,448,374	\$ 1,630,519

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Retiree Health Care</u>	<u>LTD</u>	<u>Total</u>
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	<u>(388,716)</u>	<u>(9,378)</u>	<u>(398,094)</u>
Annual OPEB cost (expense)	2,102,048	90,066	2,192,114
Less: Contributions made	<u>580,186</u>	<u>37,306</u>	<u>617,492</u>
Increase in Net OPEB obligation	1,521,862	52,760	1,574,622
Net OPEB obligation, July 1, 2015	<u>11,263,053</u>	<u>271,752</u>	<u>11,534,805</u>
Net OPEB obligation, June 30, 2016	<u>\$ 12,784,915</u>	<u>\$ 324,512</u>	<u>\$ 13,109,427</u>

Retiree Health Care Trend Information (in thousands)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

	<u>Initial Year</u>	<u>Ultimate</u>
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):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
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	<u>6,315</u>
Total	<u>\$ 425,130</u>

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
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):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
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	<u>10,134</u>
Total	<u>360,962</u>
Less: Amount representing interest	<u>202,552</u>
Present value of future minimum lease payments	<u>\$ 158,410</u>

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

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Minimum rentals	\$ 41,398	\$ 171
Contingent rentals	<u>20,854</u>	<u> </u>
Total	<u>\$ 62,252</u>	<u>\$ 171</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

11. LONG-TERM OBLIGATIONS-Continued

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

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2016</u>
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	<u>\$ 2,224,429</u>	<u>\$ 1,721,002</u>

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

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2016</u>
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	<u>\$ 963,981</u>	<u>\$ 950,494</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>110,980</u>	<u>13,099</u>	<u>37,470</u>	<u>1,818</u>
Subtotal	1,031,590	<u>\$ 876,533</u>	759,028	<u>\$ 733,436</u>
Add: Accretions	52,144			
Unamortized bond premiums	<u>81,420</u>		<u>32,905</u>	
Total certificates of participation and bonds	<u>\$1,165,154</u>		<u>\$ 791,933</u>	

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	<u>97,824</u>	<u>26,955</u>
Subtotal	<u>292,247</u>	<u>\$ 403,145</u>
Add: Accretions	<u>111,861</u>	
Total tobacco settlement asset-backed bonds	<u>\$ 404,108</u>	

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>\$ 97,459</u>	<u>\$ 5,124</u>	<u>\$ 158,561</u>	<u>\$ 2,327</u>

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):

<u>Debt Type</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	<u>97,459</u>	<u>5,124</u>	<u>158,561</u>	<u>2,327</u>
Subtotal	1,471,906	<u>\$1,290,197</u>	917,589	<u>\$ 735,763</u>
Add: Accretions	164,005			
Unamortized premiums on bonds payable	<u>85,091</u>		<u>32,905</u>	
Total bonds and notes	<u>\$1,721,002</u>		<u>\$ 950,494</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Series 2015 B</u>	<u>Series 2015 C</u>	<u>Total</u>
Proceeds of refunding bonds issued	\$ 133,330	\$ 85,010	\$ 218,340
Prior years' net bond reserves and/or premiums	<u>26,510</u>	<u>945</u>	<u>27,455</u>
Deposit to escrow	<u>\$ 159,840</u>	<u>\$ 85,955</u>	<u>\$ 245,795</u>
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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Balance July 1, 2015</u>	<u>Additions/ Accretions</u>	<u>Transfers/ Maturities</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 1,583,276	512,357	623,727	\$ 1,471,906	\$ 138,619
Add: Unamortized premium on bonds payable	<u>51,085</u>	<u>50,300</u>	<u>16,294</u>	<u>85,091</u>	<u>1,245</u>
Total bonds and notes payable	<u>1,634,361</u>	<u>562,657</u>	<u>640,021</u>	<u>1,556,997</u>	<u>139,864</u>
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	<u>40,231</u>	<u>84,581</u>	<u>85,506</u>	<u>39,306</u>	<u>39,306</u>
Total governmental activities	<u>\$ 20,960,211</u>	<u>3,222,505</u>	<u>1,250,105</u>	<u>\$ 22,932,611</u>	<u>\$ 830,547</u>
Business-type activities:					
Bonds and notes payable	\$ 850,256	152,938	85,605	\$ 917,589	\$ 168,663
Add: Unamortized premium on bonds payable	<u>34,186</u>	<u>419</u>	<u>1,700</u>	<u>32,905</u>	<u>901</u>
Total bonds and notes payable	<u>884,442</u>	<u>153,357</u>	<u>87,305</u>	<u>950,494</u>	<u>169,564</u>
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)	<u>466,500</u>	<u>210,234</u>	<u>1,305</u>	<u>675,429</u>	<u>14,091</u>
Total business-type activities	<u>\$ 4,829,855</u>	<u>828,652</u>	<u>160,721</u>	<u>\$ 5,497,786</u>	<u>\$ 268,311</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Maturities</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
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	<u>3</u>	<u>12</u>		<u>15</u>	
Total governmental activities	<u>\$ 33,193</u>	<u>5,019</u>	<u>4,986</u>	<u>\$ 33,226</u>	<u>\$ 4,257</u>
Business-type activities:					
Bonds and notes payable	\$ 38,064	3	610	\$ 37,457	\$ 635
Compensated absences	566	947	795	718	647
Net pension liability	<u>3,410</u>	<u>2,536</u>		<u>5,946</u>	
Total business-type activities	<u>\$ 42,040</u>	<u>3,486</u>	<u>1,405</u>	<u>\$ 44,121</u>	<u>\$ 1,282</u>
Total long-term obligations	<u>\$ 75,233</u>	<u>8,505</u>	<u>6,391</u>	<u>\$ 77,347</u>	<u>\$ 5,539</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

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:

	<u>GPP Revenues</u>	<u>Intergovernmental Transfers Expense</u>
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	<u>\$ 892,217</u>	<u>\$ 458,242</u>

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:

COUNTY OF LOS ANGELES
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 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

	<u>PRIME Revenues</u>	<u>Intergovernmental Transfers Expense</u>
Harbor-UCLA	\$ 49,000	\$ 55,764
Olive View-UCLA	53,000	29,951
LAC+USC	71,000	60,501
Rancho	<u>55,000</u>	<u>12,771</u>
Total	<u>\$228,000</u>	<u>\$ 158,987</u>

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:

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Bridge to Reform-Continued

	<u>Program Revenues</u>		
	<u>DSH</u>	<u>SNCP</u>	<u>Intergovernmental Transfers Expense</u>
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	<u>(6,960)</u>	<u>(3,546)</u>	<u>4,261</u>
Total	<u>\$ (137,329)</u>	<u>\$ 11,361</u>	<u>\$ (65,685)</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

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

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):

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-Net-Continued

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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
	<u>5,736</u>	
	<u>322,883</u>	
Fire Protection District	General Fund	2,863
	Nonmajor Governmental Funds	642
	Rancho Los Amigos Nat'l Rehab Center	2
	Internal Service Funds	<u>1</u>
	<u>3,508</u>	
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	<u>10,329</u>
	<u>16,005</u>	
Public Library	General Fund	203
	Fire Protection District	2
	Nonmajor Governmental Funds	<u>26</u>
	<u>231</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Regional Park and Open Space District	General Fund	<u>\$ 5</u>
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	<u>21,439</u>
		<u>60,839</u>
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	<u>884</u>
		<u>68,118</u>
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	<u>23</u>
		<u>60,032</u>
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	<u>1</u>
		<u>129,014</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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	<u>2</u>
		<u>62,229</u>
Waterworks Enterprise Funds	General Fund	58
	Internal Service Funds	<u>2,293</u>
		<u>2,351</u>
Nonmajor Aviation Funds	Internal Service Funds	<u>50</u>
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	<u>715</u>
	<u>79,067</u>	
Total Interfund Receivables/Payables		<u>\$ 804,332</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
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	<u>239</u>
		<u>506,555</u>
Fire Protection District	Nonmajor Governmental Funds	<u>7,850</u>
Flood Control District	Nonmajor Governmental Funds	3,089
	Internal Service Funds	<u>9,481</u>
		<u>12,570</u>
Public Library	Nonmajor Governmental Funds	<u>1,312</u>
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	<u>10,104</u>
	<u>622,823</u>	
Harbor-UCLA Medical Center	LAC+USC Medical Center	<u>9,027</u>
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	144
	LAC+USC Medical Center	<u>9,321</u>
		<u>9,465</u>
LAC+USC Medical Center	Harbor-UCLA Medical Center	11
	Olive View-UCLA Medical Center	<u>77</u>
		<u>88</u>
Rancho Los Amigos Nat'l Rehab Center	Harbor-UCLA Medical Center	26
	LAC+USC Medical Center	<u>9,415</u>
		<u>9,441</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>
Fund balance - budgetary basis	\$ 1,824,822	\$ 21,168	\$ 37,378	\$ 44,420	\$ 203,537
Budgetary fund balances	<u>1,557,345</u>	<u>206,636</u>	<u>386,857</u>	<u>21,161</u>	<u>109,255</u>
Subtotal	<u>3,382,167</u>	<u>227,804</u>	<u>424,235</u>	<u>65,581</u>	<u>312,792</u>
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	<u>152,288</u>	<u>8,756</u>	<u> </u>	<u>1,442</u>	<u> </u>
Subtotal	<u>2,075</u>	<u>(6,051)</u>	<u>(1,111)</u>	<u>(203)</u>	<u>630</u>
Fund balance - GAAP basis	<u>\$ 3,384,242</u>	<u>\$ 221,753</u>	<u>\$ 423,124</u>	<u>\$ 65,378</u>	<u>\$ 313,422</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
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	<u>76,293</u>	<u>2,332</u>	<u>10,554</u>	<u>89,179</u>
Total Encumbrances	<u>\$ 264,717</u>	<u>\$ 2,332</u>	<u>\$ 447,629</u>	<u>\$ 714,678</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year-End</u>
<u>2014-2015</u>				
Workers' Compensation	\$ 2,118,497	\$ 452,005	\$ (402,603)	\$ 2,167,899
Other	<u>275,142</u>	<u>73,314</u>	<u>(81,603)</u>	<u>266,853</u>
Total 2014-2015	<u>\$ 2,393,639</u>	<u>\$ 525,319</u>	<u>\$ (484,206)</u>	<u>\$ 2,434,752</u>
<u>2015-2016</u>				
Workers' Compensation	\$ 2,167,899	\$ 672,439	\$ (407,344)	\$ 2,432,994
Other	<u>266,853</u>	<u>97,924</u>	<u>(69,785)</u>	<u>294,992</u>
Total 2015-2016	<u>\$ 2,434,752</u>	<u>\$ 770,363</u>	<u>\$ (477,129)</u>	<u>\$ 2,727,986</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds
Statement of Net Position (in thousands):

	<u>H-UCLA</u>	<u>OV-UCLA</u>	<u>LAC+USC</u>	<u>Rancho</u>	<u>Total</u>	<u>ISF Funds</u>
Deferred outflows of resources-						
Pensions	<u>\$ 61,978</u>	<u>40,873</u>	<u>85,222</u>	<u>18,691</u>	<u>\$206,764</u>	<u>\$45,121</u>
Deferred inflows of resources-						
Pensions	<u>\$ 66,942</u>	<u>44,991</u>	<u>92,609</u>	<u>20,393</u>	<u>\$224,935</u>	<u>\$49,254</u>

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):

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Deferred outflows of resources -							
Tobacco settlement revenues	<u>\$ _____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>232,661</u>	<u>\$ 232,661</u>
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	<u>83,820</u>	<u>815</u>	<u>100</u>	<u>_____</u>	<u>_____</u>	<u>109</u>	<u>84,844</u>
Total governmental funds							
deferred inflows of resources	<u>\$ 420,060</u>	<u>26,978</u>	<u>7,869</u>	<u>4,328</u>	<u>4,751</u>	<u>8,977</u>	<u>\$ 472,963</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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						<u>2,175</u>
Total Nonspendable	<u>324,555</u>	<u>9,667</u>		<u>975</u>		<u>2,175</u>
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						<u>168</u>
Total Restricted	<u>67,880</u>	<u>212,086</u>	<u>423,025</u>	<u>11,979</u>	<u>313,422</u>	<u>2,452,742</u>
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					

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	<u>364,679</u>					<u>109,538</u>
Assigned to:						
Purpose of fund			99	52,424		108,165
Future purchases	445,075					
Capital projects						36,334
Imprest cash	1,504					
Total Assigned	<u>446,579</u>		<u>99</u>	<u>52,424</u>		<u>144,499</u>
Unassigned	<u>2,180,549</u>					
Total Fund Balances	<u>\$ 3,384,242</u>	<u>221,753</u>	<u>423,124</u>	<u>65,378</u>	<u>313,422</u>	<u>2,708,954</u>

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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)

	<u>06/30/2015¹</u>	<u>06/30/2014¹</u>
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)

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$1,389,628	\$1,437,555
Less: Contributions in relation to the ADC	<u>1,389,628</u>	<u>1,437,555</u>
Contribution Deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
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.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

July 1, 2011	\$ 0	\$ 1,018,898	\$ 1,018,898	0%	\$ 6,650,674	15.32%
July 1, 2013	0	945,687	945,687	0%	6,595,902	14.34%
July 1, 2015	0	1,090,408	1,090,408	0%	6,948,738	15.69%

(1) Covered payroll represents the pensionable payroll of employees that are provided pensions through the pension plan.

COUNTY OF LOS ANGELES
MAJOR GOVERNMENTAL FUND
GENERAL FUND

The General Fund is the general operating fund of the County. It is used to account for and report all financial resources not accounted for and reported in another fund. Revenues are derived from Taxes; Licenses, permits and franchises; Fines, forfeitures and penalties; Revenue from use of money and property; Intergovernmental revenues; Charges for services and Miscellaneous. Expenditures are expended for functions of General government; Public protection; Public ways and facilities; Health and sanitation; Public assistance; Education; Recreation and cultural services; Debt service and Capital outlay.

COUNTY OF LOS ANGELES
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
GENERAL GOVERNMENT:				
Salaries and employee benefits	\$ 1,051,088	975,398	869,999	105,399
Services and supplies	1,518,808	1,455,984	656,938	799,046
Other charges	120,805	129,188	116,947	12,241
Capital assets	11,796	14,764	10,684	4,080
Intrafund transfers	(634,709)	(642,676)	(620,849)	(21,827)
TOTAL GENERAL GOVERNMENT	2,067,788	1,932,658	1,033,719	898,939
PUBLIC PROTECTION:				
Salaries and employee benefits	4,202,162	4,340,767	4,282,642	58,125
Services and supplies	1,061,372	1,056,364	854,371	201,993
Other charges	388,068	392,068	377,725	14,343
Capital assets	32,211	32,614	22,078	10,536
Intrafund transfers	(109,386)	(110,961)	(93,302)	(17,659)
TOTAL PUBLIC PROTECTION	5,574,427	5,710,852	5,443,514	267,338
HEALTH AND SANITATION:				
Salaries and employee benefits	1,335,637	1,359,738	1,250,982	108,756
Services and supplies	2,337,688	2,306,947	1,993,234	313,713
Other charges	145,464	194,772	185,788	8,984
Capital assets	38,011	30,041	27,616	2,425
Intrafund transfers	(211,798)	(211,448)	(191,182)	(20,266)
TOTAL HEALTH AND SANITATION	3,645,002	3,680,050	3,266,438	413,612
PUBLIC ASSISTANCE:				
Salaries and employee benefits	2,167,249	2,205,191	2,096,407	108,784
Services and supplies	1,339,919	1,346,507	1,159,501	187,006
Other charges	2,866,488	2,874,691	2,717,637	157,054
Capital assets	7,479	7,534	6,886	648
Intrafund transfers	(51,030)	(51,030)	(49,929)	(1,101)
TOTAL PUBLIC ASSISTANCE	6,330,105	6,382,893	5,930,502	452,391
RECREATION AND CULTURAL SERVICES:				
Salaries and employee benefits	156,378	156,952	155,816	1,136
Services and supplies	164,995	169,489	153,790	15,699
Other charges	16,837	16,317	13,912	2,405
Capital assets	3,487	6,491	6,247	244
Intrafund transfers	(2,057)	(3,506)	(3,358)	(148)
TOTAL 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 GENERAL FUND	\$ 18,722,967	18,821,006	16,089,451	2,731,555



NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

The Road Fund is used to account for the maintenance and construction of streets, roads, highways, and bridges. Revenue consists primarily of the County's share of State highway users taxes as supplemented by federal funds, vehicle code fines and charges for services provided to cities.

The Other Streets, Highways, Roads and Bridges Funds: Article 3-Bikeway, Off-Street Parking, Proposition C Local Return, Proposition C Local Return Capital Reserve, Special Road Districts, Construction Fee Districts, Transit Operations, Paratransit Operations, and Measure R Local Return are used to account for transportation and road related services or functions. Revenues are derived from local sales tax revenue, parking meter receipts, Districts' share of the countywide tax levy, State and Other intergovernmental revenues and service charges to parking lots.

The Street Lighting Districts Funds are used to account for the installation and maintenance of street lighting systems. Revenues are derived primarily from the countywide tax levy and benefit assessments.

The Garbage Disposal Districts Funds are used to account for the provisions of the Health and Safety Code to provide garbage and refuse collection and disposal services within the boundaries of each District. Revenues are mostly from charges for services and property taxes.

The Sewer Maintenance Districts Funds are used to account for the Health and Safety Code for the administration, maintenance, operation and repair of sanitary sewers, appurtenances, pumping plants, sewer treatment plants and related services. These Districts are financed through sewer service charges.

The Health Services Measure B Fund is used to account for a countywide system of Trauma Centers and Emergency Medical Services, for bioterrorism preparedness and response, and for related administrative costs. Revenues are derived primarily from a voter approved special tax.

The Health and Sanitation Funds: Hospital Services, Physician Services, Statham Alcohol, Alcohol and Drug Problem, Proposition 36, Driving Under the Influence, AIDS Education, Air Quality Improvement, Bicycle Safety Helmet, Hazardous Waste Enforcement, Mission Canyon Closure, Solid Waste Management Funds, Cancer Patient Welfare, and EMS Vehicle Replacement are used to account for the cost of emergency services for the indigent, County alcoholism programs and services, AIDS education, air quality improvements, bicycle safety, hazardous waste enforcement, solid waste management, cancer patient services, and replacement of vehicles. Revenues are from State tobacco taxes, patient collections, court fines, State-assessed vehicle fees, State income tax, penalties assessed for hazardous waste violations, and sanitation services.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

The Mental Health Services Act Fund is used to account for the Mental Health Services Act (MHSA) to support the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with state taxable incomes over \$1.0 million.

The Other Public Protection Funds: Jail Store, Inmate Welfare, Narcotic Enforcement, Vehicle Theft Prevention, Countywide Warrant System, Sheriff's Processing Fees, Training and Automation, Automated Fingerprint Identification System, DNA Identification Fund, District Attorney Asset Forfeiture, Fire Department Developer Fees, Forest Mitigation, Information Systems Advisory Body, Drug Abuse Gang Diversion, Jury Operations Improvement, Dependency Court Facilities, Small Claims Advisor Program, and Fire Department Helicopter Accumulative Capital Outlay are used to account for certain services and supplies to inmates, to supplement the cost of various law enforcement, prosecutorial investigation, fire protection activities, and to finance vehicle and helicopter replacement, facilities improvement, equipment maintenance and automated systems. Child Seat Restraint Loaner is used to account for the operation of a child restraint low-cost purchase and loan program. Fish and Game is used to account for the preservation and propagation of fish and wildlife. Revenues are derived from sale of minor supplies, fines related to controlled substance convictions, benefit assessments, forfeiture of assets used in connection with transportation or possession of a controlled substance, court fines and revenues and local fish and game fines. Probation Community Corrections Performance Incentives is used to account for the improvement of public safety outcomes at the community level utilizing evidence-based services geared towards maintaining offenders within the community. Revenues are derived principally from State revenues.

The Public Assistance Funds: Child Abuse/Neglect Prevention Program, Alternate Dispute Resolution Program, Alcohol and Drug Abuse Education Program, Domestic Violence Program, and Linkages Support Program are used to account for a variety of public assistance services. The programs are financed from special fees collected for birth certificates, marriage licenses, confidential marriage certificates, and court fines for driving under the influence of alcohol or drugs, and disabled parking violation assessments.

The Recreation Funds: Golf Course, Park Improvement, Recreation and Development, Tesoro Adobe Park, San Gabriel Canyon, and Ford Theater are used to account for the maintenance and improvements to County parks and golf courses, public recreation areas, and Ford Theater. Civic Art Special fund is used to account for civic art projects. The Cable TV Franchise fund is used to account for cable-related activities. The Off-Highway Vehicle fund is used to account for the development, construction, operation, and maintenance of off-highway vehicle recreation facilities. Revenues are derived from a percentage of golf course green fees, vehicle entrance fees collected from the regional parks, percentage of the design and construction costs, cable franchise fees, and licenses and user fees.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

The Courthouse Temporary Construction Fund is used to temporarily account for monies ultimately to be used for various courthouse construction projects. Revenues are derived principally from surcharges included in fines for criminal convictions.

The Criminal Justice Temporary Construction Fund is used to temporarily account for monies ultimately to be used for the improvement of criminal justice facilities and automated information systems. Revenues are derived principally from surcharges on criminal fines.

The Registrar-Recorder Improvement Funds: Modernization and Improvement, Micrographics, Social Security Truncation, Vitals and Health Statistics, and Multi-County e-Recording Project funds are used to account for the improvement of Registrar-Recorder automated information systems. Revenues are derived principally from recording and filing fees.

The Other Special Revenue Funds: Information Technology Infrastructure and the Accumulative Capital Outlay (ACO) are used to account for the replacement of motor vehicles, printing, information technology, and communications equipment. Asset Development Implementation fund is used to account for short to intermediate financing for County asset development activities. Productivity Investment is used to account for the start-up and incidental costs associated with productivity improvement projects. Civic Center Employee parking is used to account for providing parking services and alternative means of transportation for County employees. Public Library Developer Fees are used to account for the acquisition of land, construct library facilities, and purchase equipment and library materials. Various funds are used to account for resources that are legally restricted and the principal and earnings may be used for purposes that support general government and education.

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR DEBT SERVICE FUNDS

The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Flood Control District Debt Service Funds receive their funds from a voted indebtedness tax levy as a transfer from the Flood Control District Fund. The Flood Control District additionally receives operating transfers from the Flood Control District Special Revenue Fund. The Regional Park and Open Space District receives long-term debt proceeds and also receives voter-approved benefit assessments in the form of charges for services. Joint Powers Authorities-Public Works Financing Authority and Public Buildings receive their funds primarily from the General Fund in the form of operating transfers. The Los Angeles County Securitization Corporation receives funding primarily from the collection of the County's future tobacco settlement payments and from long-term debt proceeds secured by the County's Tobacco Assets.

Joint Powers Authorities

Public Works Financing Authority

Public Buildings

Disney Parking Project
2002 Master Refunding Project - Series B
2006 Master Refunding Project - Series A
2010 Multiple Capital Projects I - Series A
2010 Multiple Capital Projects I - Series B
2012 Disney Concert Hall Parking Garage Project Refunding
2012 Multiple Capital Projects II - Series 2012
2015 Multiple Capital Projects - Series A
Lease Revenue Refunding Bonds, 2015 Series B
Lease Revenue Refunding Bonds, 2015 Series C
Lease Revenue Bonds, 2016 Series D
Lease Revenue Obligation Notes

Los Angeles County Securitization Corporation

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Accumulative Capital Outlay Funds are used to account for specific capital projects in accordance with Government Code Section 53731.

Improvement Districts are used to account for the projects financed by contributions from property owners.

Public Buildings projects are used to account for capital projects financed by bonds, lease revenue obligation notes and operating transfers.

Gap Loan Fund is used to account for the County's proceeds from sale of "Gap Loan" receivables that are restricted for capital spending purposes.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support various County programs.

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

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Pooled cash and investments:					
Operating	\$ 2,221,283	91,158	241,554	2,361	\$ 2,556,356
Other	61,713	13	185	2	61,913
Total pooled cash and investments	2,282,996	91,171	241,739	2,363	2,618,269
Other investments		94,608	3,178		97,786
Taxes receivable	11,187				11,187
Interest receivable	5,444	35	497	6	5,982
Other receivables	36,743		168		36,911
Due from other funds	53,307		7,532		60,839
Advances to other funds	11,994				11,994
TOTAL ASSETS	2,401,671	185,814	253,114	2,369	2,842,968
DEFERRED OUTFLOWS OF RESOURCES		232,661			232,661
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,401,671	418,475	253,114	2,369	\$ 3,075,629
LIABILITIES					
Accounts payable	\$ 33,830		1,846		\$ 35,676
Accrued payroll	84				84
Other payables		545			545
Due to other funds	268,120		6,007	26	274,153
Advances payable	46,939		37		46,976
Third party payor	264				264
TOTAL LIABILITIES	349,237	545	7,890	26	357,698
DEFERRED INFLOWS OF RESOURCES	8,977				8,977
FUND BALANCES					
Nonspendable				2,175	2,175
Restricted	1,891,828	417,930	142,816	168	2,452,742
Committed	43,464		66,074		109,538
Assigned	108,165		36,334		144,499
TOTAL FUND BALANCES	2,043,457	417,930	245,224	2,343	2,708,954
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,401,671	418,475	253,114	2,369	\$ 3,075,629

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SUMMARY
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 359,705				\$ 359,705
Licenses, permits and franchises	17,626				17,626
Fines, forfeitures and penalties	57,252				57,252
Revenue from use of money and property:					
Investment income	20,554	4,369	2,368	22	27,313
Rents and concessions	28,321				28,321
Royalties	1				1
Intergovernmental revenues:					
Federal	13,437				13,437
State	602,843		34		602,877
Other	23,801				23,801
Charges for services	136,304	4,927	6,923		148,154
Miscellaneous	31,727	21,919	335		53,981
TOTAL REVENUES	1,291,571	31,215	9,660	22	1,332,468
EXPENDITURES					
Current:					
General government	17,814			67	17,881
Public protection	72,341				72,341
Public ways and facilities	322,182				322,182
Health and sanitation	120,928				120,928
Public assistance	8,315				8,315
Education	26				26
Recreation and cultural services	10,284				10,284
Debt service:					
Principal		416,480			416,480
Interest and other charges		115,704			115,704
Capital outlay			60,971		60,971
TOTAL EXPENDITURES	551,890	532,184	60,971	67	1,145,112
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	739,681	(500,969)	(51,311)	(45)	187,356
OTHER FINANCING SOURCES (USES)					
Transfers in	34,910	99,340	9,687		143,937
Transfers out	(596,285)	(16,181)	(10,357)		(622,823)
Issuance of debt		281,619	23,908		305,527
Refunding bonds issued		199,885			199,885
Payment to refunded bonds escrow agent		(199,885)			(199,885)
Bond premium proceeds		50,300			50,300
Sales of capital assets	1,885				1,885
TOTAL OTHER FINANCING SOURCES (USES)	(559,490)	415,078	23,238		(121,174)
NET CHANGE IN FUND BALANCES	180,191	(85,891)	(28,073)	(45)	66,182
FUND BALANCES, JULY 1, 2015	1,863,266	503,821	273,297	2,388	2,642,772
FUND BALANCES, JUNE 30, 2016	\$ 2,043,457	417,930	245,224	2,343	\$ 2,708,954



COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 JUNE 30, 2016 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting Districts	Garbage Disposal Districts	Sewer Maintenance Districts	Health Services Measure B
	Road	Other				
ASSETS						
Pooled cash and investments:						
Operating	\$ 165,047	155,816	77,048	45,346	34,281	161,086
Other	24,988	6,629	369	389	489	3,457
Total pooled cash and investments	190,035	162,445	77,417	45,735	34,770	164,543
Taxes receivable		318	1,256	992	726	7,867
Interest receivable	519	400	193	114	83	377
Other receivables	20,071	8,631	7	1,237	897	
Due from other funds	29,340	610	3,184		2,964	
Advances to other funds	8,912	975	169		1,256	
TOTAL ASSETS	\$ 248,877	173,379	82,226	48,078	40,696	172,787
LIABILITIES						
Accounts payable	\$ 3,216	3,573	1,252	1,711	138	4,819
Accrued payroll						
Due to other funds	22,257	13,352	3,531	992	8,432	108,508
Advances payable	40,130	5,541				
Third party payor	264					
TOTAL LIABILITIES	65,867	22,466	4,783	2,703	8,570	113,327
DEFERRED INFLOWS OF RESOURCES		328	867	1,600	1,032	5,102
FUND BALANCES						
Restricted	183,010	150,585	76,576	43,775	31,094	54,358
Committed						
Assigned						
TOTAL FUND BALANCES	183,010	150,585	76,576	43,775	31,094	54,358
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 248,877	173,379	82,226	48,078	40,696	172,787

Health and Sanitation	Mental Health Services Act	Other Public Protection	Public Assistance	Recreation	
					ASSETS
\$ 53,542	921,371	398,103	6,683	10,940	Pooled cash and investments:
2,345	790	3,051	526	15,433	Operating
55,887	922,161	401,154	7,209	26,373	Other
28					Total pooled cash and investments
118	2,296	1,003	1	16	Taxes receivable
4,746		121	388	445	Interest receivable
299	11,385	527		61	Other receivables
682					Due from other funds
\$ 61,760	935,842	402,805	7,598	26,895	Advances to other funds
					TOTAL ASSETS
\$ 15,523	60	1,945	485	373	LIABILITIES
					Accounts payable
2,506	73,492	25,439	493	356	Accrued payroll
1,268					Due to other funds
					Advances payable
					Third party payor
19,297	73,552	27,384	978	729	TOTAL LIABILITIES
					DEFERRED INFLOWS OF RESOURCES
48					FUND BALANCES
					Restricted
41,623	862,290	332,893	6,620	2,833	Committed
		37,022			Assigned
792		5,506		23,333	TOTAL FUND BALANCES
42,415	862,290	375,421	6,620	26,166	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES
\$ 61,760	935,842	402,805	7,598	26,895	

Continued...

COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET - Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 JUNE 30, 2016 (in thousands)

	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Registrar Recorder Improvement	Other Special Revenue	Total
ASSETS					
Pooled cash and investments:					
Operating	\$ 17,465	62,959	21,813	89,783	\$ 2,221,283
Other	1,053	1,208	622	364	61,713
Total pooled cash and investments	18,518	64,167	22,435	90,147	2,282,996
Taxes receivable					11,187
Interest receivable	58	158		108	5,444
Other receivables			200		36,743
Due from other funds	3,785		1	1,151	53,307
Advances to other funds					11,994
TOTAL ASSETS	\$ 22,361	64,325	22,636	91,406	\$ 2,401,671
LIABILITIES					
Accounts payable	\$			735	\$ 33,830
Accrued payroll				84	84
Due to other funds		189	3,416	5,157	268,120
Advances payable					46,939
Third party payor					264
TOTAL LIABILITIES		189	3,416	5,976	349,237
DEFERRED INFLOWS OF RESOURCES					8,977
FUND BALANCES					
Restricted	22,361	64,136	19,220	454	1,891,828
Committed				6,442	43,464
Assigned				78,534	108,165
TOTAL FUND BALANCES	22,361	64,136	19,220	85,430	2,043,457
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,361	64,325	22,636	91,406	\$ 2,401,671



COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting	Garbage Disposal	Sewer Maintenance	Health Services
	Road	Other	Districts	Districts	Districts	Measure B
REVENUES						
Taxes	\$ 4,117	54,842	22,139	5,865		272,742
Licenses, permits and franchises	4,888					
Fines, forfeitures and penalties		23	94	330	210	1,141
Revenue from use of money and property:						
Investment income	2,262	1,549	714	409	299	1,165
Rents and concessions	85	172				
Royalties						
Intergovernmental revenues:						
Federal	11,736	1,701				
State	134,824	39	139	36		
Other	5,598	11,581	479	37	60	
Charges for services	22,317	1,996	3,049	19,897	35,782	184
Miscellaneous	260	7	134			1,170
TOTAL REVENUES	186,087	71,910	26,748	26,574	36,351	276,402
EXPENDITURES						
Current:						
General government						
Public protection						
Public ways and facilities	231,278	71,329	19,575			
Health and sanitation				21,909	31,425	26,787
Public assistance						
Education						
Recreation and cultural services						
TOTAL EXPENDITURES	231,278	71,329	19,575	21,909	31,425	26,787
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,191)	581	7,173	4,665	4,926	249,615
OTHER FINANCING SOURCES (USES)						
Transfers in	12,507	3	4		2,170	
Transfers out	(7,566)	(39)	(35)		(2,228)	(220,221)
Sales of capital assets	1,632					
TOTAL OTHER FINANCING SOURCES (USES)	6,573	(36)	(31)		(58)	(220,221)
NET CHANGE IN FUND BALANCES	(38,618)	545	7,142	4,665	4,868	29,394
FUND BALANCES, JULY 1, 2015	221,628	150,040	69,434	39,110	26,226	24,964
FUND BALANCES, JUNE 30, 2016	\$ 183,010	150,585	76,576	43,775	31,094	54,358

	Health and Sanitation	Mental Health Services Act	Other Public Protection	Public Assistance	Recreation
\$					
	7,972			1,392	27
	17,887		7,353	2,397	
	478	8,570	3,776	4	53
	14		21,466		515
	975	405,357	61,337		136
	1,531				4,515
	16,987		11,228	4,009	4,972
			26,824	818	2,497
	<u>45,844</u>	<u>413,927</u>	<u>131,984</u>	<u>8,620</u>	<u>12,715</u>
			65,712		
	36,993	3,814		8,315	
					10,284
	<u>36,993</u>	<u>3,814</u>	<u>65,712</u>	<u>8,315</u>	<u>10,284</u>
	<u>8,851</u>	<u>410,113</u>	<u>66,272</u>	<u>305</u>	<u>2,431</u>
	187		5,602		1,272
	(2,558)	(271,257)	(43,616)	(1,080)	(3,077)
			50		
	<u>(2,371)</u>	<u>(271,257)</u>	<u>(37,964)</u>	<u>(1,080)</u>	<u>(1,805)</u>
	6,480	138,856	28,308	(775)	626
	<u>35,935</u>	<u>723,434</u>	<u>347,113</u>	<u>7,395</u>	<u>25,540</u>
\$	<u>42,415</u>	<u>862,290</u>	<u>375,421</u>	<u>6,620</u>	<u>26,166</u>

REVENUES

Taxes
Licenses, permits and franchises
Fines, forfeitures and penalties
Revenue from use of money and property:
Investment income
Rents and concessions
Royalties
Intergovernmental revenues:
Federal
State
Other
Charges for services
Miscellaneous
TOTAL REVENUES

EXPENDITURES

Current:
General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and cultural services
TOTAL EXPENDITURES

EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES

OTHER FINANCING SOURCES (USES)

Transfers in
Transfers out
Sales of capital assets
TOTAL OTHER FINANCING SOURCES (USES)

NET CHANGE IN FUND BALANCES

FUND BALANCES, JULY 1, 2015

FUND BALANCES, JUNE 30, 2016

Continued...

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Registrar Recorder Improvement	Other Special Revenue	Total
REVENUES					
Taxes	\$				\$ 359,705
Licenses, permits and franchises				3,347	17,626
Fines, forfeitures and penalties	13,039	14,778			57,252
Revenue from use of money and property:					
Investment income	266	590		419	20,554
Rents and concessions				6,069	28,321
Royalties				1	1
Intergovernmental revenues:					
Federal					13,437
State					602,843
Other					23,801
Charges for services			13,628	2,255	136,304
Miscellaneous				17	31,727
TOTAL REVENUES	13,305	15,368	13,628	12,108	1,291,571
EXPENDITURES					
Current:					
General government				17,814	17,814
Public protection	1,344	5,285			72,341
Public ways and facilities					322,182
Health and sanitation					120,928
Public assistance					8,315
Education				26	26
Recreation and cultural services					10,284
TOTAL EXPENDITURES	1,344	5,285		17,840	551,890
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,961	10,083	13,628	(5,732)	739,681
OTHER FINANCING SOURCES (USES)					
Transfers in	3,785			9,380	34,910
Transfers out	(23,244)	(1,676)	(11,317)	(8,371)	(596,285)
Sales of capital assets				203	1,885
TOTAL OTHER FINANCING SOURCES (USES)	(19,459)	(1,676)	(11,317)	1,212	(559,490)
NET CHANGE IN FUND BALANCES	(7,498)	8,407	2,311	(4,520)	180,191
FUND BALANCES, JULY 1, 2015	29,859	55,729	16,909	89,950	1,863,266
FUND BALANCES, JUNE 30, 2016	\$ 22,361	64,136	19,220	85,430	\$ 2,043,457

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 354,291	354,936	359,491	4,555
Licenses, permits and franchises	16,665	16,665	17,626	961
Fines, forfeitures and penalties	66,203	66,203	57,252	(8,951)
Revenue from use of money and property:				
Investment income	8,844	9,181	15,969	6,788
Rents and concessions	23,653	23,919	28,321	4,402
Royalties	5	5	1	(4)
Intergovernmental revenues:				
Federal	52,320	53,220	13,437	(39,783)
State	637,358	640,728	602,843	(37,885)
Other	38,563	39,425	23,801	(15,624)
Charges for services	141,704	141,544	136,264	(5,280)
Miscellaneous	22,449	22,505	31,727	9,222
TOTAL REVENUES	1,362,055	1,368,331	1,286,732	(81,599)
EXPENDITURES				
Current:				
General government	30,546	30,912	18,028	12,884
Public protection	336,076	336,076	87,657	248,419
Public ways and facilities	552,940	564,885	339,032	225,853
Health and sanitation	234,934	235,008	121,547	113,461
Public assistance	11,789	11,790	8,313	3,477
Education	6,262	5,977	26	5,951
Recreation and cultural services	26,035	23,748	10,490	13,258
TOTAL EXPENDITURES	1,198,582	1,208,396	585,093	623,303
EXCESS OF REVENUES OVER EXPENDITURES	163,473	159,935	701,639	541,704
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	252	252	1,885	1,633
Transfers in	19,954	21,744	32,050	10,306
Transfers out	(903,232)	(916,552)	(572,290)	344,262
Appropriations for contingencies	(342,807)	(333,459)		333,459
Changes in fund balances	(141,874)	(136,154)	(98,582)	37,572
OTHER FINANCING SOURCES (USES) - NET	(1,367,707)	(1,364,169)	(636,937)	727,232
NET CHANGE IN FUND BALANCE	(1,204,234)	(1,204,234)	64,702	1,268,936
FUND BALANCE, JULY 1, 2015	1,204,234	1,204,234	1,204,234	
FUND BALANCE, JUNE 30, 2016	\$		1,268,936	1,268,936

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	ROAD			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 4,264	4,264	4,117	(147)
Licenses, permits and franchises	4,715	4,715	4,888	173
Revenue from use of money and property:				
Investment income	1,504	1,504	1,799	295
Rents and concessions	86	86	85	(1)
Intergovernmental revenues:				
Federal	51,402	52,302	11,736	(40,566)
State	166,961	166,961	134,824	(32,137)
Other			5,598	5,598
Charges for services	18,817	18,817	22,317	3,500
Miscellaneous	197	197	260	63
TOTAL REVENUES	247,946	248,846	185,624	(63,222)
EXPENDITURES				
Current-Public ways and facilities:				
Services and supplies	254,590	252,800	210,289	42,511
Other charges	6,250	8,040	718	7,322
Capital assets	872	2,634	58	2,576
Capital Outlay	74,413	74,413	12,015	62,398
TOTAL EXPENDITURES	336,125	337,887	223,080	114,807
DEFICIENCY OF REVENUES OVER EXPENDITURES	(88,179)	(89,041)	(37,456)	51,585
OTHER FINANCING SOURCES (USES)				
Sales of capital assets			1,632	1,632
Transfers in		862	12,507	11,645
Transfers out	(9,968)	(9,968)	(7,566)	2,402
Changes in fund balance	(34,337)	(34,337)	(27,799)	6,538
OTHER FINANCING SOURCES (USES) - NET	(44,305)	(43,443)	(21,226)	22,217
NET CHANGE IN FUND BALANCE	(132,484)	(132,484)	(58,682)	73,802
FUND BALANCE, JULY 1, 2015	132,484	132,484	132,484	
FUND BALANCE, JUNE 30, 2016	\$		73,802	73,802

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	OTHER STREETS, HIGHWAYS, ROADS, AND BRIDGES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 52,727	53,027	54,845	1,818
Fines, forfeitures and penalties	35	35	23	(12)
Revenue from use of money and property:				
Investment income	1,095	1,095	1,208	113
Rents and concessions	142	142	172	30
Intergovernmental revenues:				
Federal	918	918	1,701	783
State	40	40	39	(1)
Other	32,163	32,163	11,581	(20,582)
Charges for services	17,795	17,795	1,996	(15,799)
Miscellaneous			7	7
TOTAL REVENUES	104,915	105,215	71,572	(33,643)
EXPENDITURES				
Current-Public ways and facilities:				
Services and supplies	128,187	131,676	72,683	58,993
Other charges	3	3		3
Capital assets	4,750	7,870	4,410	3,460
Capital Outlay	44,951	48,524	19,080	29,444
TOTAL EXPENDITURES	177,891	188,073	96,173	91,900
DEFICIENCY OF REVENUES OVER EXPENDITURES	(72,976)	(82,858)	(24,601)	58,257
OTHER FINANCING SOURCES (USES)				
Transfers out	(112)	(115)	(36)	79
Appropriations for contingencies	(23,651)	(14,456)		14,456
Changes in fund balance	(3,405)	(2,715)	8,753	11,468
OTHER FINANCING SOURCES (USES) - NET	(27,168)	(17,286)	8,717	26,003
NET CHANGE IN FUND BALANCE	(100,144)	(100,144)	(15,884)	84,260
FUND BALANCE, JULY 1, 2015	100,144	100,144	100,144	
FUND BALANCE, JUNE 30, 2016	\$		84,260	84,260

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	STREET LIGHTING DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 19,996	19,996	22,135	2,139
Fines, forfeitures and penalties	133	133	94	(39)
Revenue from use of money and property-				
Investment income	457	457	553	96
Intergovernmental revenues:				
State	134	134	139	5
Other	555	555	479	(76)
Charges for services	3,175	3,175	3,049	(126)
Miscellaneous			134	134
TOTAL REVENUES	24,450	24,450	26,583	2,133
EXPENDITURES				
Current-Public ways and facilities:				
Services and supplies	38,909	38,910	19,778	19,132
Other charges	5	5	1	4
Capital assets	10	10		10
TOTAL EXPENDITURES	38,924	38,925	19,779	19,146
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,474)	(14,475)	6,804	21,279
OTHER FINANCING SOURCES (USES)				
Transfers in	3,489	3,489	3,104	(385)
Transfers out	(3,535)	(3,534)	(3,135)	399
Appropriations for contingencies	(843)	(843)		843
Changes in fund balance	(10,495)	(10,495)	(10,359)	136
OTHER FINANCING SOURCES (USES) - NET	(11,384)	(11,383)	(10,390)	993
NET CHANGE IN FUND BALANCE	(25,858)	(25,858)	(3,586)	22,272
FUND BALANCE, JULY 1, 2015	25,858	25,858	25,858	
FUND BALANCE, JUNE 30, 2016	\$		22,272	22,272

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	GARBAGE DISPOSAL DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 5,130	5,130	5,874	744
Fines, forfeitures and penalties	521	521	330	(191)
Revenue from use of money and property-				
Investment income	252	252	315	63
Intergovernmental revenues:				
State	37	37	36	(1)
Other			37	37
Charges for services	19,975	19,975	19,871	(104)
TOTAL REVENUES	25,915	25,915	26,463	548
EXPENDITURES				
Current-Health and sanitation-				
Services and supplies	30,939	30,939	22,215	8,724
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,024)	(5,024)	4,248	9,272
OTHER FINANCING USES				
Appropriations for contingencies	(1,824)	(1,824)		1,824
Changes in fund balance	(5,015)	(5,015)	(4,997)	18
TOTAL OTHER FINANCING USES	(6,839)	(6,839)	(4,997)	1,842
NET CHANGE IN FUND BALANCE	(11,863)	(11,863)	(749)	11,114
FUND BALANCE, JULY 1, 2015	11,863	11,863	11,863	
FUND BALANCE, JUNE 30, 2016	\$		11,114	11,114

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	SEWER MAINTENANCE DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	\$ 320	320	210	(110)
Revenue from use of money and property- Investment income	138	138	230	92
Intergovernmental revenues- Other	38	38	60	22
Charges for services	33,194	33,194	35,768	2,574
TOTAL REVENUES	33,690	33,690	36,268	2,578
EXPENDITURES				
Current-Health and sanitation: Services and supplies	49,376	49,406	30,780	18,626
Other charges	810	910	790	120
Capital assets	100	100		100
Capital Outlay	1,000	1,000		1,000
TOTAL EXPENDITURES	51,286	51,416	31,570	19,846
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,596)	(17,726)	4,698	22,424
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,163)	(1,163)	(58)	1,105
Appropriations for contingencies	(4,545)	(4,445)		4,445
Changes in fund balance	21	51	134	83
OTHER FINANCING SOURCES (USES) - NET	(5,687)	(5,557)	76	5,633
NET CHANGE IN FUND BALANCE	(23,283)	(23,283)	4,774	28,057
FUND BALANCE, JULY 1, 2015	23,283	23,283	23,283	
FUND BALANCE, JUNE 30, 2016	\$		28,057	28,057

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	HEALTH SERVICES MEASURE B			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 272,174	272,519	272,520	1
Fines, forfeitures and penalties			1,141	1,141
Revenue from use of money and property-				
Investment income	500	837	842	5
Charges for services			184	184
Miscellaneous	830	830	1,170	340
TOTAL REVENUES	273,504	274,186	275,857	1,671
EXPENDITURES				
Current-Health and sanitation:				
Services and supplies	35,374	34,893	17,048	17,845
Other charges	28,596	28,996	12,558	16,438
TOTAL EXPENDITURES	63,970	63,889	29,606	34,283
EXCESS OF REVENUES OVER EXPENDITURES	209,534	210,297	246,251	35,954
OTHER FINANCING SOURCES (USES)				
Transfers out	(220,140)	(220,221)	(220,221)	
Appropriations for contingencies	(1,380)	(2,062)		2,062
Changes in fund balance			12,977	12,977
OTHER FINANCING SOURCES (USES) - NET	(221,520)	(222,283)	(207,244)	15,039
NET CHANGE IN FUND BALANCE	(11,986)	(11,986)	39,007	50,993
FUND BALANCE, JULY 1, 2015	11,986	11,986	11,986	
FUND BALANCE, JUNE 30, 2016	\$		50,993	50,993

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	HEALTH AND SANITATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Licenses, permits and franchises	\$ 7,655	7,655	7,972	317
Fines, forfeitures and penalties	21,134	21,134	17,887	(3,247)
Revenue from use of money and property:				
Investment income	226	226	377	151
Rents and concessions	100	100	14	(86)
Intergovernmental revenues:				
State	440	440	975	535
Other	1,292	2,154	1,531	(623)
Charges for services	19,082	18,922	16,987	(1,935)
TOTAL REVENUES	49,929	50,631	45,743	(4,888)
EXPENDITURES				
Current-Health and sanitation:				
Services and supplies	58,802	58,827	36,586	22,241
Capital assets	1,133	1,133	376	757
TOTAL EXPENDITURES	59,935	59,960	36,962	22,998
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,006)	(9,329)	8,781	18,110
OTHER FINANCING SOURCES (USES)				
Transfers in		185	185	
Transfers out	(4,090)	(4,952)	(2,556)	2,396
Appropriations for contingencies	(5,295)	(5,295)		5,295
Changes in fund balance	(878)	(878)	1,495	2,373
OTHER FINANCING SOURCES (USES) - NET	(10,263)	(10,940)	(876)	10,064
NET CHANGE IN FUND BALANCE	(20,269)	(20,269)	7,905	28,174
FUND BALANCE, JULY 1, 2015	20,269	20,269	20,269	
FUND BALANCE, JUNE 30, 2016	\$		28,174	28,174

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property-				
Investment income	\$ 2,593	2,593	6,642	4,049
Intergovernmental revenues-				
State	419,334	419,334	405,357	(13,977)
TOTAL REVENUES	421,927	421,927	411,999	(9,928)
EXPENDITURES				
Current-Health and sanitation-				
Services and supplies	28,804	28,804	1,194	27,610
EXCESS OF REVENUES OVER EXPENDITURES	393,123	393,123	410,805	17,682
OTHER FINANCING USES				
Transfers out	(531,254)	(536,254)	(271,257)	264,997
Appropriations for contingencies	(134,406)	(134,406)		134,406
Changes in fund balance	(101,463)	(96,463)	(96,104)	359
TOTAL OTHER FINANCING USES	(767,123)	(767,123)	(367,361)	399,762
NET CHANGE IN FUND BALANCE	(374,000)	(374,000)	43,444	417,444
FUND BALANCE, JULY 1, 2015	374,000	374,000	374,000	
FUND BALANCE, JUNE 30, 2016	\$		417,444	417,444

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	OTHER PUBLIC PROTECTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	\$ 9,027	9,027	7,353	(1,674)
Revenue from use of money and property:				
Investment income	1,288	1,288	2,950	1,662
Rents and concessions	18,000	18,000	21,466	3,466
Intergovernmental revenues-				
State	50,270	53,640	61,337	7,697
Charges for services	10,415	10,415	11,228	813
Miscellaneous	16,774	16,774	26,824	10,050
TOTAL REVENUES	105,774	109,144	131,158	22,014
EXPENDITURES				
Current-Public protection:				
Services and supplies	200,612	201,362	55,786	145,576
Other charges	602	602	602	
Capital assets	29,495	28,745	3,505	25,240
TOTAL EXPENDITURES	230,709	230,709	59,893	170,816
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(124,935)	(121,565)	71,265	192,830
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	28	28	50	22
Transfers in	5,602	5,602	5,602	
Transfers out	(50,728)	(54,098)	(43,616)	10,482
Appropriations for contingencies	(144,105)	(144,105)		144,105
Changes in fund balance	14,909	14,909	16,529	1,620
OTHER FINANCING SOURCES (USES) - NET	(174,294)	(177,664)	(21,435)	156,229
NET CHANGE IN FUND BALANCE	(299,229)	(299,229)	49,830	349,059
FUND BALANCE, JULY 1, 2015	299,229	299,229	299,229	
FUND BALANCE, JUNE 30, 2016	\$		349,059	349,059

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	PUBLIC ASSISTANCE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Licenses, permits and franchises	\$ 1,378	1,378	1,392	14
Fines, forfeitures and penalties	2,033	2,033	2,397	364
Revenue from use of money and property-				
Investment income	10	10	3	(7)
Charges for services	2,463	2,463	4,009	1,546
Miscellaneous	1,900	1,900	818	(1,082)
TOTAL REVENUES	7,784	7,784	8,619	835
EXPENDITURES				
Current-Public assistance-				
Services and supplies	11,789	11,790	8,313	3,477
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,005)	(4,006)	306	4,312
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,142)	(1,141)	(1,080)	61
Appropriations for contingencies	(531)	(531)		531
Changes in fund balance	(456)	(456)	464	920
OTHER FINANCING SOURCES (USES) - NET	(2,129)	(2,128)	(616)	1,512
NET CHANGE IN FUND BALANCE	(6,134)	(6,134)	(310)	5,824
FUND BALANCE, JULY 1, 2015	6,134	6,134	6,134	
FUND BALANCE, JUNE 30, 2016	\$		5,824	5,824

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	RECREATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Licenses, permits and franchises	\$ 17	17	27	10
Revenue from use of money and property:				
Investment income	29	29	45	16
Rents and concessions	531	531	515	(16)
Intergovernmental revenues:				
State	142	142	136	(6)
Other	4,515	4,515	4,515	
Charges for services	4,503	4,503	4,972	469
Miscellaneous	2,735	2,791	2,497	(294)
TOTAL REVENUES	12,472	12,528	12,707	179
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	24,976	22,674	10,408	12,266
Other Charges	959	959		959
Capital assets	100	115	82	33
TOTAL EXPENDITURES	26,035	23,748	10,490	13,258
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,563)	(11,220)	2,217	13,437
OTHER FINANCING SOURCES (USES)				
Transfers in	629	1,272	1,272	
Transfers out	(651)	(3,637)	(3,077)	560
Appropriations for contingencies	(129)	(129)		129
Changes in fund balance	(755)	(755)	148	903
OTHER FINANCING SOURCES (USES) - NET	(906)	(3,249)	(1,657)	1,592
NET CHANGE IN FUND BALANCE	(14,469)	(14,469)	560	15,029
FUND BALANCE, JULY 1, 2015	14,469	14,469	14,469	
FUND BALANCE, JUNE 30, 2016	\$		15,029	15,029

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	COURTHOUSE TEMPORARY CONSTRUCTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	\$ 15,000	15,000	13,039	(1,961)
Revenue from use of money and property- Investment income	250	250	217	(33)
TOTAL REVENUES	15,250	15,250	13,256	(1,994)
EXPENDITURES				
Current-Public protection:				
Services and supplies	20,239	20,239		20,239
Other charges	24,899	24,899	20,803	4,096
TOTAL EXPENDITURES	45,138	45,138	20,803	24,335
DEFICIENCY OF REVENUES OVER EXPENDITURES	(29,888)	(29,888)	(7,547)	22,341
NET CHANGE IN FUND BALANCE	(29,888)	(29,888)	(7,547)	22,341
FUND BALANCE, JULY 1, 2015	29,888	29,888	29,888	
FUND BALANCE, JUNE 30, 2016	\$		22,341	22,341

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	CRIMINAL JUSTICE TEMPORARY CONSTRUCTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	\$ 18,000	18,000	14,778	(3,222)
Revenue from use of money and property- Investment income	300	300	461	161
TOTAL REVENUES	18,300	18,300	15,239	(3,061)
EXPENDITURES				
Current-Public protection:				
Services and supplies	58,511	58,511	5,287	53,224
Other charges	1,718	1,718	1,674	44
TOTAL EXPENDITURES	60,229	60,229	6,961	53,268
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,929)	(41,929)	8,278	50,207
OTHER FINANCING USES				
Transfers out	(13,446)	(13,446)		13,446
TOTAL OTHER FINANCING USES	(13,446)	(13,446)		13,446
NET CHANGE IN FUND BALANCE	(55,375)	(55,375)	8,278	63,653
FUND BALANCE, JULY 1, 2015	55,375	55,375	55,375	
FUND BALANCE, JUNE 30, 2016	\$		63,653	63,653

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	REGISTRAR RECORDER IMPROVEMENT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Charges for services	\$ 11,376	11,376	13,628	2,252
OTHER FINANCING USES				
Transfers out	(10,866)	(11,601)	(11,317)	284
Appropriations for contingencies	(17,416)	(16,681)		16,681
TOTAL OTHER FINANCING USES	(28,282)	(28,282)	(11,317)	16,965
NET CHANGE IN FUND BALANCE	(16,906)	(16,906)	2,311	19,217
FUND BALANCE, JULY 1, 2015	16,906	16,906	16,906	
FUND BALANCE, JUNE 30, 2016	\$		19,217	19,217

Continued...

COUNTY OF LOS ANGELES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	OTHER SPECIAL REVENUE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Licenses, permits and franchises	\$ 2,900	2,900	3,347	447
Revenue from use of money and property:				
Investment income	202	202	327	125
Rents and concessions	4,794	5,060	6,069	1,009
Royalties	5	5	1	(4)
Charges for services	909	909	2,255	1,346
Miscellaneous	13	13	17	4
TOTAL REVENUES	8,823	9,089	12,016	2,927
EXPENDITURES				
Current:				
General government:				
Salaries and employee benefits	5,800	6,151	6,150	1
Services and supplies	23,796	23,646	11,558	12,088
Capital assets	950	1,115	320	795
Total general government	30,546	30,912	18,028	12,884
Education-				
Services and supplies	6,262	5,977	26	5,951
TOTAL EXPENDITURES	36,808	36,889	18,054	18,835
DEFICIENCY OF REVENUES OVER EXPENDITURES	(27,985)	(27,800)	(6,038)	21,762
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	224	224	203	(21)
Transfers in	10,234	10,334	9,380	(954)
Transfers out	(56,137)	(56,422)	(8,371)	48,051
Appropriations for contingencies	(8,682)	(8,682)		8,682
Changes in fund balance			177	177
OTHER FINANCING SOURCES (USES) - NET	(54,361)	(54,546)	1,389	55,935
NET CHANGE IN FUND BALANCE	(82,346)	(82,346)	(4,649)	77,697
FUND BALANCE, JULY 1, 2015	82,346	82,346	82,346	
FUND BALANCE, JUNE 30, 2016	\$		77,697	77,697

COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 JUNE 30, 2016 (in thousands)

	Flood Control District	Regional Park and Open Space District	Joint Powers Authorities	Public Buildings	LA County Securitization Corporation	Total
ASSETS						
Pooled cash and investments:						
Operating	\$	27,070		64,088		\$ 91,158
Other		13				13
Total pooled cash and investments		27,083		64,088		91,171
Other investments			50,610	5,649	38,349	94,608
Interest receivable		35				35
TOTAL ASSETS		27,118	50,610	69,737	38,349	185,814
DEFERRED OUTFLOWS OF RESOURCES					232,661	232,661
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	27,118	50,610	69,737	271,010	\$ 418,475
LIABILITIES-						
Other payables	\$			545		\$ 545
FUND BALANCES - RESTRICTED		27,118	50,610	69,192	271,010	417,930
TOTAL LIABILITIES AND FUND BALANCES	\$	27,118	50,610	69,737	271,010	\$ 418,475

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Flood Control District	Regional Park and Open Space District	Joint Powers Authorities	Public Buildings	LA County Securitization Corporation	Total
REVENUES						
Revenue from use of money and property-						
Investment income	\$	334	3,422	558	55	\$ 4,369
Charges for services		4,927				4,927
Miscellaneous					21,919	21,919
TOTAL REVENUES		5,261	3,422	558	21,974	31,215
EXPENDITURES - Debt service						
Principal	2,475	32,270	32,270	346,240	3,225	416,480
Interest and other charges	614	3,422	3,422	88,310	19,936	115,704
TOTAL EXPENDITURES	3,089	35,692	35,692	434,550	23,161	532,184
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,089)	(30,431)	(32,270)	(433,992)	(1,187)	(500,969)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,089			96,251		99,340
Transfers out				(11,787)	(4,394)	(16,181)
Issuance of debt				281,619		281,619
Refunding bonds issued				199,885		199,885
Payment to refunded bonds escrow agent				(199,885)		(199,885)
Bond premium proceeds				50,300		50,300
TOTAL OTHER FINANCING SOURCES (USES)	3,089			416,383	(4,394)	415,078
NET CHANGE IN FUND BALANCES		(30,431)	(32,270)	(17,609)	(5,581)	(85,891)
FUND BALANCES, JULY 1, 2015		57,549	82,880	86,801	276,591	503,821
FUND BALANCES, JUNE 30, 2016	\$	27,118	50,610	69,192	271,010	\$ 417,930

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 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				
Revenue from use of money and property-				
Investment income	\$ 195	195	284	89
EXPENDITURES				
Debt service:				
Principal	32,270	32,270	32,270	
Interest	17,395	17,393	3,422	13,971
TOTAL EXPENDITURES	49,665	49,663	35,692	13,971
DEFICIENCY OF REVENUES OVER EXPENDITURES	(49,470)	(49,468)	(35,408)	14,060
OTHER FINANCING SOURCES (USES)				
Transfers in	5,184	5,184	4,927	(257)
Transfers out		(2)		2
Appropriation for contingencies	(219)	(219)		219
Changes in fund balance	44,286	44,286	44,284	(2)
OTHER FINANCING SOURCES (USES) - NET	49,251	49,249	49,211	(38)
NET CHANGE IN FUND BALANCE	(219)	(219)	13,803	14,022
FUND BALANCE, JULY 1, 2015	219	219	219	
FUND BALANCE, JUNE 30, 2016	\$		14,022	14,022

COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 JUNE 30, 2016 (in thousands)

	Accumulative Capital Outlay	Improvement Districts	Public Buildings	Gap Loan	Total
ASSETS					
Pooled cash and investments:					
Operating	\$ 98,288	12	89,437	53,817	\$ 241,554
Other	126		10	49	185
Total pooled cash and investments	<u>98,414</u>	<u>12</u>	<u>89,447</u>	<u>53,866</u>	<u>241,739</u>
Other investments			3,178		3,178
Interest receivable	251		108	138	497
Other receivables	168				168
Due from other funds	<u>6,719</u>		<u>813</u>		<u>7,532</u>
TOTAL ASSETS	<u>\$ 105,552</u>	<u>12</u>	<u>93,546</u>	<u>54,004</u>	<u>\$ 253,114</u>
LIABILITIES					
Accounts payable	\$ 1,602		244		\$ 1,846
Due to other funds	1,517		3,813	677	6,007
Advances payable	<u>37</u>				<u>37</u>
TOTAL LIABILITIES	<u>3,156</u>		<u>4,057</u>	<u>677</u>	<u>7,890</u>
FUND BALANCES					
Restricted			89,489	53,327	142,816
Committed	66,074				66,074
Assigned	<u>36,322</u>	<u>12</u>			<u>36,334</u>
TOTAL FUND BALANCES	<u>102,396</u>	<u>12</u>	<u>89,489</u>	<u>53,327</u>	<u>245,224</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 105,552</u>	<u>12</u>	<u>93,546</u>	<u>54,004</u>	<u>\$ 253,114</u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Accumulative Capital Outlay	Improvement Districts	Public Buildings	Gap Loan	Total
REVENUES					
Revenue from use of money and property -					
Investment income	\$ 1,004		822	542	\$ 2,368
Intergovernmental revenues-					
State	34				34
Charges for services	6,923				6,923
Miscellaneous	335				335
TOTAL REVENUES	8,296		822	542	9,660
EXPENDITURES - Capital outlay	27,335		33,636		60,971
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,039)		(32,814)	542	(51,311)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,663		24		9,687
Transfers out	(534)		(9,002)	(821)	(10,357)
Issuance of debt			23,908		23,908
OTHER FINANCING SOURCES (USES) - NET	9,129		14,930	(821)	23,238
NET CHANGE IN FUND BALANCES	(9,910)		(17,884)	(279)	(28,073)
FUND BALANCES, JULY 1, 2015	112,306	12	107,373	53,606	273,297
FUND BALANCES, JUNE 30, 2016	\$ 102,396	12	89,489	53,327	\$ 245,224

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

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
ASSETS			
Pooled cash and investments:			
Operating	\$ 507	1,854	\$ 2,361
Other	1	1	2
Total pooled cash and investments	<u>508</u>	<u>1,855</u>	<u>2,363</u>
Interest receivable	<u>1</u>	<u>5</u>	<u>6</u>
TOTAL ASSETS	<u><u>\$ 509</u></u>	<u><u>1,860</u></u>	<u><u>\$ 2,369</u></u>
LIABILITIES			
Due to other funds	<u>\$</u>	<u>26</u>	<u>\$ 26</u>
FUND BALANCES			
Nonspendable	410	1,765	2,175
Restricted for annuities and endowments	<u>99</u>	<u>69</u>	<u>168</u>
TOTAL FUND BALANCES	<u>509</u>	<u>1,834</u>	<u>2,343</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 509</u></u>	<u><u>1,860</u></u>	<u><u>\$ 2,369</u></u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
REVENUES			
Revenue from use of money and property -			
Investment income	<u>\$ 5</u>	<u>17</u>	<u>\$ 22</u>
EXPENDITURES - General government	<u>22</u>	<u>45</u>	<u>67</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(17)</u>	<u>(28)</u>	<u>(45)</u>
NET CHANGE IN FUND BALANCES	(17)	(28)	(45)
FUND BALANCES, JULY 1, 2015	<u>526</u>	<u>1,862</u>	<u>2,388</u>
FUND BALANCES, JUNE 30, 2016	<u>\$ 509</u>	<u>1,834</u>	<u>\$ 2,343</u>



INTERNAL SERVICE FUNDS

COUNTY OF LOS ANGELES
INTERNAL SERVICE FUNDS

The Public Works Fund is used to account for the cost of services provided by the Department of Public Works to the Road Fund, Flood Control District, County Engineer and various other special districts and agencies. Costs are recovered through billings for services.

The Equipment Acquisition Fund is used to account for the operations of the Los Angeles County Capital Asset Leasing Corporation. County departments are charged for equipment items acquired on their behalf. The charges represent recovery of equipment depreciation expense and bond interest expense.

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

	Public Works	Equipment Acquisition	Total
ASSETS			
Current assets:			
Pooled cash and investments:			
Operating	\$ 51,318	676	\$ 51,994
Other	6,603	17	6,620
Total pooled cash and investments	<u>57,921</u>	<u>693</u>	<u>58,614</u>
Interest receivable	156	53	209
Other receivables	7,579		7,579
Due from other funds	78,813	254	79,067
Inventories	8,941		8,941
Total current assets	<u>153,410</u>	<u>1,000</u>	<u>154,410</u>
Noncurrent assets:			
Restricted assets		18,964	18,964
Capital assets:			
Equipment	185,491	144,449	329,940
Less accumulated depreciation	(91,946)	(82,776)	(174,722)
Total capital assets - net	<u>93,545</u>	<u>61,673</u>	<u>155,218</u>
Total noncurrent assets	<u>93,545</u>	<u>80,637</u>	<u>174,182</u>
TOTAL ASSETS	<u>246,955</u>	<u>81,637</u>	<u>328,592</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>45,121</u>		<u>45,121</u>
LIABILITIES			
Current liabilities:			
Accounts payable	7,156	3,153	10,309
Accrued payroll	17,449		17,449
Other payables	2,443		2,443
Accrued interest payable		519	519
Due to other funds	39,851		39,851
Advances from other funds	22,000		22,000
Advances payable	223		223
Current portion of long-term liabilities	10,164	50,265	60,429
Total current liabilities	<u>99,286</u>	<u>53,937</u>	<u>153,223</u>
Noncurrent liabilities:			
Accrued compensated absences	51,138		51,138
Bonds and notes		14,275	14,275
Workers' compensation	42,881		42,881
Net pension liability	232,761		232,761
OPEB obligation	461,348		461,348
Total noncurrent liabilities	<u>788,128</u>	<u>14,275</u>	<u>802,403</u>
TOTAL LIABILITIES	<u>887,414</u>	<u>68,212</u>	<u>955,626</u>
DEFERRED INFLOWS OF RESOURCES	<u>49,254</u>		<u>49,254</u>
NET POSITION			
Net investment in capital assets	93,545	15,908	109,453
Unrestricted (deficit)	(738,137)	(2,483)	(740,620)
TOTAL NET POSITION (DEFICIT)	<u>\$ (644,592)</u>	<u>13,425</u>	<u>\$ (631,167)</u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Public Works	Equipment Acquisition	Total
OPERATING REVENUES:			
Rentals	\$ 7	30,157	\$ 30,164
Charges for services	495,802		495,802
TOTAL OPERATING REVENUES	495,809	30,157	525,966
OPERATING EXPENSES:			
Salaries and employee benefits	433,217		433,217
Services and supplies	46,646	13	46,659
Other professional services	40,314		40,314
Depreciation and amortization	11,873	26,754	38,627
TOTAL OPERATING EXPENSES	532,050	26,767	558,817
OPERATING INCOME (LOSS)	(36,241)	3,390	(32,851)
NONOPERATING REVENUES (EXPENSES):			
Investment income	111	209	320
Interest expense		(1,728)	(1,728)
TOTAL NONOPERATING REVENUES (EXPENSES)	111	(1,519)	(1,408)
INCOME (LOSS) BEFORE TRANSFERS	(36,130)	1,871	(34,259)
Transfers in	21,045		21,045
Transfers out	(21,851)		(21,851)
CHANGE IN NET POSITION	(36,936)	1,871	(35,065)
TOTAL NET POSITION (DEFICIT), JULY 1, 2015	(607,656)	11,554	(596,102)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2016	\$ (644,592)	13,425	\$ (631,167)

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Public Works	Equipment Acquisition	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Rentals received	\$ 7		\$ 7
Rentals received from other funds		29,923	29,923
Cash received from charges for services	61,009		61,009
Cash received from charges for services to other funds	439,258		439,258
Cash paid for salaries and employee benefits	(396,743)		(396,743)
Cash paid for services and supplies	(43,270)	(13)	(43,283)
Other operating expenses	(40,314)		(40,314)
Net cash provided by operating activities	19,947	29,910	49,857
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash advances returned to other funds	(11)		(11)
Transfers in	21,045		21,045
Transfers out	(21,851)		(21,851)
Net cash provided by noncapital financing activities	(817)		(817)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from bonds and notes		10,000	10,000
Interest paid on capital borrowing		(1,451)	(1,451)
Principal payments on bonds and notes		(23,890)	(23,890)
Acquisition and construction of capital assets	(17,247)	(18,766)	(36,013)
Net cash required for capital and related financing activities	(17,247)	(34,107)	(51,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	81	194	275
Net increase (decrease) in cash and cash equivalents	1,964	(4,003)	(2,039)
Cash and cash equivalents July 1, 2015	55,957	23,660	79,617
Cash and cash equivalents June 30, 2016	<u>\$ 57,921</u>	<u>19,657</u>	<u>\$ 77,578</u>

Continued...

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CASH FLOWS - Continued
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Public Works	Equipment Acquisition	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (36,241)	3,390	\$ (32,851)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	11,873	26,754	38,627
(Increase) decrease in:			
Other receivables	6,277		6,277
Due from other funds	(685)	(234)	(919)
Inventories	910		910
Increase (decrease) in:			
Accounts payable	1,972		1,972
Accrued payroll	643		643
Other payables	330		330
Accrued compensated absences	4,306		4,306
Due to other funds	494		494
Workers' compensation	6,094		6,094
Net pension liability and related changes in deferred outflows and inflows of resources	(26,644)		(26,644)
OPEB obligation	50,618		50,618
TOTAL ADJUSTMENTS	<u>56,188</u>	<u>26,520</u>	<u>82,708</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 19,947</u>	<u>29,910</u>	<u>\$ 49,857</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:			
Pooled cash and investments	\$ 57,921	693	\$ 58,614
Restricted assets		18,964	18,964
TOTAL	<u>\$ 57,921</u>	<u>19,657</u>	<u>\$ 77,578</u>

FIDUCIARY FUNDS

COUNTY OF LOS ANGELES
FIDUCIARY FUNDS

PENSION TRUST FUND

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

OPEB TRUST FUND

The 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.

POOLED INVESTMENT TRUST FUND

The Pooled Investment Trust Fund is used to account for net position of the County's external investment pool. The fund primarily consists of deposits held on behalf of School Districts and Sanitation Districts.

SPECIFIC INVESTMENT TRUST FUND

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

AGENCY

Property Tax Funds

This group of funds is used to account for the monies received from property and other taxes, which must be held pending authority for distribution to the appropriate recipients.

Departmental Funds

This group of funds is used to account for cash and other assets and related liabilities where the County holds money either in a custodial capacity for other entities, or as a clearing account to accumulate and hold certain monies until disbursement to the ultimate recipient.

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
 JUNE 30, 2016 (in thousands)

	Pension Trust Fund	OPEB Trust Fund	Total
ASSETS			
Pooled cash and investments	\$ 82,479	\$	\$ 82,479
Other investments:			
Short-term investments	842,305	56,009	898,314
Equity	22,464,826	452,333	22,917,159
Fixed income	13,685,276	50,051	13,735,327
Private equity	4,410,209		4,410,209
Real estate	6,062,780		6,062,780
Hedge funds	1,275,576		1,275,576
Cash collateral on loaned securities	872,139		872,139
Interest receivable	130,324	249	130,573
Other receivables	1,069,649	2,900	1,072,549
TOTAL ASSETS	<u>50,895,563</u>	<u>561,542</u>	<u>51,457,105</u>
LIABILITIES			
Accounts payable	2,104,540	704	2,105,244
Other payables	944,329	88	944,417
TOTAL LIABILITIES	<u>3,048,869</u>	<u>792</u>	<u>3,049,661</u>
NET POSITION			
Net position restricted for pension and other postemployment benefits	<u>\$ 47,846,694</u>	<u>\$ 560,750</u>	<u>\$ 48,407,444</u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS			
Contributions:			
Pension and OPEB trust contributions:			
Employer	\$ 1,443,130	\$ 588,376	\$ 2,031,506
Member	458,665		458,665
Total contributions	1,901,795	588,376	2,490,171
Investment earnings:			
Investment income	1,147,978	587	1,148,565
Net decrease in the fair value of investments	(966,251)	(8,451)	(974,702)
Securities lending income	5,428		5,428
Total investment earnings	187,155	(7,864)	179,291
Less - Investment expenses-			
Expense from investing activities	106,567	231	106,798
Net investment earnings	80,588	(8,095)	72,493
Miscellaneous	2,781		2,781
TOTAL ADDITIONS	1,985,164	580,281	2,565,445
DEDUCTIONS			
Administrative expenses:			
Salaries and employee benefits	49,060		49,060
Services and supplies	18,585	192	18,777
Total administrative expenses	67,645	192	67,837
Benefit payments	2,862,094	507,698	3,369,792
Miscellaneous	27,081		27,081
TOTAL DEDUCTIONS	2,956,820	507,890	3,464,710
CHANGE IN NET POSITION	(971,656)	72,391	(899,265)
NET POSITION, JULY 1, 2015	48,818,350	488,359	49,306,709
NET POSITION, JUNE 30, 2016	\$ 47,846,694	\$ 560,750	\$ 48,407,444

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

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
ASSETS			
Pooled cash and investments	\$ 17,414,851		\$ 17,414,851
Other investments		84,829	84,829
Interest receivable	40,054	280	40,334
TOTAL ASSETS	17,454,905	85,109	17,540,014
NET POSITION			
Net position restricted for pool participants and investment trust fund	\$ 17,454,905	85,109	\$ 17,540,014

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Contributions to investment trust funds	\$ 43,763,058	277,465	\$ 44,040,523
Investment income	<u>134,220</u>	<u>1,138</u>	<u>135,358</u>
TOTAL ADDITIONS	<u>43,897,278</u>	<u>278,603</u>	<u>44,175,881</u>
DEDUCTIONS			
Distributions from investment trust funds	<u>41,965,325</u>	<u>314,851</u>	<u>42,280,176</u>
CHANGE IN NET POSITION	1,931,953	(36,248)	1,895,705
NET POSITION, JULY 1, 2015	<u>15,522,952</u>	<u>121,357</u>	<u>15,644,309</u>
NET POSITION, JUNE 30, 2016	<u><u>\$ 17,454,905</u></u>	<u><u>85,109</u></u>	<u><u>\$ 17,540,014</u></u>

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 (in thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>PROPERTY TAX FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 335,814	55,974,628	56,178,381	\$ 132,061
Interest receivable	204	199	204	199
TOTAL ASSETS	\$ 336,018	55,974,827	56,178,585	\$ 132,260
LIABILITIES				
Due to other governments	\$ 336,018	55,974,827	56,178,585	\$ 132,260
TOTAL LIABILITIES	\$ 336,018	55,974,827	56,178,585	\$ 132,260
<u>DEPARTMENTAL FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 1,373,959	83,268,037	83,200,305	\$ 1,441,691
Other investments	30,806	55,792	86,297	301
Taxes receivable	222,616	481,632	491,626	212,622
Interest receivable	50,084	60,670	50,087	60,667
TOTAL ASSETS	\$ 1,677,465	83,866,131	83,828,315	\$ 1,715,281
LIABILITIES				
Due to other governments	\$ 1,677,465	83,866,131	83,828,315	\$ 1,715,281
TOTAL LIABILITIES	\$ 1,677,465	83,866,131	83,828,315	\$ 1,715,281
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 1,709,773	139,242,665	139,378,686	\$ 1,573,752
Other investments	30,806	55,792	86,297	301
Taxes receivable	222,616	481,632	491,626	212,622
Interest receivable	50,288	60,869	50,291	60,866
TOTAL ASSETS	\$ 2,013,483	139,840,958	140,006,900	\$ 1,847,541
LIABILITIES				
Due to other governments	\$ 2,013,483	139,840,958	140,006,900	\$ 1,847,541
TOTAL LIABILITIES	\$ 2,013,483	139,840,958	140,006,900	\$ 1,847,541



STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to better understand and assess the County's overall financial health.

CONTENTS	PAGE
FINANCIAL TRENDS	197
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
REVENUE CAPACITY	204
These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	
DEBT CAPACITY	208
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	214
The schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	
OPERATING INFORMATION.....	216
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



COUNTY OF LOS ANGELES
NET POSITION BY CATEGORY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Governmental activities									(2)	
Net investment in capital assets (1)	\$ 14,192,494	13,913,070	14,081,048	14,271,861	14,484,468	14,593,171	14,654,785	14,789,236	14,846,719	14,982,488
Restricted	1,443,083	1,605,763	1,644,109	1,861,498	2,925,662	2,908,564	2,655,717	2,727,379	3,098,677	3,320,163
Unrestricted (deficit)	(194,953)	51,582	(972,862)	(2,133,744)	(4,247,364)	(6,127,737)	(6,919,526)	(8,199,840)	(16,822,355)	(17,719,601)
Subtotal governmental activities net position	15,440,624	15,570,415	14,752,295	13,999,615	13,162,766	11,373,998	10,390,976	9,316,775	1,123,041	583,050
Business-type activities										
Net investment in capital assets (1)	2,190,999	2,259,617	2,217,449	2,293,147	2,242,340	2,241,059	2,218,647	2,271,730	2,298,915	2,269,835
Restricted	186,266	307,985	192,427	163,820	122,216	104,997	68,169	76,908	84,672	92,699
Unrestricted (deficit)	(640,691)	(824,889)	(1,032,677)	(1,373,660)	(1,336,706)	(1,588,985)	(1,721,419)	(1,930,232)	(3,220,744)	(3,446,986)
Subtotal business-type activities net position	1,736,574	1,742,713	1,377,199	1,083,307	1,027,850	757,071	565,397	418,406	(837,157)	(1,084,452)
Primary government										
Net investment in capital assets (1)	16,383,493	16,172,687	16,298,497	16,565,008	16,726,808	16,834,230	16,873,432	17,060,966	17,145,634	17,252,323
Restricted	1,629,349	1,913,748	1,836,536	2,025,318	3,047,878	3,013,561	2,723,886	2,804,287	3,183,349	3,412,862
Unrestricted (deficit)	(835,644)	(773,307)	(2,005,539)	(3,507,404)	(5,584,070)	(7,716,722)	(8,640,945)	(10,130,072)	(20,043,099)	(21,166,587)
Total primary government net position	\$ 17,177,198	17,313,128	16,129,494	15,082,922	14,190,616	12,131,069	10,956,373	9,735,181	285,884	(501,402)

Notes:

(1) The County adopted GASB Statement No. 63 in FY 2012-13. For FY 2006-07 through 2011-12, the amounts were reported as Invested in capital assets, net of related debt. Net assets were also renamed as net position.

(2) The County adopted GASB 68 & 71 in FY 2014-15 and prior year amounts were not restated.

COUNTY OF LOS ANGELES
 CHANGES IN NET POSITION (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Expenses									(2)	
Government activities:										
General government	\$ 807,155	1,171,448	1,103,361	1,236,226	1,100,781	1,315,662	1,274,689	1,307,001	1,429,897	1,235,949
Public protection	4,872,413	5,799,593	6,125,158	6,163,910	6,081,466	6,608,319	6,309,193	6,682,960	6,638,192	7,098,459
Public ways and facilities	282,827	299,304	327,403	352,549	417,250	355,527	381,211	366,582	415,586	375,295
Health and sanitation	2,223,695	2,638,135	2,783,150	2,718,876	2,781,183	3,036,296	3,066,172	3,557,523	3,136,924	3,417,720
Public assistance	4,539,458	5,061,367	5,233,389	5,518,036	5,728,637	5,599,244	5,538,106	5,830,165	6,007,973	6,191,975
Education	99,136	112,035	109,910	101,397	104,159	112,497	119,680	119,037	107,336	141,195
Recreation and cultural services	266,967	290,669	331,726	319,000	311,422	310,369	316,372	278,459	365,755	388,284
Interest on long-term debt	239,608	191,551	165,782	139,824	134,429	110,541	105,491	97,777	99,400	93,022
Subtotal governmental activities expenses	13,331,259	15,564,102	16,179,879	16,549,818	16,659,327	17,448,455	17,110,914	18,239,504	18,201,063	18,941,899
Business-type activities:										
Hospitals	2,894,493	3,092,682	3,443,266	3,394,724	3,541,874	3,768,699	3,889,206	3,838,574	4,017,633	4,309,615
Waterworks	97,504	74,810	76,904	76,817	83,592	94,651	84,824	84,499	85,479	86,463
Aviation	5,761	4,182	5,073	4,743	4,658	5,022	5,332	6,402	6,675	5,661
Community Development Commission (1)	211,077	246,195	288,201	294,785	284,048	289,924				
Subtotal business-type activities expense	3,208,835	3,417,869	3,793,444	3,771,069	3,914,172	4,158,296	3,979,362	3,929,475	4,109,787	4,401,739
Total primary government expenses	16,540,094	18,981,971	19,973,323	20,320,887	20,573,499	21,606,751	21,090,276	22,168,979	22,310,850	23,343,638
Program Revenues										
Governmental activities:										
Charges for services										
General government	451,050	445,948	634,153	432,084	451,082	455,062	473,047	488,685	469,598	514,167
Public protection	1,189,730	1,273,710	1,323,593	1,342,970	1,308,388	1,304,650	1,248,402	1,222,157	1,246,654	1,276,055
Health and sanitation	518,893	708,097	484,240	639,602	635,950	665,863	615,531	784,997	535,836	620,468
Recreation and cultural services	173,531	206,364	172,899	178,935	179,705	183,151	200,827	200,639	206,794	149,032
Other charges for services	63,664	104,433	79,844	92,226	82,462	103,799	51,735	55,027	46,125	48,362
Subtotal governmental activities charges for services	2,396,868	2,738,552	2,694,729	2,685,817	2,657,587	2,712,525	2,589,542	2,751,505	2,505,007	2,608,084
Operating grants and contributions	6,980,549	7,113,135	7,215,270	7,636,509	7,939,142	7,715,282	8,186,681	8,579,502	8,976,986	9,296,996
Capital grants and contributions	25,135	184,502	206,137	115,640	149,569	38,352	104,486	12,850	35,685	24,860
Total governmental activities program revenue	9,402,552	10,036,189	10,116,136	10,437,966	10,746,298	10,466,159	10,880,709	11,343,857	11,517,678	11,929,940
Business-type activities:										
Charges for services										
Hospitals	1,864,209	1,730,231	2,022,633	2,099,010	2,210,619	2,181,405	2,371,130	2,455,940	2,960,080	3,161,974
Other charges for services	93,770	76,516	73,311	70,853	72,429	81,239	75,762	78,625	77,746	83,286
Subtotal business-type activities charges for services	1,957,979	1,806,747	2,095,944	2,169,863	2,283,048	2,262,644	2,446,892	2,534,565	3,037,826	3,245,260
Operating grants and contributions	304,720	263,471	279,195	317,162	681,471	776,779	522,112	485,888	500,840	315,070
Capital grants and contributions	12,992	2,897	837	2,018	437	1,311	47	3,156	2,353	5,582
Total business-type activities program revenue	2,275,691	2,073,115	2,375,976	2,489,043	2,964,956	3,040,734	2,969,051	3,023,609	3,541,019	3,565,912
Total primary government program revenues	11,678,243	12,109,304	12,492,112	12,927,009	13,711,254	13,506,893	13,849,760	14,367,466	15,058,697	15,495,852

Notes:
 (1) Due to the implementation of GASB Statement No.61, the Community Development Commission became a discretely presented component unit and is no longer part of the primary government in FY 2012-13.

(2) The County adopted GASB 68 & 71 in FY 2014-15 and prior year amounts were not restated.

COUNTY OF LOS ANGELES
 CHANGES IN NET POSITION (UNAUDITED) - Continued
 LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Net (expenses) / revenues:										
Governmental activities	(3,928,707)	(5,527,913)	(6,063,743)	(6,111,852)	(5,913,029)	(6,982,296)	(6,230,205)	(6,895,647)	(6,683,385)	(7,011,959)
Business-type activities	(933,144)	(1,344,754)	(1,417,468)	(1,282,026)	(949,216)	(1,117,562)	(1,010,311)	(905,866)	(568,768)	(835,827)
Total primary government net expenses	(4,861,851)	(6,872,667)	(7,481,211)	(7,393,878)	(6,862,245)	(8,099,858)	(7,240,516)	(7,801,513)	(7,252,153)	(7,847,786)
General Revenues and Transfers										
Governmental Activities:										
Taxes	4,688,595	5,034,399	5,192,566	5,061,595	5,046,783	5,192,668	5,570,043	5,840,175	6,161,188	6,415,494
Unrestricted grants and contributions	761,705	778,936	756,417	701,521	677,767	608,967	745,406	513,458	512,079	374,264
Investment income (loss)	335,851	324,132	197,705	105,878	80,746	82,271	(920)	64,354	74,220	122,763
Miscellaneous	259,357	229,810	142,075	132,856	129,963	134,827	150,957	134,611	181,119	141,146
Special Item - Contribution of Disney Hall	267,473									
Extraordinary Items - Net positions transferred to private-purpose trust fund						(6,282)				
Transfers (Net)	(1,049,213)	(1,152,946)	(1,011,862)	(895,250)	(859,079)	(818,923)	(913,686)	(731,152)	(603,762)	(581,699)
Subtotal governmental activities	5,263,768	5,214,331	5,276,901	5,106,600	5,076,180	5,193,528	5,551,800	5,821,446	6,324,844	6,471,968
Business-type activities:										
Taxes	3,782	4,405	4,453	4,415	4,265	4,382	4,347	4,681	4,919	5,309
Unrestricted grants and contributions	35	37	37	143	41	51	37	33		
Investment income (loss)	18,043	14,073	9,844	2,693	2,142	1,770	(171)	3,908	1,289	1,463
Miscellaneous	50,443	24,950	25,758	35,463	28,232	21,657	13,171	19,101	26,012	61
Transfers (Net)	1,049,213	1,152,946	1,011,862	895,250	859,079	818,923	913,686	731,152	603,762	581,699
Subtotal business-type activities	1,121,516	1,196,411	1,051,954	937,964	893,759	846,783	931,070	758,875	635,982	588,532
Total primary government	6,385,284	6,410,742	6,328,855	6,044,564	5,969,939	6,040,311	6,482,870	6,580,321	6,960,826	7,060,500
Changes in Net Position										
Government activities	1,335,061	(313,582)	(786,842)	(1,005,252)	(836,849)	(1,788,768)	(678,405)	(1,074,201)	(358,541)	(539,991)
Business-type activities	188,372	(148,343)	(365,514)	(344,062)	(55,457)	(270,779)	(79,241)	(146,991)	67,214	(247,295)
Total primary government	\$ 1,523,433	(461,925)	(1,152,356)	(1,349,314)	(892,306)	(2,059,547)	(757,646)	(1,221,192)	(291,327)	(787,286)

COUNTY OF LOS ANGELES
 FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

	(1)	2006-07	2007-08	2008-09	2009-10	2010-11 (3)	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund											
Reserved for:											
Encumbrances	\$	415,001	532,752	368,798	373,511						
Inventories		42,561	43,906	46,486	44,279						
Assets unavailable for appropriation		20,718	20,808	124,567	366,638						
Total Reserved Balance		478,280	597,466	539,851	784,428						
Unreserved, designated for:											
Budget uncertainties		338,192	292,113								
Program expansion		328,795	302,763	464,395	305,831						
Health services		326,849	242,408	228,229	168,702						
Capital projects		241,489	315,355	278,955	144,366						
Unreserved, undesignated, reported in:											
General fund		1,366,839	1,624,335	1,655,388	1,592,484						
Nonspendable						259,127	259,597	253,836	272,007	272,384	324,555
Restricted						35,377	55,115	59,786	40,577	55,694	67,880
Committed							332,255	528,865	482,740	334,346	364,679
Assigned						763,038	405,285	376,181	538,078	491,954	446,579
Unassigned						1,664,901	1,589,699	1,660,982	1,769,406	2,035,445	2,180,549
Total General Fund		3,080,444	3,374,440	3,166,818	2,995,811	2,722,443	2,641,951	2,879,650	3,102,808	3,189,823	3,384,242
All Other Governmental Funds (2)											
Reserved for:											
Encumbrances		379,556	384,475	391,728	383,683						
Inventories		44,936	45,426	42,965	44,039						
Housing programs		1,662	1,167	1,618	2,026						
Debt service		467,444	447,088	447,866	448,391						
Endowments & annuities		3,380	3,455	3,019	2,826						
Assets unavailable for appropriation		32,638	53,218	16,152	15,484						
Total Reserved Balance		929,616	934,829	903,348	896,449						
Unreserved, designated for:											
Special revenue funds		441,196	572,711	641,311	731,996						
Unreserved, undesignated, reported in:											
Special revenue funds		835,998	931,013	991,162	1,096,078						
Capital projects special funds		268,535	190,098	188,992	193,410						
Total Unreserved Balance		1,545,729	1,693,822	1,821,465	2,021,484						
Nonspendable						54,082	46,371	11,191	11,953	14,047	12,817
Restricted						3,173,112	3,181,643	2,920,249	2,856,062	3,240,873	3,362,644
Committed						111,363	125,838	123,956	115,116	112,034	109,538
Assigned						143,704	147,775	171,992	190,659	202,283	197,022
Total All Other Governmental Funds		2,475,345	2,628,651	2,724,813	2,917,933	3,482,261	3,501,627	3,227,388	3,173,790	3,569,237	3,682,021
Total Governmental Fund Balance		\$ 5,555,789	6,003,091	5,891,631	5,913,744	6,204,704	6,143,578	6,107,038	6,276,598	6,759,060	7,066,263

Notes:

- (1) FY 2006-07 through 2009-10 have not been restated for the implementation of GASB Statement No. 54.
- (2) "All Other Governmental Funds" consists of the following funds: Fire Protection District, Flood Control District, Public Library, Regional Park and Open Space District and Nonmajor Governmental Funds.
- (3) The County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned. The governmental funds are reported in the new required format beginning FY 2010-11.



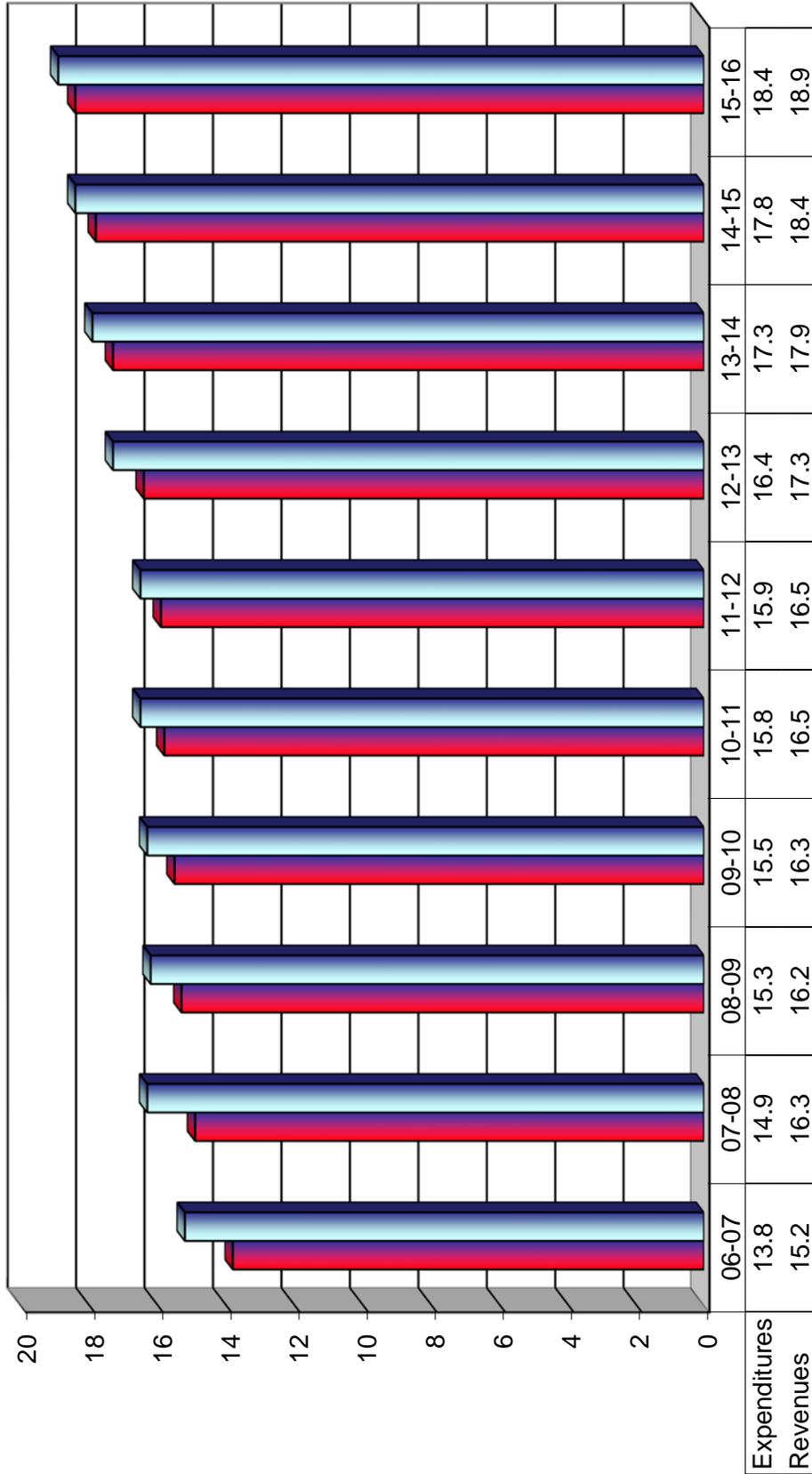
COUNTY OF LOS ANGELES
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues (by source)										
Taxes	\$ 4,567,655	4,823,493	5,081,939	4,960,714	4,955,254	5,104,498	5,486,739	5,772,589	6,078,449	6,350,290
Licenses, permits and franchises	77,690	79,511	80,823	69,440	80,278	83,252	91,833	91,160	92,079	93,069
Fines, forfeitures and penalties	316,174	341,135	364,047	353,432	341,143	300,310	302,310	284,318	279,246	251,321
Revenue from use of money and property:										
Investment income (loss)	334,865	323,071	196,575	105,618	80,584	81,947	(551)	64,097	73,966	122,423
Rents and concessions	80,874	78,370	90,881	94,101	111,659	114,178	118,224	124,664	133,208	134,627
Royalties	594	978	1,073	1,006	1,285	3,446	3,029	2,435	1,503	900
Intergovernmental revenues:										
Federal	2,835,932	3,149,752	3,272,856	3,582,396	3,480,705	3,234,009	3,205,637	3,259,773	3,412,218	3,540,477
State	4,613,192	4,621,964	4,446,417	4,544,074	4,981,043	4,970,871	5,456,853	5,700,379	6,012,662	6,002,364
Other	154,116	170,405	183,787	169,268	162,385	131,217	215,145	83,587	69,212	69,237
Charges for services	1,965,724	2,241,295	2,193,709	2,172,974	2,136,897	2,207,558	2,088,029	2,274,997	2,023,074	2,142,415
Miscellaneous	291,293	442,645	327,762	273,309	218,607	224,000	283,518	210,090	259,466	215,413
Total Revenues	15,238,109	16,272,619	16,239,869	16,326,332	16,549,840	16,455,286	17,250,766	17,868,089	18,435,083	18,922,536
Expenditures (by function)										
Current:										
General government	871,304	934,641	963,275	877,098	898,099	999,962	997,690	1,026,961	1,172,098	1,057,069
Public protection	4,955,338	5,328,923	5,561,576	5,600,679	5,516,837	5,649,097	5,842,286	6,030,388	6,353,892	6,737,132
Public ways and facilities	271,904	318,468	309,264	332,036	340,886	324,449	326,159	338,953	378,345	322,182
Health and sanitation	2,255,737	2,462,395	2,645,030	2,567,715	2,628,816	2,840,532	2,929,151	3,359,430	3,074,411	3,282,130
Public assistance	4,539,192	4,770,593	4,951,368	5,194,752	5,387,205	5,252,926	5,255,655	5,437,728	5,688,513	5,900,845
Education	99,115	105,684	115,315	107,963	110,550	109,159	115,750	121,237	123,723	132,397
Recreation and cultural services	265,029	272,028	302,988	300,199	302,924	299,663	319,863	346,690	357,458	376,270
Debt services:										
Principal (2)	330,824	239,916	200,175	196,941	218,856	186,951	123,581	350,393	463,680	393,501
Interest and other charges	211,386	259,254	220,467	246,461	269,895	110,998	101,089	99,038	97,877	133,261
Capital outlay	48,897	188,090	75,494	32,799	101,592	176,197	397,807	218,498	139,228	61,518
Total Expenditures	13,848,726	14,879,992	15,344,952	15,456,643	15,775,680	15,949,934	16,409,031	17,329,316	17,849,225	18,396,305
Excess of Revenues over Expenditures	1,389,383	1,392,627	894,917	869,689	774,180	505,352	841,735	538,773	585,858	526,231
Other Financing Sources (Uses)										
Transfers in	540,377	602,352	527,231	565,138	639,472	719,565	782,464	664,819	757,897	572,677
Transfers out	(1,592,341)	(1,752,685)	(1,540,633)	(1,454,259)	(1,510,310)	(1,542,578)	(1,696,268)	(1,404,311)	(1,353,746)	(1,151,110)
Issuance of debt	326,245	3,000		36,977	326,363	192,281	293,284	366,957	461,811	305,527
Refunding bonds issued		94,315				50,675				199,885
Payment to refunded bonds escrow agent	(320,995)	(94,315)								(199,885)
Bond premium proceeds	14,566						3,848		27,354	50,300
Proceeds from capital leases	818	98,168	880	2,333	43,523	15,128	2,780	1,736	866	547
Sales of capital assets	3,816	4,099	6,145	2,235	17,732	4,733	1,365	1,586	2,422	3,031
Total other financing sources (uses)	(1,027,514)	(1,045,066)	(1,006,377)	(847,576)	(483,220)	(560,196)	(612,527)	(369,213)	(103,396)	(219,028)
Extraordinary item - Net assets transferred to private-purpose trust fund						(6,282)				
Net change in fund balances	\$ 361,869	347,561	(11,460)	22,113	290,960	(61,126)	229,208	169,560	482,462	307,203
Debt service as a percentage of noncapital expenditures (1)	4.03%	3.44%	2.81%	2.91%	3.17%	1.92%	1.41%	2.69%	3.23%	2.93%
Note:										
(1) The debt service percentage calculations make use of the capital outlay expenditure balances as presented on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.										
(2) Includes principal amounts for capital leases, previously reported as a separate line item. Capital lease interest is included in Interest and other charges.										
Amount from GW to FB reconciliation for Capital Outlay	\$ 400,933	356,061	349,363	234,040	366,201	457,331	432,727	631,200	454,502	416,575

COUNTY of LOS ANGELES

Governmental Funds Expenditures and Revenues

Last Ten Fiscal Years



In Billions of Dollars



COUNTY OF LOS ANGELES
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED) (1)
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(2) Secured	(3) Unsecured	(4) Unitary	(5) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate
2006 - 2007	\$ 905,276,182	45,783,429	10,638,106	(36,182,793)	925,514,924	1.000000%
2007 - 2008	990,301,135	48,543,926	11,158,201	(40,091,971)	1,009,911,291	1.000000%
2008 - 2009	1,057,718,427	52,279,248	12,298,465	(41,418,999)	1,080,877,141	1.000000%
2009 - 2010	1,055,807,331	53,193,853	11,891,981	(45,881,461)	1,075,011,704	1.000000%
2010 - 2011	1,040,789,623	49,744,044	12,120,596	(47,184,173)	1,055,470,090	1.000000%
2011 - 2012	1,058,615,951	48,214,334	12,950,932	(49,248,993)	1,070,532,224	1.000000%
2012 - 2013 (6)	1,082,301,717	49,215,524	13,244,954	(50,875,260)	1,093,886,935	1.000000%
2013 - 2014	1,134,707,829	49,662,548	13,989,870	(53,103,768)	1,145,256,479	1.000000%
2014 - 2015	1,197,665,178	50,777,030	14,325,069	(54,911,046)	1,207,856,231	1.000000%
2015 - 2016	1,270,136,487	52,284,478	15,846,612	(55,760,332)	1,282,507,245	1.000000%

Notes:

- (1) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop 13), the County does not track the estimated actual value of all County properties. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on property not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.
- (2) Secured property is generally real property, as defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines.
- (3) Unsecured property is generally personal property including machinery, equipment, office tools and supplies.
- (4) Unitary properties are railroads, utilities and pipelines crossing the County and are assessed by the State Board of Equalization and the County Assessor. Effective FY 2012-13, Unitary pipelines previously reported under Secured, are now reported under Unitary.
- (5) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (6) Effective FY 2012-13, Secured property does not include the Unitary pipelines assessed by the County Assessor.

Source:
 Auditor-Controller, County of Los Angeles Taxpayers' Guide

COUNTY OF LOS ANGELES
PROPERTY TAX RATES
DIRECT AND OVERLAPPING RATES FOR TAX AREA #4 (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	County of <u>Los Angeles</u> Countywide Ad Valorem Tax (4)	Overlapping Rates (2) (3) (5)					Total Direct and Overlapping Rates
		Los Angeles County Detention Facilities (1)	Flood Control Districts (1)	Los Angeles City Tax District No. 1	School Districts	Metropolitan Water District	
2006 - 2007	1.000000	.000663	.000052	.045354	.128276	.004700	1.179045
2007 - 2008	1.000000	.000000	.000000	.038051	.132136	.004500	1.174687
2008 - 2009	1.000000	.000000	.000000	.038541	.146897	.004300	1.189738
2009 - 2010	1.000000	.000000	.000000	.041220	.174921	.004300	1.220441
2010 - 2011	1.000000	.000000	.000000	.038895	.227264	.003700	1.269859
2011 - 2012	1.000000	.000000	.000000	.038666	.203483	.003700	1.245849
2012 - 2013	1.000000	.000000	.000000	.037694	.224356	.003500	1.265550
2013- 2014	1.000000	.000000	.000000	.029754	.190980	.003500	1.224234
2014- 2015	1.000000	.000000	.000000	.028096	.187055	.003500	1.218651
2015- 2016	1.000000	.000000	.000000	.023030	.165464	.003500	1.191994

Notes:

- (1) The Secured Tax Rate and Ratios Report no longer includes the Detention Facilities & Flood Control Districts rates, as these bonds have matured.
- (2) The tax rate for Tax Rate Area #4, which applies to most property within the City of Los Angeles, is used to illustrate the breakdown of a tax rate within the County.
- (3) The County is divided into 12,814 tax rate areas which are unique combinations of various jurisdictions servicing a specific geographic area.
- (4) Article XIII(A) (Proposition 13) limits the maximum ad valorem tax rate to 1% of "full cash value" except for indebtedness approved by the voters prior to July 1, 1978. All other rates are calculated per \$100 of assessed value.
- (5) An exception to the 1% limit was provided by Proposition 46 which was approved in June, 1986 re-establishing authority of local governments to issue general obligation bonds for certain purposes.

Source:
Secured Tax Rate and Ratios Report from Auditor-Controller -Tax Division.

COUNTY OF LOS ANGELES
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
 CURRENT YEAR AND NINE YEARS AGO
 JUNE 30, 2016 AND JUNE 30, 2007 (in thousands)

Taxpayer	2016		2007		Percentage of Total Net Assessed Value
	Net Assessed Secured Property Value	Rank	Net Assessed Secured Property Value	Rank	
Southern California Edison Co.	\$ 7,014,906	1	\$ 3,575,648	1	0.57%
Douglas Emmett Residential	3,761,086	2	2,361,660	2	0.30%
EQR/ERP Limited	3,680,882	3			0.30%
Tesoro Refining and Marketing Co.	2,672,724	4			0.22%
Universal Studios LLC	2,174,124	5			0.18%
AT&T/Pacific Bell Telephone Co.	1,904,112	6	1,510,195	7	0.15%
Southern California Gas Co.	1,898,396	7	1,351,868	10	0.15%
Chevron USA Inc/Texaco/Unocal	1,810,897	8	1,960,019	4	0.15%
Maguire Properties	1,726,268	9	2,148,607	3	0.14%
Trizec Wilshire Center LLC	1,674,946	10	1,429,020	9	0.14%
BP West Coast Products			1,922,277	5	0.16%
Exxon/Mobil Corp.			1,511,845	6	0.22%
Verizon California Inc.			1,449,450	8	0.17%
Total	\$ 28,318,341		\$ 19,220,589		2.30%
					2.18%

Note:

(1) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$1,230,222,767 as of June 30, 2016 is based on Secured \$1,270,136,487 plus Unitary \$15,846,612 less exemptions of \$55,760,332. Total assessed value, \$879,731,495 as of June 30, 2007 is based on Secured \$905,276,182 plus Unitary \$10,638,106 less exemptions of \$36,182,793. (in thousands)

Source:
 Los Angeles County Treasurer and Tax Collector

COUNTY OF LOS ANGELES
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	Taxes Levied		Collections within the fiscal year of the levy		Collections in Subsequent Years (1)	Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2006 - 2007	\$ 10,632,956	96.1%	\$ 10,213,017	96.1%	\$ 419,939	\$ 10,632,956	100.0%
2007 - 2008	11,475,303	95.0%	10,905,099	95.0%	570,204	11,475,303	100.0%
2008 - 2009	12,317,105	95.4%	11,751,840	95.4%	565,265	12,317,105	100.0%
2009 - 2010	12,457,417	96.7%	12,047,862	96.7%	409,555	12,457,417	100.0%
2010 - 2011	12,651,611	97.6%	12,344,040	97.6%	301,981	12,646,021	99.9%
2011 - 2012	12,822,884	97.9%	12,556,003	97.9%	247,275	12,803,278	99.8%
2012 - 2013	13,286,464	98.2%	13,044,463	98.2%	191,296	13,235,759	99.6%
2013 - 2014	13,673,951	98.4%	13,452,687	98.4%	157,632	13,610,319	99.5%
2014 - 2015	14,394,534	98.4%	14,167,462	98.4%	114,468	14,281,930	99.2%
2015 - 2016	14,906,832	98.6%	14,704,346	98.6%	(2)	14,704,346	98.6%

Note:

(1) Reflects property taxes levied in prior years but collected in the current year.

(2) No amounts are shown in FY 2015-16 because the property taxes levied will be collected in the following fiscal year.

Source:

Auditor-Controller-Accounting Division-Property Tax Section

COUNTY OF LOS ANGELES
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS (In thousands, except per capita)

Governmental Activities

Fiscal Year	General Obligation Bonds	Assessment Bonds	Certificates of Participation and Bonds	Notes, Loans, and Other Debt	Accreted Interest	Unamortized Bond Premiums	Unamortized Loss on Advance Debt Refund	Pension Bonds Payable	Capital Leases
2006-07	\$ 370	\$ 304,235	\$ 876,106	\$ 403,622	\$ 94,692	\$ 50,079	\$ (40,818)	\$ 879,585	\$ 98,450
2007-08		269,995	812,318	395,838	116,475	48,036	(37,985)	668,539	173,369
2008-09		246,875	726,236	413,252	138,476	44,121	(34,848)	485,092	157,794
2009-10		222,660	670,242	414,651	160,642	40,195	(31,805)	256,717	148,073
2010-11		197,285	912,191	513,462	172,237	36,314	(28,942)		181,260
2011-12		170,725	863,211	563,381	172,662	32,259	(25,949)		190,746
2012-13 (3)		142,870	810,740	597,536	172,142	32,107	(23,165)		183,056
2013-14 (4)		113,615	770,872	681,090	170,583	27,908			174,121
2014-15		82,880	852,579	647,817	167,904	51,085			166,320
2015-16		50,610	1,031,590	389,706	164,005	85,091			158,410

Business-Type Activities

Fiscal Year	General Obligation Bonds	Certificates of Participation and Bonds	Notes, Loans, and Other Debt	Unamortized Bond Premiums	Pension Bonds Payable	Capital Leases	Total Primary Government (1)	Per Personal Income (2)	Per Capita (2)
2006-07	\$ 121	\$ 132,062	\$ 20,008	\$ 8,153	\$ 305,612	\$ 398	\$ 3,132,675	0.82%	\$ 303
2007-08	104	114,750	215,554	7,368	232,285	273	3,016,919	0.73%	291
2008-09	86	95,715	219,580	6,549	168,542	143	2,667,613	0.68%	257
2009-10	67	86,178	264,253	5,691	89,196		2,326,760	0.57%	223
2010-11	46	539,072	162,212	4,791			2,689,928	0.64%	273
2011-12	24	530,627	235,767	3,850			2,737,303	0.63%	276
2012-13 (3)		819,374	59,824	36,027			2,830,511	0.63%	283
2013-14		812,802	63,976	35,084			2,850,051	0.58%	283
2014-15		787,537	62,719	34,186			2,853,027	0.55%	280
2015-16		759,028	158,561	32,905			2,829,906	0.52%	276

Notes:

- (1) Details regarding the County's outstanding debt can be found in the notes to the financial statements.
- (2) See the "Demographic and Economic Statistics" table for personal income and population.
- (3) The outstanding debt was restated as a result of Community Development Commission becoming a discretely presented component unit rather than a blended component unit due to the implementation of GASB 61 in FY 2012-13.
- (4) The unamortized loss on advance debt refund, which was previously reported under bonds payable, is now reported as deferred outflows of resources due to the implementation of GASB 65 in FY 2013-14.

Source:
Auditor-Controller, County of Los Angeles

COUNTY OF LOS ANGELES
 RATIO OF NET GENERAL BONDED DEBT (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands except ratio and per capita)

Fiscal Year	Population (1)	Assessed Value (1)	General Bonded Debt (2)	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita
2006-07	10,332	\$ 925,514,924	\$ 370	.000000	\$ 0.0358
2007-08	10,364	1,009,911,291		.000000	0.0000
2008-09	10,393	1,080,877,141		.000000	0.0000
2009-10	10,441	1,075,011,704		.000000	0.0000
2010-11	9,858	1,055,470,090		.000000	0.0000
2011-12	9,912	1,070,532,224		.000000	0.0000
2012-13	10,019	1,093,886,935		.000000	0.0000
2013-14	10,069	1,145,256,479		.000000	0.0000
2014-15	10,192	1,207,856,231		.000000	0.0000
2015-16	10,254	1,282,507,245		.000000	0.0000

Notes:

- (1) See "Demographic & Economic Statistics" table for population and "Assessed Value and Actual Value of Taxable Property" table for assessed value.
- (2) Long-term general bonded debt outstanding included Detention Facilities and Flood Control general obligation bonds. The Detention Facilities matured on June 1, 2007 and the Flood Control bonds matured on November 1, 2007.

Source: Los Angeles Economic Development Corporation Economic Forecast: website:www.laedc.org

COUNTY OF LOS ANGELES
 ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
 JUNE 30, 2016

2015-16 Net Assessed Valuation	\$ 1,282,507,244,556	
Redevelopment Incremental Valuation	172,121,575,526	
Full Cash Value (2015-16)	<u>1,110,385,669,030</u>	(1)
Population - (2016)	10,253,500	(2)

	Debt
	June 30, 2016
Percent	
<u>Applicable</u>	
100	\$ 12,630,000
	<u>\$ 12,630,000</u>

DIRECT TAX AND ASSESSMENT DEBT:

Los Angeles County Flood Control District	\$ 44,897,442
Subtotal Direct Tax and Assessment Debt	<u>\$ 44,897,442</u>

OVERLAPPING TAX AND ASSESSMENT DEBT:

Metropolitan Water District	3,671,000,000
Los Angeles Community College District	2,681,716,187
Other Community College Districts	187,723,308
Arcadia Unified School District	263,394,622
Beverly Hills Unified School District	210,564,986
Glendale Unified School District	748,260,702
Long Beach Unified School District	10,457,615,000
Los Angeles Unified School District	411,370,000
Pasadena Unified School District	240,674,890
Pomona Unified School District	228,093,358
Redondo Beach Unified School District	339,223,144
Santa Monica-Malibu Unified School District	424,988,171
Torrance Unified School District	3,153,461,781
Other Unified School Districts	1,734,870,718
High School and School Districts	790,385,000
City of Los Angeles	104,940,000
City of Industry	57,490,000
Other Cities	1,245,000
Palos Verdes Library District	716,947,924
Community Facilities Districts	50,610,000
Los Angeles County Regional Park & Open Space Assessment District	<u>82,137,592</u>
1915 Act and Benefit Assessment Bonds - Estimate	26,601,609,825
Subtotal Overlapping Tax and Assessment Debt	<u>26,614,239,825</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,866,782,000</u>

DIRECT GENERAL FUND OBLIGATION DEBT:

Los Angeles County General Fund Obligations	\$ 1,866,782,000	(5)
Subtotal Direct General Fund Obligation Debt	<u>\$ 1,866,782,000</u>	

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Los Angeles County Office of Education Certificates of Participation	\$ 7,944,360
Community College District Certificates of Participation	53,308,597
Baldwin Park Unified School District Certificates of Participation	28,885,000
Compton Unified School District Certificates of Participation	20,490,000
Los Angeles Unified School District Certificates of Participation	273,805,000
Paramount Unified School District Certificates of Participation	28,900,000
Other Unified School District Certificates of Participation	159,905,734

Continued

COUNTY OF LOS ANGELES
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued
JUNE 30, 2016

High School and Elementary School District General Fund Obligations	Various (6)	123,500,972
City of Beverly Hills General Fund Obligations	100	150,120,000
City of Los Angeles General Fund & Judgment Obligations	100	1,641,916,794
City of Long Beach General Fund Obligations	100	179,140,000
City of Long Beach Pension Obligation Bonds	100	35,915,000
City of Pasadena General Fund Obligations	100	456,241,949
City of Pasadena Pension Obligation Bonds	100	119,460,000
Other Cities' General Fund Obligations	100	1,267,888,846
Los Angeles County Sanitation Districts Financing Authority	100	165,918,875
Subtotal Overlapping General Fund Obligation Debt		<u>4,713,341,127</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>6,580,123,127</u>
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation		(13,526,614)
Cities' supported bonds		(511,112,793)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 6,055,483,720</u>
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCIES)		\$ 4,217,803,365
GROSS COMBINED TOTAL DEBT		\$ 37,412,166,317 (7)
NET COMBINED TOTAL DEBT		<u>\$ 36,887,526,910</u>
TOTAL GROSS DIRECT DEBT		\$ 1,879,412,000
TOTAL NET DIRECT DEBT		\$ 1,879,412,000
TOTAL GROSS OVERLAPPING DEBT		\$ 35,532,754,317
TOTAL NET OVERLAPPING DEBT		\$ 35,008,114,910
RATIOS TO 2015-16 NET ASSESSED VALUATION		
Total Overlapping Tax and Assessment Debt		2.08%
RATIOS TO FULL CASH VALUE		
Gross Combined Direct Debt (\$1,879,412,000)		0.17%
Net Combined Direct Debt (\$1,879,412,000)		0.17%
Gross Combined Total Debt		3.37%
Net Combined Total Debt		3.32%
RATIOS TO REDEVELOPMENT INCREMENTAL VALUATION		
Total Overlapping Tax Increment Debt		2.45%

Notes:

- (1) This balance is reduced by homeowners exemptions of \$7,625,860,872.
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance and the U.S. Census Bureau as of January 1 of each year.
- (3) 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.
- (4) Excludes refunding issue to be sold.
- (5) Includes Assessment Bonds, Certificates of Participation, Notes, Loans and Other Debt, and Capital Leases.
- (6) 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.
- (7) 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.

Source:

California Municipal Statistics - for general information purposes only.

COUNTY OF LOS ANGELES
 COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1)		(2)		(3)	
	Assessed Value	Legal Debt Limit	Total Net Applicable Debt	Legal Debt Margin	Legal Debt Margin/Debt Limit	
2006 - 2007	\$ 925,514,924	\$ 11,568,937	\$ 11,568,937	100.00%	100.00%	
2007 - 2008	1,009,911,291	12,623,891	12,623,891	100.00%	100.00%	
2008 - 2009	1,080,877,141	13,510,964	13,510,964	100.00%	100.00%	
2009 - 2010	1,075,011,704	13,437,646	13,437,646	100.00%	100.00%	
2010 - 2011	1,055,470,090	13,193,376	13,193,376	100.00%	100.00%	
2011 - 2012	1,070,532,224	13,381,653	13,381,653	100.00%	100.00%	
2012 - 2013	1,093,886,935	13,673,587	13,673,587	100.00%	100.00%	
2013 - 2014	1,145,256,479	14,315,706	14,315,706	100.00%	100.00%	
2014 - 2015	1,207,856,231	15,098,203	15,098,203	100.00%	100.00%	
2015 - 2016	1,282,507,245	16,031,341	16,031,341	100.00%	100.00%	

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2016

Assessed valuation (net taxable)	\$ 1,282,507,245
Applicable percentage in computing capacity	1.25%
Total debt limit	\$ 16,031,341
Less: Total net applicable debt	
Legal debt margin, June 30, 2016	\$ 16,031,341

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value and Actual Value of Taxable Property" schedule.
- (2) The Legal Debt Limit is 1.25% of assessed value.
- (3) The Legal Debt Margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable from the Legal Debt Limit.

COUNTY OF LOS ANGELES
 PLEDGED-REVENUE COVERAGE (UNAUDITED)
 LAST TEN FISCAL YEARS

Fiscal Year	Calabasas Landfill Bond Fees				Regional Park and Open Space Special Assessment Bond					
	Revenue Collected	Principal	Debt Service Interest	Total Debt Service	Special Assessment Collection	Principal	Debt Service Interest	Total Debt Service	Coverage	
2006-07	\$ 3,034,497	\$ 1,265,000	\$ 1,652,634	\$ 2,917,634	\$ 78,930,000	\$ 21,475,000	\$ 16,020,653	\$ 37,495,653	2.11	
2007-08	3,126,998	1,365,000	1,608,359	2,973,359	78,613,000	34,240,000 (2)	16,867,000	51,107,000	1.54	
2008-09	(5,243,834)	1,490,000	1,546,934	3,036,934	79,140,000	23,120,000	12,821,950	35,941,950	2.20	
2009-10	1,003,124	1,610,000	1,484,784	3,094,784	80,130,000	24,215,000	11,691,825	35,906,825	2.23	
2010-11	713,746	1,735,000	1,424,409	3,159,409	80,152,000	25,375,000	10,514,544	35,889,544	2.23	
2011-12	679,673	1,860,000	1,359,346	3,219,346	79,484,000	26,560,000	9,270,388	35,830,388	2.22	
2012-13	637,823	2,010,000	1,275,646	3,285,646	80,380,000	27,855,000	7,925,013	35,780,013	2.25	
2013-14	591,361	2,165,000	1,182,721	3,347,721	80,455,000	29,255,000	6,497,263	35,752,263	2.25	
2014-15	545,354	2,325,000	1,090,709	3,415,709	80,090,000	30,735,000	4,997,513	35,732,513	2.24	
2015-16 (1)					28,889,000	32,270,000	3,422,388	35,692,388	0.81	

Notes:
 (1) Disclosure for FY 2015-16 and thereafter is not necessary due to refunding of Calabasas Landfill Project Series 2005 on September 2, 2015 by the issuance of Lease Revenue Refunding Bonds, 2015 Series B.
 (2) Reflects additional redemptions related to the Regional Park and Open Space District Refunding Revenue Bonds Series 2007 A.

COUNTY OF LOS ANGELES
 DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands)

Year	Population County of Los Angeles *	Personal Income *	Per Capita Personal Income (1)	School Enrollment (2) **	Unemployment Rate *
2007	10,332	\$ 379,824,000	\$ 36,762	1,673	4.4%
2008	10,364	411,000,000	39,657	1,648	6.2%
2009	10,393	392,000,000	37,718	1,632	11.7%
2010	10,441	405,000,000	38,789	1,575	12.3%
2011	9,858	420,900,000	42,696	1,590	12.3%
2012	9,912	435,300,000	43,916	1,578	11.1%
2013	10,019	451,100,000	45,024	1,564	9.8%
2014	10,069	487,900,000	48,456	1,553	8.2%
2015	10,192 (3)	521,900,000 (3)	51,207	1,539	6.9% (3)
2016	10,254 (4)	545,100,000 (4)	53,160	1,523	6.2% (4)

Notes:

- (1) Amounts shown are in actual dollars (not thousands).
- (2) Public school enrollment.
- (3) Amount revised from prior year.
- (4) Amount is a projection as of February 2016.

Sources:

- * Los Angeles Economic Development Corporation Economic Forecast: website address: www.laedc.org.
- ** California Department of Education website address: www.cde.ca.gov.

COUNTY OF LOS ANGELES
 TEN LARGEST INDUSTRIES (1)
 CURRENT YEAR AND NINE YEARS AGO

Industry	June 30, 2016			June 30, 2007		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Trade, Transportation and Utilities	825,000	1	17.27%	812,300	1	17.65%
Educational & Health Services	769,800	2	16.11%	615,800	2	13.38%
Professional & Business Services	616,100	3	12.89%	608,000	3	13.21%
Government	572,500	4	11.98%	604,600	4	13.13%
Leisure & Hospitality	514,600	5	10.77%	404,100	6	8.78%
Manufacturing	356,400	6	7.46%	453,800	5	9.86%
Financial Activities	220,400	7	4.61%	245,200	7	5.33%
Information	209,300	8	4.38%	212,000	8	4.61%
Other Services	154,200	9	3.23%	148,700	10	3.23%
Construction	131,400	10	2.75%	160,200	9	3.48%
Ten largest industries	4,369,700		91.45%	4,264,700		92.66%
All other industries	408,600		8.55%	338,000		7.34%
Total industries	4,778,300		100.00%	4,602,700		100.00%

Note:
 (1) We are presenting employment by industry because we have been unable to obtain employment numbers for individual employers.

Source:
 State of California Employment Development Department website address: www.edd.ca.gov/labormarketinfo.

COUNTY OF LOS ANGELES
 FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION / PROGRAM (UNAUDITED)
 LAST TEN FISCAL YEARS

Function/Program (1) and (2)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (4)	2013-14 (4)	2014-15	2015-16
General Government	11,185	11,692	11,605	11,100	10,831	10,680	10,578	10,528	10,571	10,764
Public Protection (3)	39,528	41,560	42,583	36,378	35,428	35,433	33,702	33,556	33,537	33,664
Health and Sanitation	27,072	27,395	27,345	26,826	26,133	26,029	25,839	26,431	27,144	27,703
Public Assistance	20,329	20,867	20,940	20,665	20,280	20,043	19,963	20,346	20,808	21,376
Education	1,871	1,878	1,829	1,622	1,481	1,431	1,459	1,442	1,432	1,475
Recreation and Cultural Services	2,649	2,977	3,075	2,861	2,761	2,812	2,811	2,853	2,839	2,898
Total	102,634	106,369	107,377	99,452	96,914	96,428	94,352	95,156	96,331	97,880

Notes:

- (1) Full time equivalent count is calculated by dividing the total number of man-months paid by 12. Full time equivalent employees include all employees on the County's payroll system.
- (2) Specific data for Public Ways and Facilities is not available.
- (3) Beginning with 2009 -10, totals reflect the exclusion of Superior Court employees that are no longer on the County's payroll and are identified as State employees.
- (4) Restated FY 2012-13 and FY 2013-14 due to migration from CW/TAPPS to TIMEI, which occurred in April 2012, to eliminate duplicate entries. Figures have been revised from previous publication.

Source:
 Employee Count study performed by the Auditor-Controller - Accounting Division.

COUNTY OF LOS ANGELES
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program (9)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
General Government										
Assessor - Number of re-appraisable transfers processed	168,592	148,999	153,807	164,464	158,643	149,864	146,369	150,006	138,322	137,918
Auditor-Controller - Number of warrants issued monthly (1)	235,336	239,750	254,316	221,097	220,649	230,243	222,142	215,210	189,729	177,203
Registrar-Recorder - Number of registered voters	5,323,698	5,663,074	5,880,094	7,963,267	5,877,366	6,026,350	6,328,413	6,293,102	6,394,639	6,517,088
Public Protection										
Sheriff - Inmate population (10)	19,300	19,600	19,300	18,000	15,300	16,400	18,710	18,951	19,041	16,740
Sheriff - Crime rate total (2)	299,51	302,20	290,65	249,44	246,84	252,13	252,20	231,93	235,60	250,30
Probation - Juvenile halls/camps population (11)	4,000	4,000	2,800	2,600	2,385	2,354	2,004	1,635	1,438	1,270
Health and Sanitation										
Health Services - Average daily inpatient census (12)	1,415	1,317	1,293	1,313	1,321	1,263	1,234	1,213	1,212	1,182
Health Services - Outpatient visits (13)	2,665,000	2,631,000	2,710,000	2,817,000	2,811,000	2,970,000	3,161,000	2,966,000	2,402,000	2,462,000
Mental Health - Number of outpatient services to children and youth (3)	51,016	53,115	57,518	61,835	62,732	69,708	73,513	73,062	61,111	78,930
Public Assistance										
Children and Family Services - Child protective services caseloads	531,500	518,700	479,900	498,100	521,600	539,700	533,500	540,200	533,500	515,300
Children and Family Services - Adoption caseloads	22,300	23,500	24,300	24,800	24,500	23,900	23,800	23,700	22,700	22,400
Public Social Services - Average persons aided monthly thru CalWorks (4)	358,200	351,300	369,700	409,100	442,200	438,400	428,100	422,800	410,100	386,100
Public Social Services - Average number of indigents aided monthly	59,000	62,900	74,900	91,700	106,600	108,100	104,800	104,800	97,100	91,200
Community and Senior Services - Number of vulnerable adults served	26,450	27,671	27,828	28,779	30,654	33,187	36,788	37,779	38,558	42,341
Education										
Public Library - Number of items which circulate to the public (8)	15,000,000	15,000,000	10,926,000	6,817,165	6,795,552	6,788,216	6,048,903	5,839,322	4,930,145	4,799,808
Recreation and Culture										
Museum of Art - Total education program participants (5)	200,103	305,645	326,922	307,121	423,560	487,297	512,658	502,269	530,163	526,919
Museum of Natural History - Annual attendance (6)	859,569	874,725	873,230	858,297	933,588	1,162,231	1,012,661	1,140,844	1,131,507	1,291,131
Parks and Recreation - Total passive and active park users (7)	10,713,000	11,058,046	10,309,706	11,405,713	11,020,797	11,290,652	11,403,559	11,517,595	11,626,319	11,824,089

Notes:

- (1) Conversion of participants and vendors to electronic benefit transfer (EBT) and direct deposit in January 2009.
- (2) Represents number of offenses per 10,000 residents and refers to most serious crimes.
- (3) Data includes fee-for-service outpatient clients and costs. FY2014-15 have lag times of data due to implementation of Integrated Behavioral Health Information System on October 16, 2015.
- (4) CalWorks is California's program to administer the Federal Temporary Assistance for Needy Families blockgrant that provides temporary financial support and supportive services to eligible adults with children to enable them to transition from welfare to work and to achieve economic self-sufficiency.
- (5) In 2007-08 reflects spike for Broad Contemporary Art Museum (BCAM) activities.
- (6) Reflects admission to Exposition Park, George C. Page Museum and William S. Hart Museum. Projected increase in attendance based on opening of renovated galleries and new exhibits.
- (7) Information based on periodic/seasonal observation. Passive activities include walking, jogging, running, leisure and picnic activities.
- (8) New system implemented in 2006-07, along with the new methodology for accumulating data. Revised holdings based on substantial collection review and catalog updating. FY2014-15 data went down due to weeding process.
- (9) Indicators are not available for the Public Ways and Facilities function.
- (10) The average length of stay that the inmates spend in jail in 2015-16 has decreased to 64 days as compared to an average of 66 days in 2014-15.
- (11) Beginning FY 2012-13 figures reflects three camps that are temporary closed.
- (12) DHS estimates the FY 2015-16 inpatient census to remain at a similar level as the FY 2014-15. DHS is making operational changes to transform into integrated health system that can address the challenges posed by the Affordable Care Act (ACA) implemented on January 1, 2014.
- (13) Fiscal Year 2012-13 expansion capacity of Community Clinic approved by the Board.

Sources:

2016-2017 Recommended County Budget and Departments

COUNTY OF LOS ANGELES
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
 LAST TEN FISCAL YEARS

Function/Program (1)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Public Protection										
Animal Shelters	6	6	6	6	6	6	6	6	6	6
Public ways and facilities										
Mileage of maintained County roads	3,198	3,213	3,217	3,219	3,219	3,218	3,206	3,187	3,187	3,187
Miles of unincorporated County bikeways	141	141	145	145	148	148	162	171	182	175
Airports	5	5	5	5	5	5	5	5	5	5
Dams	15	15	14	14	14	14	15	14	14	14
Storm drains, in miles	2,865	2,800	2,972	3,010	3,070	3,100	3,200	3,331	3,348	3,357
Flood pump stations	45	45	45	45	45	48	48	48	48	48
Health and Sanitation										
Hospitals	5	4	4	4	4	4	4	4	4	4
Health centers	18	18	18	18	18	17	17	17	17	17
Education										
Libraries	84	84	85	85	85	84	85	85	86	86
Bookmobiles	4	4	4	5	5	4	3	3	3	3
Recreation and Cultural services										
Museums (2)	4	4	4	4	5	5	5	5	5	5
Arboretums and Botanic Gardens	4	4	4	4	4	4	4	4	4	4
Golf courses (3)	19	19	19	19	19	19	19	19	20	20
Beaches	20	20	17	17	14	14	14	14	14	14
Boat Slips	5,246	4,796	4,832	4,800	4,700	4,700	4,700	4,700	4,700	4,614

Note:

- (1) No capital asset indicators are available for the General Government or Public Assistance functions.
- (2) April 2011, opening of La Plaza de Cultura y Artes Museum.
- (3) On May 12, 2015, the Board approved to occupy, operate and make improvements of Norwalk Golf Course.

Source:

2015-16 Recommended Budget book, Department of Public Works website, Sheriff's Department website and Department of Health Services website.