

**County of Los Angeles
Comprehensive Annual Financial Report**

Fiscal Year Ended June 30, 2004
J. Tyler McCauley • Auditor/Controller

COUNTY OF LOS ANGELES
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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INTRODUCTORY SECTION



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

December 10, 2004

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, 2004. The report contains financial statements that have been prepared in accordance with generally accepted accounting principles 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.

This is the third year that the CAFR has been prepared in conformance with new financial reporting requirements established by Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The County is required by GASB 34 to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This narrative is referred to as "Management's Discussion and Analysis" (MD&A) and it includes comparative financial information.

The CAFR consists of three sections: introductory, financial and statistical. The introductory section is composed of this letter, an organization chart of the County, and a listing of the members of the Board of Supervisors and principal County officials. The financial section includes the Independent Auditor's Report, the MD&A, the Basic Financial Statements (including notes) and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that are designed to provide an overview of the County's entire financial operations. In addition, the fund financial statements present financial information of each of the County's major funds, as well as non-major funds, fiduciary funds, and other funds. The statistical section includes other financial information and also demographic information, generally presented on a multi-year basis.

Honorable Board of Supervisors
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The report includes financial data for all County funds and the following additional entities which are considered part of the County for purposes of meeting the reporting entity requirements prescribed by the Governmental Accounting Standards Board:

Fire Protection District	Regional Park and Open Space District
Flood Control District	Garbage Disposal Districts
Street Lighting Districts	Sewer Maintenance Districts
Improvement Districts	Waterworks Districts
Community Development	Los Angeles County Employees
Commission (including the	Retirement Association
Housing Authority of the	Los Angeles County Capital Asset
County of Los Angeles)	Leasing Corporation
Children and Families First	Various Joint Powers Authorities
Commission	

The above entities are regarded as component units of the County and have been included in the County's basic financial statements because the Board of Supervisors is financially accountable for them. All component units have been blended into the basic financial statements except for the Children and Families First Commission, which is 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 services to the residents of the County, including over eighty cities, one hundred school districts and numerous special districts that provide specialized services to the County's residents. The operations of these entities have not been 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 City of Los Angeles, Los Angeles Unified School District and Los Angeles County Sanitation Districts. 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 ten million, as of January 2004, its population is the largest of any county in the nation.

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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 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 the Board of Supervisors and the other elected County officials. The affected officials are limited to three consecutive terms commencing December 2002.

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. 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 CONDITION AND OUTLOOK

Los Angeles County serves as the central trade district for the western United States and controls nearly three quarters of the Pacific Coast trade with Asia. The County remains a leader in the communications industry, has established itself as a leading financial center and serves as the western headquarters for many national industrial and financial firms.

The County's economic outlook began to recover from a mild recession during 2003, and the recovery continued during 2004. Current unemployment rates are projected to decrease to 6.5%, which is down from the 6.8% levels experienced in 2002. The recovery is evidenced by defense and aerospace work that has flowed into the County. There has

Honorable Board of Supervisors
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also been support from the construction of major projects, including port expansions, the ongoing replacement of the County's LAC+USC Medical Center, the UCLA Medical Center, and the engineering phase of the Gold Line extension into East Los Angeles.

The County's real estate market maintained its relative strength in comparison to overall economic conditions. With continued high demand for housing, there were increases in both existing and new home sales, which went from 117,208 in 2002 to 118,131 in 2003. The County continued to experience growth in assessed property values and corresponding property tax revenues continued to trend upward during 2003-2004.

Low mortgage interest rates and population growth continue to support the County's homebuilding industry. As a result, the number of residential building permits issued each year has increased significantly from 14,383 in 1999 to 21,260 in 2003. Annual building permit valuations (both residential and non-residential) have steadily increased from \$6.9 billion in 1999 to \$8.0 billion in 2003.

FINANCIAL INFORMATION

INTERNAL AND BUDGETARY CONTROLS

The County has developed a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and to provide 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 and that 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 August 30 of each fiscal year. Expenditures are controlled at the object level for all budget units within the County, except for fixed asset expenditures which are controlled at the sub-object level.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures.

Honorable Board of Supervisors
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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 Audit Division performs periodic internal control, operational and management audits of the various departments to help ensure that prescribed procedures are followed and that operations are conducted in an efficient manner. In addition, the Auditor-Controller operates a fraud hotline that provides County employees and citizens with a way to anonymously report perceived fraudulent activities by County employees, vendors, contractors, inspectors, etc. Allegations reported over the hotline are evaluated and investigated, as appropriate.

CASH MANAGEMENT

The majority of the entities included in the CAFR have their funds on deposit with the Los Angeles County Treasury Pool (LACTP). The Treasurer invests LACTP funds primarily in certificates of deposit, obligations of various agencies of the federal government and of Los Angeles County, corporate notes, repurchase agreements, and commercial paper. In accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the basic financial statements reflect the fair value of investments.

The Treasurer's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Investments are placed in conformance with State law and Treasurer's investment policy approved by the Board. Any deviations from the policy are reported to the Los Angeles County Board of Supervisors monthly and the Treasury Oversight Committee quarterly.

While the Treasurer did not enter into any reverse repurchase agreements during 2003-2004, the Treasurer has determined that, prudently managed and controlled, the use of reverse repurchase agreements can provide incremental gains thereby adding value to the portfolio. The Treasurer's policy limits the maximum par value to \$500 million and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement.

Floating rate notes (derivatives) are used as part of the Treasurer's investment strategy. The Treasurer's investment policy precludes the use of complex or hybrid structured investments such as inverse floating rate notes, range notes, and interest only strips derived from mortgage pools.

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As of June 30, 2004, LACTP investments had the following maturity ranges:

<u>Maturity Period</u>	<u>% of Total</u>
1 to 60 days	32.7%
61 days to 1 year	44.9%
Over 1 year	22.4%

The Retirement Association's Board of Investments manages the Pension Trust Fund. Its investments are made in accordance with State law which authorizes a "Prudent Expert" guideline as to the form and type of investments which may be purchased. Examples of the fund's investments include domestic and global stocks and convertibles, obligations of various federal agencies, domestic corporate bonds, and real estate.

The average earnings rate for LACTP for 2003-2004 was 1.37 percent. For the second consecutive year, the Pension Trust Fund achieved positive performance with a total fund return of 16.5 percent.

The Governmental Accounting Standards Board has established rating criteria to be utilized as indicators, but not absolute measurements, of credit risk for deposits and investments. Credit risk is the risk that the issuer of a security will not redeem it. A low risk category is not necessarily good and a high risk category is not necessarily bad. Additional factors such as the internal controls and financial stability of the parties involved must be taken into consideration. As of June 30, 2004, all of the County's investments were in the low risk category. Note 4 to the basic financial statements provides additional information regarding deposits and investments.

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A and XIII B

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed one percent of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes which are required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

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The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the voters voting on a proposition subsequent to that date.

RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, crime, special events, public official bond, public safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. The County also has insurance on most major structures.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation and long-term disability, medical malpractice, law enforcement, theft and damage to property, errors and omissions and torts.

As discussed in Note 15 to the basic financial statements, the County's workers' compensation liabilities increased during 2003-2004. Workers' compensation costs continue to be a major concern for both public and private employers in California. Although State legislative reforms were begun in 2003, additional reforms will be necessary in upcoming years to improve the system in a manner that reasonably controls costs.

OTHER INFORMATION

INDEPENDENT AUDIT

The basic financial statements have been audited by KPMG LLP, with its subcontractor, Vasquez & Co. LLP. In accordance with the requirements of the Office of Management and Budget Circular A-133, as revised, the auditors are also in the process of completing an annual financial and compliance audit of federal funds received by the County. The County's single audit for 2002-2003 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 twenty-two fiscal years.

Honorable Board of Supervisors
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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 generally accepted accounting principles (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 auditors.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Tyler McCauley". The signature is fluid and cursive, with the first name "J. Tyler" and the last name "McCauley" clearly distinguishable.

J. Tyler McCauley
Auditor-Controller

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, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS AND PRINCIPAL COUNTY OFFICIALS

BOARD OF SUPERVISORS
Don Knabe, Chairman
Fourth District

Gloria Molina
First District

Zev Yaroslavsky
Third District

Yvonne B. Burke
Second District

Michael D. Antonovich
Fifth District

Violet Varona-Lukens
Executive Officer
Board of Supervisors

PRINCIPAL COUNTY OFFICIALS

Rick Auerbach
Assessor

Steve Cooley
District Attorney

Leroy D. Baca
Sheriff

David E. Janssen
Chief Administrative Officer

Mark J. Saladino
Treasurer and Tax Collector

J. Tyler McCauley
Auditor-Controller

Raymond G. Fortner, Jr.
County Counsel

COUNTY OF LOS ANGELES

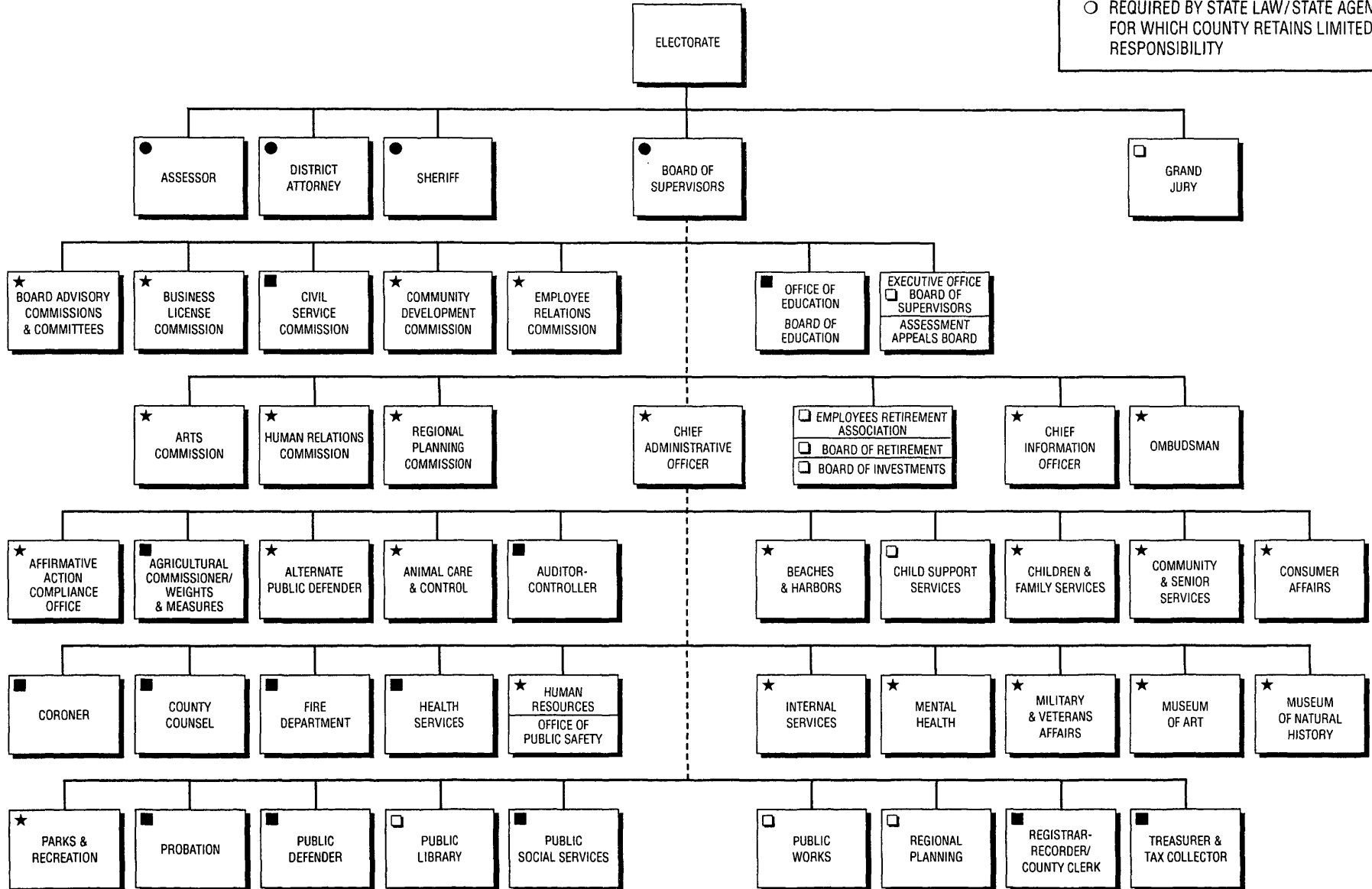
LEGEND

APPOINTEE

- REQUIRED BY COUNTY CHARTER
- REQUIRED OR AUTHORIZED BY STATE LAW
- ★ ESTABLISHED BY ORDINANCE OF THE BOARD OF SUPERVISORS

ELECTIVE

- REQUIRED BY COUNTY CHARTER
- REQUIRED BY STATE LAW/STATE AGENCIES FOR WHICH COUNTY RETAINS LIMITED RESPONSIBILITY





FINANCIAL SECTION



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County) as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Los Angeles County Employees' Retirement Association (LACERA), which statements are shown in the Pension Trust Fund of the basic financial statements, and the Children and Families First Commission (CFFC), shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for LACERA and CFFC, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2004 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20 and the schedule of funding progress on page 94 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Los Angeles' basic financial statements. The accompanying information identified in the table of contents as the introductory section, combining and individual fund statements and schedules, and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

December 10, 2004

COUNTY OF LOS ANGELES MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2004. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive \$1.246 billion. However, net assets are classified into three categories and the unrestricted component is negative \$2.794 billion. See further discussion on page 7.

During the current year, the County's net assets increased by a total of \$632 million. Net assets related to governmental activities increased by \$383 million, while net assets related to business-type activities increased by \$249 million.

At the end of the current year, the County's General Fund reported a total fund balance of \$1.888 billion. The amount of unreserved fund balance was \$1.537 billion. Of the unreserved total, \$659 million was designated.

The County's capital asset balances were \$4.279 billion at year-end and increased by \$203 million during the year. Infrastructure assets are reflected only to the extent that they were acquired since July 1, 2001. Retroactive infrastructure reporting has been deferred until future years as discussed on page 6.

During the current year, the County's total long-term debt decreased by \$299 million. Bond maturities of \$438 million exceeded the \$139 million of newly issued and accreted long-term debt.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Assets presents information on all County assets and liabilities, with the difference representing net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS-Continued

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

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

- **Governmental Activities** - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, recreation, and cultural services.
- **Business-type Activities** - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.
- **Discretely Presented Component Unit** - Component units are separate entities for which the County is financially accountable. The Children and Families First Commission is the only component unit that is discretely presented.

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 by 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

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

FUND FINANCIAL STATEMENTS-Continued

- Proprietary Funds - These funds are used to account for functions that were classified as “business type activities” in the government-wide financial statements. The County’s Internal Service Funds are also reported within the proprietary fund section. The County’s six Hospital Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.
- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County’s programs. The Pension Trust Fund, the Investment Trust Funds, and Agency funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets exceeded liabilities by \$1.246 billion at the close of the most recent fiscal year.

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

Summary of Net Assets
As of June 30, 2003 and 2004
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 5,342,504	\$ 5,205,776	\$ 1,294,232	\$ 1,226,589	\$ 6,636,736	\$ 6,432,365
Capital assets	<u>3,306,500</u>	<u>3,235,007</u>	<u>972,593</u>	<u>841,112</u>	<u>4,279,093</u>	<u>4,076,119</u>
Total assets	<u>8,649,004</u>	<u>8,440,783</u>	<u>2,266,825</u>	<u>2,067,701</u>	<u>10,915,829</u>	<u>10,508,484</u>
Current and other liabilities	1,172,476	1,230,278	174,608	172,570	1,347,084	1,402,848
Long-term liabilities	<u>6,367,421</u>	<u>6,484,227</u>	<u>1,955,260</u>	<u>2,007,332</u>	<u>8,322,681</u>	<u>8,491,559</u>
Total liabilities	<u>7,539,897</u>	<u>7,714,505</u>	<u>2,129,868</u>	<u>2,179,902</u>	<u>9,669,765</u>	<u>9,894,407</u>
Net assets:						
Invested in capital assets, net of related debt	2,384,009	2,210,640	622,282	495,549	3,006,291	2,706,189
Restricted net assets	928,616	907,155	105,557	127,192	1,034,173	1,034,347
Unrestricted net assets (deficit)	<u>(2,203,518)</u>	<u>(2,391,517)</u>	<u>(590,882)</u>	<u>(734,942)</u>	<u>(2,794,400)</u>	<u>(3,126,459)</u>
Total net assets	<u>1,109,107</u>	<u>726,278</u>	<u>136,957</u>	<u>(112,201)</u>	<u>1,246,064</u>	<u>614,077</u>
Total liabilities and net assets	<u>\$ 8,649,004</u>	<u>\$ 8,440,783</u>	<u>\$ 2,266,825</u>	<u>\$ 2,067,701</u>	<u>\$ 10,915,829</u>	<u>\$ 10,508,484</u>

As indicated above, the County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets (\$3.006 billion) represents its investment in capital assets (e.g., land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County began to capitalize newly acquired infrastructure assets during 2001-2002 in accordance with GASB 34. However, infrastructure assets acquired prior to July 1, 2001 are not yet reflected in the basic financial statements. GASB 34 provides a maximum period of four years for the County to identify and report infrastructure assets acquired before July 1, 2001, in the basic financial statements. The County is in the process of evaluating its infrastructure assets that were acquired in prior years to ensure that they are reported prior to the year ending June 30, 2006. Additional infrastructure assets, net of related debt, will increase this category of net assets.

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

Restricted Net Assets

The County's restricted net assets at year-end were \$1.034 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

The County's unrestricted net assets are negative \$2.794 billion. Both governmental and business-type activities reported deficits in this category of \$2.203 billion and \$591 million, respectively. The deficits are primarily due to unfunded liabilities related to workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. For the business-type activities, medical malpractice liabilities and third party payor liabilities are additional factors. At June 30, 2004, there were \$4.236 billion of liabilities recorded for all of the issues noted above and for all activities. Of this amount, the County's budget had funded approximately \$301 million as of June 30, 2004, which consists of \$139 million related to governmental activities and \$162 million related to business-type activities. The \$139 million represents the County's policy of funding the General Fund's share of liabilities that are payable within one year from the balance sheet date and is applied to accrued vacation and sick leave as well as litigation and self-insurance claims. The budgetary funding of \$162 million that has been provided for the business-type activities pertains to estimated third party payor liabilities for the County's hospitals.

In addition to the aforementioned liabilities, the County has recorded pension bonds payable of \$1.814 billion. Although the County has also recognized a pension related asset (referred to as "Net Pension Obligation"), the liability for the bonds exceeds the asset amount by \$1.225 billion. This difference consists of accreted interest (interest expense that accrues each year but is not payable until deferred periods) of \$531 million that is reported as part of the Pension Bonds Payable. Bond proceeds of \$400 million were applied to fund the County's pension cost in 1994-95, thereby reducing the pension asset amount. The remaining difference of \$294 million is due to timing differences between the amortization of the pension asset and the principal amount of the pension bonds.

For the governmental activities, voter-approved bonds issued by the Regional Park and Open Space District have had the effect of creating additional deficits. Although the County is required to record liabilities of \$376 million for outstanding bonds, the County's related assets are only \$127 million. The difference of \$249 million represents bond proceeds that have been distributed to cities and other eligible entities pursuant to the voter-approved bond measure. The bond covenants require the County to levy property taxes in future years to specifically repay the principal and interest on the bonds. Accordingly, the deficit related to these bonds is expected to be funded by the dedicated tax levy and will not require the use of discretionary County funds.

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

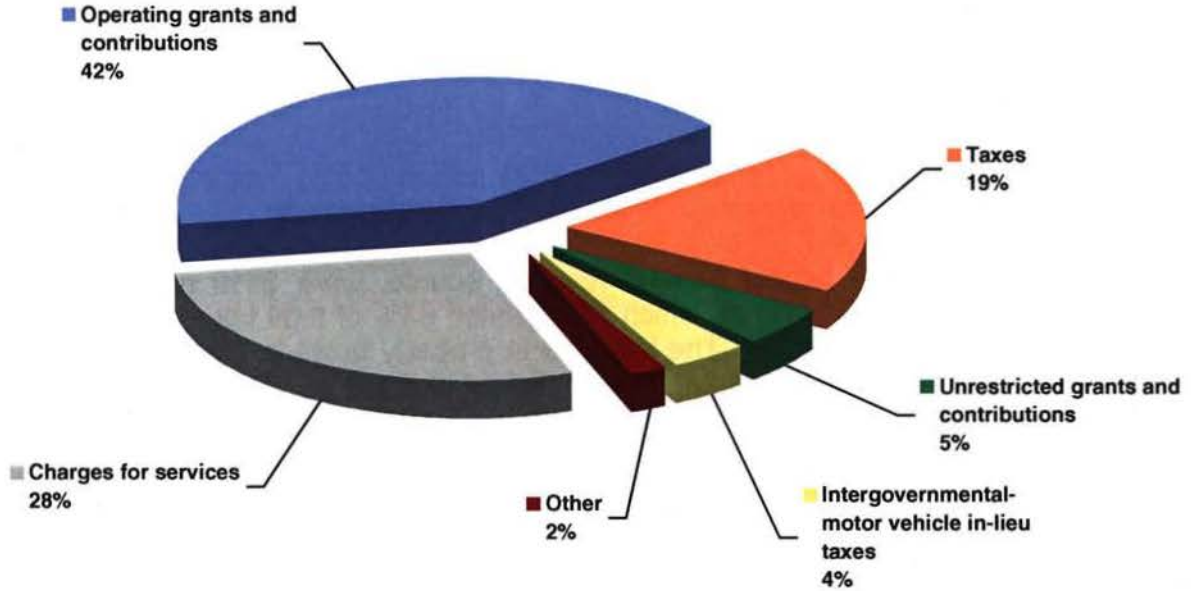
The following table indicates the changes in net assets for governmental and business-type activities:

**Summary of Changes in Net Assets
For the Years Ended June 30, 2003 and 2004
(in thousands)**

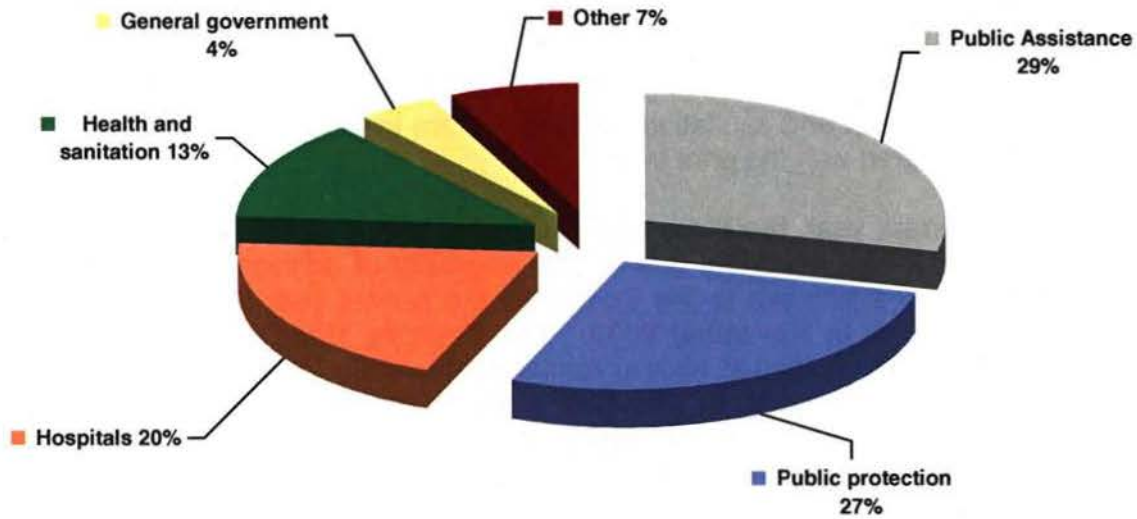
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 1,998,085	\$ 1,995,263	\$ 2,454,197	\$ 2,644,949	\$ 4,452,282	\$ 4,640,212
Operating grants and contributions	6,362,285	6,373,405	277,427	295,296	6,639,712	6,668,701
Capital grants and contributions	59,650	38,471	83,537	26,851	143,187	65,322
General revenues:						
Taxes	2,912,645	2,493,274	2,845	2,772	2,915,490	2,496,046
Intergovernmental-motor vehicle in-lieu taxes, not restricted	573,859	690,854			573,859	690,854
Unrestricted grants and contributions	711,961	703,520	32	32	711,993	703,552
Investment earnings	57,807	102,573	1,452	4,373	59,259	106,946
Miscellaneous	186,406	136,702	53,401	58,403	239,807	195,105
Total revenues	<u>12,862,698</u>	<u>12,534,062</u>	<u>2,872,891</u>	<u>3,032,676</u>	<u>15,735,589</u>	<u>15,566,738</u>
Expenses:						
General government	650,096	764,588			650,096	764,588
Public protection	4,044,824	4,177,049			4,044,824	4,177,049
Public ways and facilities	222,416	227,776			222,416	227,776
Health and sanitation	1,918,831	1,888,141			1,918,831	1,888,141
Public assistance	4,383,626	4,604,757			4,383,626	4,604,757
Education	77,207	75,079			77,207	75,079
Recreation and cultural services	229,541	228,008			229,541	228,008
Interest on long-term debt	240,494	270,336			240,494	270,336
Hospitals			3,063,732	3,158,458	3,063,732	3,158,458
Aviation			5,155	4,617	5,155	4,617
Waterworks			45,473	42,448	45,473	42,448
Community Development Commission			222,207	223,808	222,207	223,808
Total expenses	<u>11,767,035</u>	<u>12,235,734</u>	<u>3,336,567</u>	<u>3,429,331</u>	<u>15,103,602</u>	<u>15,665,065</u>
Excess (deficiency) before transfers	1,095,663	298,328	(463,676)	(396,655)	631,987	(98,327)
Transfers	(712,834)	(538,115)	712,834	538,115		
Changes in net assets	382,829	(239,787)	249,158	141,460	631,987	(98,327)
Net assets – beginning	726,278	966,065	(112,201)	(253,661)	614,077	712,404
Net assets – ending	<u>\$ 1,109,107</u>	<u>\$ 726,278</u>	<u>\$ 136,957</u>	<u>\$ (112,201)</u>	<u>\$ 1,246,064</u>	<u>\$ 614,077</u>

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

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004



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

The County's net assets increased by \$632 million overall during the current fiscal year. The increases for governmental and business-type activities were \$383 million and \$249 million, respectively. Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Revenues from governmental activities grew by \$329 million (2.6%) over the prior year. The most significant changes in revenue were experienced in the following areas:

- Taxes, the County's largest general revenue source, were \$419 million higher than the previous year. Property taxes, which represented 83% of total tax revenues, accounted for \$220 million of the increase. The increase in property taxes is consistent with the ongoing growth in the real estate market and continued upward trends in the County's assessed property values. During the current year, a voter-approved tax (referred to as "Health Services Measure B") became effective and generated approximately \$175 million of new tax revenues which are required to be used to support the Countywide system of trauma centers, emergency medical services, and bioterrorism response activities.
- Motor vehicle in-lieu taxes decreased by \$117 million (17%) during the current year. This is a general revenue source that the County receives from the State and its use is not restricted. During the current year, the State withheld approximately three months of such taxes that were allocable to local governments. The County's share of the withheld tax revenues was approximately \$204 million. On a year-to-year comparative basis, this revenue source demonstrated growth during the current year and would have increased if the County's share had not been withheld. The State has indicated its intent to pay the County the withheld amount in 2006-2007. However, the payment is not assured and the withheld amount has not been recognized in the County's financial statements.
- Investment earnings declined by \$45 million. Although cash and investments remained at prior year levels or higher, the yield from the County's Treasury Pool declined from 2.16% in the prior year to 1.37% in the current year.

Expenses related to governmental activities decreased by \$469 million during the current year. For all functional areas except health and sanitation, expenses were lower or substantially the same in the current year when compared with the prior year.

At the beginning of the current year, the State was confronted with a significant budget deficit and the County's budget outlook was uncertain due to the possibility of additional State curtailments. The State's budget remained a concern to the County as the current year progressed and a new State Governor assumed office in November 2003. The County's share of motor vehicle in-lieu taxes (beyond the \$204 million mentioned above) remained uncertain for the first half of the fiscal year. County departments proceeded to use their appropriations cautiously and there were restrictions relative to hiring and promoting employees. Accordingly, most County departments and programs concluded the current year with higher than normal levels of budgetary savings, thereby resulting in comparatively lower expenses. The additional uncertainties related to the State budget did not materialize and it was not necessary to reduce appropriations for the remainder of the year.

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

The public assistance functional area recognized the largest decrease in expenses (\$221 million) among all governmental activities. The County experienced a reduction in expenses associated with administering public assistance programs due to reduced caseloads. Workers compensation expenses also decreased by \$41 million during the current year for this functional area.

In the current year, public protection expenses decreased by \$132 million. Workers' compensation costs most significantly impact the public protection sector and such costs declined from \$458 million to \$317 million (a \$141 million reduction). In the prior year, workers' compensation costs were unusually high as the actuarial study incorporated a large increase in benefit levels and utilization. Although workers' compensation remains a significant employee benefit cost to the County, the most recent actuarial study did not exhibit the growth rate experienced in the previous year.

Health and sanitation recognized the largest increase in expenses (\$31 million) among all governmental activities. The increase was principally related to expanded health services associated with the County's Office of Managed Care and public health programs. There were also new expenses (\$11 million) incurred to fund private trauma and emergency services which were funded by the new Health Services Measure B revenues. Measure B funds also provided funding to the County's trauma and emergency hospitals. This funding is recognized as a transfer item and accounted for \$140 million of the net increase in transfers from governmental activities to business-type activities.

Business-type Activities

Revenues from business-type activities decreased by \$160 million (5.3%) in comparison to the prior year. The most significant changes were in the following areas:

- Net patient services revenues decreased by nearly \$200 million and were the principal reason for the overall decrease (\$191 million) in revenues from charges for services. The County's hospitals experienced a decrease in average daily census as the prior year average of 1,719 patients fell to 1,567 in the current year. Hospital revenues, and their composition, are also discussed in Note 11 to the basic financial statements.
- Capital grants and contributions increased by \$57 million and were attributable to intergovernmental revenues (primarily from the Federal Emergency Management Agency) associated with the rebuilding of the LAC+USC Medical Center. Construction activity and reimbursable costs related to this project accelerated during the current year.

Expenses related to business-type activities decreased from the previous year by \$93 million (2.7%). The most significant changes were in the following areas:

- Hospital expenses decreased by \$95 million overall. Salaries and benefits were \$77 million lower than they were in the previous year. As mentioned earlier in the analysis of governmental activities, there was restricted ability to hire and promote employees during the current year. In addition, workers' compensation costs, which increased substantially in the previous year, were lower in the current year by comparison. The average daily census decline was also a factor that reduced personnel costs.

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-Continued

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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. 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 \$3.412 billion, an increase of \$223 million in comparison with the prior year. Of the total fund balance, \$975 million is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional \$850 million has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining \$1.587 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were \$12.808 billion, an increase of \$330 million (2.6%) from the previous year. Expenditures for all governmental funds in the current year were \$11.904 billion, an increase of \$19 million from the previous year. In addition, other financing uses exceeded other financing sources by \$681 million, as compared to \$505 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 \$190 million (11.2%). At the end of the current fiscal year, the General Fund's total fund balance was \$1.888 billion. Of this amount, \$351 million was reserved and therefore unavailable for spending. Of the unreserved total of \$1.537 billion, \$659 million has been designated (earmarked) and the remaining \$878 million is considered both unreserved and undesignated.

General Fund revenues during the current year were \$11.006 billion, an increase of \$162 million (1.5%) from the previous year. General Fund expenditures during the current year were \$10.208 billion, an increase of \$127 million (1.3%) from the previous year. Other financing sources/uses-net was negative \$608 million in the current year as compared to negative \$577 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by \$174 million, primarily from property taxes.
- Expenditures increased in the functional areas of public protection (\$139 million) and health and sanitation (\$70 million), while public assistance expenditures decreased by \$125 million. The most significant increase in the area of public protection was related to a net cost increase of \$90 million for the Probation Department. In the prior fiscal year, a one-time grant funding opportunity provided a temporary reduction in probation-related costs. For health and sanitation, expenditures were higher for several health-related programs, especially public health and the County's Office of Managed Care. The decrease in public assistance expenditures was concentrated primarily in the program administration area.

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

Governmental Funds-Continued

The Fire Protection District reported a year-end fund balance of \$68 million, which represented an increase of \$45 million from the previous year. The increase was primarily due to a \$49 million increase (11.7%) in revenues from taxes.

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 are the six hospital enterprise funds and each one has been reported as a major fund. Each hospital enterprise fund incurred a net loss prior to contributions and transfers. The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The total subsidy amount was \$583 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of \$140 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"). The Measure B Fund became effective in 2003-2004 and receives funding from voter-approved taxes that are generally restricted to pay for costs associated with trauma centers, emergency medical services, and bioterrorism preparedness. Measure B funding was transferred to the LAC+USC Medical Center Fund (\$86.6 million) the Harbor/UCLA Medical Center Fund (\$27.5 million), the M.L. King/Drew Medical Center Fund (\$18.5 million) and the Olive View/UCLA Medical Center Fund (\$7.4 million).

Each hospital enterprise fund, with the exception of the LAC+USC Medical Center, concluded the year with a net asset deficit. The Public Works Internal Service Fund also reported a net asset deficit. As discussed in Note 2 to the basic financial statements, such deficits are expected to continue in the future.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 13 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 \$194 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

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

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 (Negative)
Taxes	\$ 154,609	\$ 2,049,908	\$ 1,995,280	\$ (54,628)
Intergovernmental revenues	87,712	7,676,454	7,234,191	(442,263)
Charges for services	(42,732)	1,234,045	1,221,951	(12,094)
All other revenues	108,889	522,491	577,022	54,531
Other sources and transfers	<u>47,143</u>	<u>550,429</u>	<u>504,156</u>	<u>(46,273)</u>
Total	<u>\$ 355,621</u>	<u>\$ 12,033,327</u>	<u>\$ 11,532,600</u>	<u>\$ (500,727)</u>

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated \$356 million. The most significant increases occurred in the following areas:

- The budget for tax revenues was increased by \$155 million. The County's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and other tax related revenues.
- Estimated revenues from intergovernmental sources were increased by \$88 million. During the fiscal year, approximately \$45 million of federal and State funds were used to augment the budget for mental health and health services programs. Approximately \$17 million of State funding was added to programs operated by the Department of Community and Family Services, primarily for foster care. Estimated revenues from Homeland Security grant funds (\$15 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining \$11 million that was increased from the amounts originally budgeted from intergovernmental revenues.
- The increase of \$109 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of \$101 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous amounts totaling \$8 million were also added to this revenue category.

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

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$501 million lower than budget. As discussed below, most of this variance was concentrated in the area of intergovernmental revenues.

- Actual intergovernmental revenues were \$442 million lower than the amount budgeted. Social service programs accounted for approximately \$202 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. An additional \$158 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. The remaining amount was related to mental health and various other programs (\$82 million).

Budgetary Summary - Expenditures/Other Financing Uses

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

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance- Positive
General government	\$ 23,659	\$ 890,143	\$ 660,987	\$ 229,156
Public protection	35,363	3,415,778	3,282,991	132,787
Health and sanitation	(32,242)	2,384,079	2,309,710	74,369
Public assistance	28,936	4,722,384	4,299,881	422,503
All other expenditures	(1,347)	523,829	251,389	272,440
Transfers out	33,696	612,780	611,550	1,230
Contingencies	139,739	162,265		162,265
Reserves/designations-net	<u>127,817</u>	<u>430</u>	<u>(77,831)</u>	<u>78,261</u>
Total	<u>\$ 355,621</u>	<u>\$ 12,711,688</u>	<u>\$ 11,338,677</u>	<u>\$ 1,373,011</u>

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately \$356 million. As discussed below, the most significant increases were related to contingencies and designations.

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

Changes from Amounts Originally Budgeted-Continued

- After the original budget was established, appropriations for contingencies were increased by \$140 million. This increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.
- Provisions for net reserves and designations were increased during the year by \$128 million. This amount was primarily due to a net increase in the designation for health services. This designation was funded by tobacco settlement revenues received during the year (\$101 million) plus the unused balance of amounts received in prior years, including interest (\$32 million). Miscellaneous reductions of approximately \$5 million were made to other designations.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were nearly \$1.4 billion lower (approximately 11%) than the final total budget of \$12.7 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

- Actual public assistance expenditures were \$423 million lower than the final budget. Nearly all of this variance was concentrated in programs operated by the Department of Public Social Services. Factors that led to this variance included staffing vacancies that were higher than anticipated and reduced caseloads relative to the CalWORKs and CAPI programs. Expenditures were also lower than expected in the areas of technology and Performance Incentive projects.
- The category referred to as "all other expenditures" reflected actual spending of \$272 million less than the budgeted amount. Nearly all (\$267 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects.
- The general government function reported actual expenditures that were \$229 million less than the amount budgeted. Of this amount, \$161 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and extraordinary maintenance and repairs. The remaining \$68 million was spread across virtually every department comprising general government and was mostly related to salary savings (a hiring freeze existed throughout the year) and savings in services and supplies.

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

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

- Overall expenditures for the public protection functional category were \$133 million less than the budgeted amount. This difference was mostly concentrated in two non-departmental budget units, Disaster Recovery (\$73 million) and Emergency Preparedness (\$14 million). The Sheriff's Department expended approximately \$15 million less than was appropriated and the remaining \$31 million was derived from various other public protection agencies. The Disaster Recovery and Emergency Preparedness variances were due to unused appropriations that were set aside provisionally for County disasters and emergencies. The Sheriff's Department and the various other public protection agencies realized appropriation savings, primarily due to hiring and promotional restrictions that remained in effect throughout the fiscal year.

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2004 were \$4.279 billion (net of depreciation). Capital assets include land, buildings and improvements, machinery and equipment. Infrastructure assets have also been recognized for activity that occurred during the current year. Specific changes related to governmental and business-type activities are presented in Note 5 to the basic financial statements. As discussed earlier, the County has deferred recognition of infrastructure assets acquired prior to July 1, 2001.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$203 million or 5%, as shown in the table below.

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

	<u>Current Year</u>	<u>Prior Year</u>	<u>Increase (Decrease)</u>
Land	\$ 395,135	\$ 393,666	\$ 1,469
Buildings and improvements	2,986,380	2,757,917	228,463
Infrastructure	136,781	92,897	43,884
Equipment	258,123	262,704	(4,581)
Construction-in-progress	<u>502,674</u>	<u>568,935</u>	<u>(66,261)</u>
Total	<u>\$ 4,279,093</u>	<u>\$ 4,076,119</u>	<u>\$ 202,974</u>

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

Major capital asset projects that represented new additions during the year included the following:

- New infrastructure costs were capitalized for completed projects and also for those that remained in progress at the end of the year. The projects were related to the County's Road Fund and Flood Control District's operations. The value of the new construction for these activities was \$27 million and \$16 million, respectively.
- The County continued to progress with the rebuilding of the LAC+USC Medical Center. The overall project cost remains at an estimated \$821 million. During the year, \$144 million of costs were capitalized.

Debt Administration

The following table indicates the changes in the County's long-term debt during the year:

Changes in Long-Term Debt
Primary Government - All activities
(in thousands)

	<u>Current Year</u>	<u>Prior Year</u>	<u>Decrease</u>
Bonds and Notes Payable	\$ 2,136,123	\$ 2,281,706	\$ 145,583
Pension Bonds Payable	<u>1,813,812</u>	<u>1,967,191</u>	<u>153,379</u>
Total	<u>\$ 3,949,935</u>	<u>\$ 4,248,897</u>	<u>\$ 298,962</u>

During the current year, the County's liabilities for long-term debt decreased by \$299 million, or 7%. Specific changes related to governmental and business-type activities are presented in Note 8 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- New debt of \$20 million was issued to finance the ongoing construction of the LAC+USC Medical Center. At this time, short-term commercial paper continues to be the method of financing this major project.
- New debt of \$10 million was issued to finance the acquisition of equipment. Equipment debt totaling \$18 million was redeemed during the year in accordance with maturity schedules.
- Pension bonds totaling \$232 million were redeemed during the year. This amount was offset by \$79 million related to the accretion of interest on outstanding bonds.

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

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$600 million in tax and revenue anticipation notes which reached maturity on June 30, 2004, and by periodic borrowing from available trust funds.

Bond Ratings

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

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa3	A+	
Pension Bonds	A1	A	
Facilities	A2	A	A
Equipment/Non-Essential Leases	A3	A	A
Short-Term	MIG1	SP-1+	F-1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA
Flood Control District Revenue Bonds	Aa1	AA-	AA-
Regional Park and Open Space District Bonds	Aa3	AA	

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2004-2005 Budget on June 21, 2004. The Budget was adopted based on estimated fund balances that would be available at the end of 2003-2004. The Board updated the Budget on September 28, 2004 to reflect final 2003-2004 fund balances and other pertinent financial information. For the County's General Fund, the 2004-2005 Budget, as updated in September 2004, utilized \$872 million of available fund balance.

The County's Budget continued to be impacted by ongoing uncertainties related to the State's Budget. The State adopted its 2004-2005 Budget in July 2004. One of the provisions contained in the State Budget was the implementation of a property tax revenue shift from local governments (including the County) to the State. This provision, known as the "Local Government Agreement," requires the County to forego approximately \$103 million of General Fund property tax revenues in each of two fiscal years, 2004-2005 and 2005-2006. The County Budget that was adopted in June 2004 anticipated the first year's loss of \$103 million. The remaining \$103 million revenue loss, although not effective until 2005-2006, was addressed by the Board on September 28, 2004 by utilizing available fund balance to establish a General Fund designation of like amount.

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

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2004 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION
ASSETS				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	\$ 2,253,321	\$ 136,106	\$ 2,389,427	\$ 678,498
Other (Note 1)	998,146	51,197	1,049,343	
Total pooled cash and investments	<u>3,251,467</u>	<u>187,303</u>	<u>3,438,770</u>	<u>678,498</u>
Other investments (Note 4)	267,844	10,970	278,814	
Taxes receivable	245,540	1,383	246,923	
Accounts receivable - net		746,412	746,412	
Interest receivable	7,899	381	8,280	2,080
Other receivables	1,106,640	21,534	1,128,174	11,158
Internal balances	(76,254)	76,254		
Inventories	91,862	23,994	115,856	2,999
Restricted assets (Note 4)	11,250	73,527	84,777	
Net pension obligation (Note 6)	436,256	152,474	588,730	
Capital assets: (Notes 5 and 7)				
Land and construction in progress	429,246	468,563	897,809	
Other capital assets, net of depreciation	<u>2,877,254</u>	<u>504,030</u>	<u>3,381,284</u>	<u>8,581</u>
Total capital assets	<u>3,306,500</u>	<u>972,593</u>	<u>4,279,093</u>	<u>8,581</u>
TOTAL ASSETS	<u>8,649,004</u>	<u>2,266,825</u>	<u>10,915,829</u>	<u>703,316</u>
LIABILITIES				
Accounts payable	307,315	73,199	380,514	9,350
Accrued payroll	367,812	82,656	450,468	847
Other payables	223,376	6,097	229,473	
Accrued interest payable	26,529	1,341	27,870	
Deferred revenue (Note 6)	64,456	11,315	75,771	
Advances payable	182,988		182,988	
Noncurrent liabilities: (Notes 6, 7, 8, 11 and 15)				
Due within one year	933,944	379,686	1,313,630	665
Due in more than one year	<u>5,433,477</u>	<u>1,575,574</u>	<u>7,009,051</u>	<u>7,834</u>
TOTAL LIABILITIES	<u>7,539,897</u>	<u>2,129,868</u>	<u>9,669,765</u>	<u>18,696</u>
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	2,384,009	622,282	3,006,291	82
Restricted for:				
Capital projects	3,437		3,437	
Debt service	31,277	89,796	121,073	
Expendable trust	2,187		2,187	
Nonexpendable trust	3,315		3,315	
Special purpose	888,400	15,761	904,161	684,538
Unrestricted (deficit)	<u>(2,203,518)</u>	<u>(590,882)</u>	<u>(2,794,400)</u>	
TOTAL NET ASSETS	<u>\$ 1,109,107</u>	<u>\$ 136,957</u>	<u>\$ 1,246,064</u>	<u>\$ 684,620</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, 2004 (in thousands)

PROGRAM REVENUE

FUNCTIONS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 650,096	\$ 371,723	\$ 58,002	\$ 11,166
Public protection	4,044,824	1,055,700	1,017,335	35,434
Public ways and facilities	222,416	16,420	136,062	1,459
Health and sanitation	1,918,831	357,229	1,280,730	2,410
Public assistance	4,383,626	36,618	3,866,819	
Education	77,207	2,909	1,882	
Recreation and cultural services	229,541	157,486	1,455	9,181
Interest on long-term debt	240,494			
Total governmental activities	<u>11,767,035</u>	<u>1,998,085</u>	<u>6,362,285</u>	<u>59,650</u>
Business-type activities:				
Hospitals	3,063,732	2,397,047	66,665	82,138
Aviation	5,155	2,683	45	1,399
Waterworks	45,473	44,344	435	
Community Development Commission	222,207	10,123	210,282	
Total business-type activities	<u>3,336,567</u>	<u>2,454,197</u>	<u>277,427</u>	<u>83,537</u>
Total primary government	<u>\$ 15,103,602</u>	<u>\$ 4,452,282</u>	<u>\$ 6,639,712</u>	<u>\$ 143,187</u>
COMPONENT UNIT -				
Children and Families First Commission	<u>\$ 85,564</u>	<u>\$</u>	<u>\$ 131,232</u>	<u>\$</u>

GENERAL REVENUES:

Taxes:
Property taxes
Sales and use taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Intergovernmental - State motor vehicle in-lieu taxes, not restricted to specific purposes
Grants and contributions not restricted to special programs
Investment earnings
Miscellaneous
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET ASSETS
NET ASSETS (DEFICIT), JULY 1, 2003
NET ASSETS, JUNE 30, 2004

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION	FUNCTIONS
\$ (209,205)	\$	\$ (209,205)		PRIMARY GOVERNMENT:
(1,936,355)		(1,936,355)		Governmental activities:
(68,475)		(68,475)		General government
(278,462)		(278,462)		Public protection
(480,189)		(480,189)		Public ways and facilities
(72,416)		(72,416)		Health and sanitation
(61,419)		(61,419)		Public assistance
(240,494)		(240,494)		Education
(3,347,015)		(3,347,015)		Recreation and cultural services
				Interest on long-term debt
				Total governmental activities
	(517,882)	(517,882)		Business-type activities:
	(1,028)	(1,028)		Hospitals
	(694)	(694)		Aviation
	(1,802)	(1,802)		Waterworks
	(521,406)	(521,406)		Community Development Commission
(3,347,015)	(521,406)	(3,868,421)		Total business-type activities
				Total primary government
			\$ 45,668	COMPONENT UNIT -
				Total - Children & Families First Commission
2,413,638	2,845	2,416,483		GENERAL REVENUES:
75,665		75,665		Taxes:
52,723		52,723		Property taxes
244,600		244,600		Sales and use taxes
79,333		79,333		Utility users taxes
46,686		46,686		Voter approved taxes
				Documentary transfer taxes
				Other taxes
573,859		573,859		Intergovernmental - State motor vehicle in-lieu taxes, not restricted to specific purposes
711,961	32	711,993		Grants and contributions not restricted to special programs
57,807	1,452	59,259	8,521	Investment earnings
186,406	53,401	239,807		Miscellaneous
(712,834)	712,834			TRANSFERS - NET
3,729,844	770,564	4,500,408	8,521	Total general revenues and transfers
382,829	249,158	631,987	54,189	CHANGE IN NET ASSETS
726,278	(112,201)	614,077	630,431	NET ASSETS (DEFICIT), JULY 1, 2003
\$ 1,109,107	\$ 136,957	\$ 1,246,064	\$ 684,620	NET ASSETS, JUNE 30, 2004

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	\$ 984,459	40,198	119,763	11,511
Other (Note 1)	783,305	22,646	5,257	2,422
Total pooled cash and investments	<u>1,767,764</u>	<u>62,844</u>	<u>125,020</u>	<u>13,933</u>
Other investments (Note 4)	7,116			126
Taxes receivable	169,996	42,335	14,424	6,034
Interest receivable	4,503	111	301	35
Other receivables	975,281	22,704	2,176	123
Due from other funds (Note 12)	454,899	5,652	10,341	1,610
Advances to other funds (Note 12)	272,228		6,712	
Inventories	29,843	6,195		968
TOTAL ASSETS	<u>\$ 3,681,630</u>	<u>139,841</u>	<u>158,974</u>	<u>22,829</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 238,415	3,647	4,840	2,648
Accrued payroll	314,676	31,349		3,470
Other payables	218,132	1,182		144
Due to other funds (Note 12)	615,635	3,238	19,512	2,875
Deferred revenue (Note 6)	216,796	30,629	14,339	4,555
Advances payable	167,613			
Third party payor liability (Notes 8 and 11)	22,636	1,372		
TOTAL LIABILITIES	<u>1,793,903</u>	<u>71,417</u>	<u>38,691</u>	<u>13,692</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	289,174	7,873	87,511	4,944
Inventories	29,843	6,195		968
Housing programs				
Debt service				
Endowments and annuities				
Other	31,548	25	3,008	15
Unreserved, designated for:				
Budget uncertainties	359,649			
Program expansion	299,357			1,022
Capital projects			19,478	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	878,156			
Special revenue funds		54,331	10,286	2,188
Capital projects funds				
TOTAL FUND BALANCES	<u>1,887,727</u>	<u>68,424</u>	<u>120,283</u>	<u>9,137</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,681,630</u>	<u>139,841</u>	<u>158,974</u>	<u>22,829</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 3)	TOTAL GOVERNMENTAL FUNDS
\$ 242,864	958,344		\$ 2,357,139
1,535	28,222		843,387
<u>244,399</u>	<u>986,566</u>		<u>3,200,526</u>
	628,114	(376,210)	259,146
2,885	9,866		245,540
644	2,171		7,765
5,655	80,283		1,086,222
208	23,248		495,958
	10,252		289,192
	48,017		85,023
<u>\$ 253,791</u>	<u>1,788,517</u>	<u>(376,210)</u>	<u>\$ 5,669,372</u>
\$ 5,346	47,620		\$ 302,516
	461		349,956
	3,215		222,673
3,598	221,580		866,438
6,273	33,243		305,835
	15,375		182,988
	2,504		26,512
<u>15,217</u>	<u>323,998</u>		<u>2,256,918</u>
91,211	106,422		587,135
	48,017		85,023
	2,260		2,260
	607,648	(376,210)	231,438
	3,315		3,315
	31,196		65,792
			359,649
22,915			323,294
			19,478
	147,484		147,484
			878,156
124,448	431,138		622,391
	87,039		87,039
<u>238,574</u>	<u>1,464,519</u>	<u>(376,210)</u>	<u>3,412,454</u>
<u>\$ 253,791</u>	<u>1,788,517</u>	<u>(376,210)</u>	<u>\$ 5,669,372</u>

ASSETS:

Pooled cash and investments: (Notes 1 and 4)
Operating (Note 1)
Other (Note 1)
Total pooled cash and investments
Other investments (Note 4)
Taxes receivable
Interest receivable
Other receivables
Due from other funds (Note 12)
Advances to other funds (Note 12)
Inventories
TOTAL ASSETS

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable
Accrued payroll
Other payables
Due to other funds (Note 12)
Deferred revenue (Note 6)
Advances payable
Third party payor liability (Notes 8 and 11)
TOTAL LIABILITIES

FUND BALANCES:

Reserved for:
Encumbrances
Inventories
Housing programs
Debt service
Endowments and annuities
Other
Unreserved, designated for:
Budget uncertainties
Program expansion
Capital projects
Special revenue funds - program expansion
Unreserved, undesignated, reported in:
General fund
Special revenue funds
Capital projects funds
TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004 (in thousands)

Fund balances - total governmental funds (page 25) \$ 3,412,454

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in governmental funds:

Land	\$	277,728	
Construction-in-progress		151,518	
Buildings and improvements - net		2,514,436	
Equipment - net		150,670	
Infrastructure - net		136,781	3,231,133

Other long-term assets are not available to pay for current-period expenditures and are deferred, or not recognized, in governmental funds:

Deferred revenue - taxes	\$	176,372	
Long-term receivables		87,588	263,960

The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements. 406,966

Accrued interest payable is not recognized in governmental funds. (26,187)

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 payable	\$	(1,696,425)	
Pension bonds payable		(1,253,817)	
Capital lease obligations		(134,574)	
Accrued vacation/sick leave		(554,118)	
Workers' compensation		(2,095,605)	
Litigation/self-insurance		(365,537)	
Third party payors		(160)	(6,100,236)

Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets. (78,983)

Net assets of governmental activities (page 21) \$ 1,109,107

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, 2004 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	\$ 1,987,861	468,261	68,855	52,572
Licenses, permits and franchises	57,236	8,135	231	
Fines, forfeitures and penalties	202,648	3,620	2,763	547
Revenue from use of money and property:				
Investment income (Note 4)	40,154	181	919	96
Rents and concessions (Note 7)	22,579	89	6,699	40
Royalties	186		103	
Intergovernmental revenues:				
Federal	3,046,567	5,485	5,240	6
State	4,094,655	13,294	1,695	2,370
Other	76,781	20,040	2,396	1,157
Charges for services	1,221,951	126,657	111,698	2,691
Proceeds from property owners				
Miscellaneous	255,183	114	1,554	599
TOTAL REVENUES	11,005,801	645,876	202,153	60,078
EXPENDITURES:				
Current:				
General government	657,184			
Public protection	3,095,417	584,385	179,825	
Public ways and facilities				
Health and sanitation	1,813,290			
Public assistance	4,203,618			
Education				79,285
Recreation and cultural services	170,171			
Debt service:				
Principal	151,444	7,362		1,657
Interest and other charges	74,374	2,705		601
Capital leases	13,830			
Capital outlay	28,312			
TOTAL EXPENDITURES	10,207,640	594,452	179,825	81,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	798,161	51,424	22,328	(21,465)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	76,013	18		25,898
Transfers out (Note 12)	(715,123)	(6,816)	(18,827)	(4,863)
Capital leases (Note 7)	28,312			
Sales of capital assets	2,634	56	708	13
TOTAL OTHER FINANCING SOURCES (USES)	(608,164)	(6,742)	(18,119)	21,048
NET CHANGE IN FUND BALANCES	189,997	44,682	4,209	(417)
FUND BALANCE, JULY 1, 2003	1,697,730	23,742	116,074	9,554
FUND BALANCE, JUNE 30, 2004	\$ 1,887,727	68,424	120,283	9,137

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 3)	TOTAL GOVERNMENTAL FUNDS
\$	253,294		\$ 2,830,843
	5,574		71,176
1,269	64,897		275,744
2,882	33,605	(20,183)	57,654
	41,622		71,029
	10		299
	91,544		3,148,842
	180,663		4,292,677
	13,202		113,576
77,606	76,321		1,616,924
	73		73
	71,464		328,914
<u>81,757</u>	<u>832,269</u>	<u>(20,183)</u>	<u>12,807,751</u>
	16,766		673,950
	74,693		3,934,320
	229,546		229,546
	92,231		1,905,521
	121,623		4,325,241
			79,285
56,367	4,672		231,210
	138,336	(18,525)	280,274
	124,888	(20,183)	182,385
			13,830
	20,224		48,536
<u>56,367</u>	<u>822,979</u>	<u>(38,708)</u>	<u>11,904,098</u>
<u>25,390</u>	<u>9,290</u>	<u>18,525</u>	<u>903,653</u>
	202,027		303,956
(38,888)	(236,314)		(1,020,831)
			28,312
	4,354		7,765
<u>(38,888)</u>	<u>(29,933)</u>		<u>(680,798)</u>
(13,498)	(20,643)	18,525	222,855
<u>252,072</u>	<u>1,485,162</u>	<u>(394,735)</u>	<u>3,189,599</u>
<u>\$ 238,574</u>	<u>1,464,519</u>	<u>(376,210)</u>	<u>\$ 3,412,454</u>

REVENUES:

Taxes
 Licenses, permits and franchises
 Fines, forfeitures and penalties
 Revenue from use of money and property:
 Investment income (Note 4)
 Rents and concessions (Note 7)
 Royalties
 Intergovernmental revenues:
 Federal
 State
 Other
 Charges for services
 Proceeds from property owners
 Miscellaneous
TOTAL REVENUES

EXPENDITURES:

Current:
 General government
 Public protection
 Public ways and facilities
 Health and sanitation
 Public assistance
 Education
 Recreation and cultural services
 Debt service:
 Principal
 Interest and other charges
 Capital leases
 Capital outlay
TOTAL EXPENDITURES

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES

OTHER FINANCING SOURCES (USES):

Transfers in (Note 12)
 Transfers out (Note 12)
 Capital leases (Note 7)
 Sales of capital assets
TOTAL OTHER FINANCING SOURCES (USES)

NET CHANGE IN FUND BALANCES

FUND BALANCE, JULY 1, 2003
 FUND BALANCE, JUNE 30, 2004

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, 2004 (in thousands)

Net change in fund balances - total governmental funds (page 29)	\$	222,855
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	\$ 184,681	
Less - current year depreciation expense	<u>(120,704)</u>	63,977
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance.		(13,154)
Revenue timing differences result in less revenue in government-wide statements.		25,233
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets:		
Pension bonds	\$ 160,463	
General obligation bonds	11,555	
Certificates of participation	98,892	
Assessment bonds	18,525	
Other long term notes and loans	<u>17,869</u>	307,304
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	\$ (241,869)	
Change in litigation/self-insurance	127,869	
Change in accrued vacation/sick leave	(3,928)	
Change in third party payors	1,960	
Change in accrued interest payable	(1,530)	
Accretion of pension bonds	<u>(54,411)</u>	(171,909)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(51,088)
The portion of internal service funds that is reported with governmental activities.		<u>(389)</u>
Change in net assets of governmental activities (page 23)	\$	<u><u>382,829</u></u>

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 -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 1,895,299	2,049,908	1,995,280	(54,628)
Licenses, permits and franchises	51,685	52,315	57,236	4,921
Fines, forfeitures and penalties	181,863	182,802	202,648	19,846
Revenue from use of money and property:				
Investment income	50,144	52,620	40,748	(11,872)
Rents and concessions	25,423	25,423	22,579	(2,844)
Royalties	232	232	186	(46)
Intergovernmental revenues:				
Federal	3,518,577	3,558,243	3,043,288	(514,955)
State	3,951,260	3,998,811	4,112,686	113,875
Other	118,905	119,400	78,217	(41,183)
Charges for services	1,276,777	1,234,045	1,221,951	(12,094)
Miscellaneous	104,255	209,099	253,625	44,526
TOTAL REVENUES	11,174,420	11,482,898	11,028,444	(454,454)
EXPENDITURES:				
Current:				
General government	866,484	890,143	660,987	(229,156)
Public protection	3,380,415	3,415,778	3,282,991	(132,787)
Health and sanitation	2,416,321	2,384,079	2,309,710	(74,369)
Public assistance	4,693,448	4,722,384	4,299,881	(422,503)
Recreation and cultural services	176,392	179,368	173,583	(5,785)
Debt Service-				
Interest	5,706	5,706	5,706	
Capital Outlay	343,078	338,755	72,100	(266,655)
TOTAL EXPENDITURES	11,881,844	11,936,213	10,804,958	(1,131,255)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(707,424)	(453,315)	223,486	676,801
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	2,048	2,077	2,634	557
Transfers in	501,238	548,352	501,522	(46,830)
Transfers out	(579,084)	(612,780)	(611,550)	1,230
Appropriation for contingencies	(22,526)	(162,265)		162,265
Changes in reserves and designations	127,387	(430)	77,831	78,261
OTHER FINANCING SOURCES (USES) - NET	29,063	(225,046)	(29,563)	195,483
NET CHANGE IN FUND BALANCE	(678,361)	(678,361)	193,923	872,284
FUND BALANCE, JULY 1, 2003 (Note 13)	678,361	678,361	678,361	
FUND BALANCE, JUNE 30, 2004 (Note 13)	\$		872,284	872,284

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 438,332	469,666	469,690	24
Licenses, permits and franchises	8,808	8,808	8,135	(673)
Fines, forfeitures and penalties	2,650	2,650	3,620	970
Revenue from use of money and property:				
Investment income			117	117
Rents and concessions	86	86	89	3
Intergovernmental revenues:				
Federal	5,453	5,453	5,485	32
State	11,463	15,011	13,294	(1,717)
Other	17,255	17,255	20,040	2,785
Charges for services	110,088	112,088	126,657	14,569
Miscellaneous	222	265	114	(151)
TOTAL REVENUES	594,357	631,282	647,241	15,959
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	528,552	545,334	520,475	(24,859)
Services and supplies	76,243	78,061	66,890	(11,171)
Other charges	5,814	5,814	4,777	(1,037)
Fixed assets	8,647	12,904	6,653	(6,251)
TOTAL EXPENDITURES	619,256	642,113	598,795	(43,318)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,899)	(10,831)	48,446	59,277
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	202	202	56	(146)
Transfers in	14,000	14,018	18	(14,000)
Transfers out	(3,351)	(6,146)	(6,146)	
Appropriation for contingencies	(13,290)	(24,581)		24,581
Changes in reserves and designations			1,831	1,831
OTHER FINANCING SOURCES (USES) - NET	(2,439)	(16,507)	(4,241)	12,266
NET CHANGE IN FUND BALANCE	(27,338)	(27,338)	44,205	71,543
FUND BALANCE, JULY 1, 2003 (Note 13)	27,338	27,338	27,338	
FUND BALANCE, JUNE 30, 2004 (Note 13)	\$		71,543	71,543

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 63,326	68,190	69,036	846
Licenses, permits and franchises	550	550	231	(319)
Fines, forfeitures and penalties	1,318	1,318	2,763	1,445
Revenue from use of money and property:				
Investment income	5,000	5,000	1,452	(3,548)
Rents and concessions	6,981	6,981	6,699	(282)
Royalties	1,200	1,200	103	(1,097)
Intergovernmental revenues:				
Federal	12,563	12,563	5,240	(7,323)
State	4,169	4,169	1,695	(2,474)
Other	1,752	1,752	2,396	644
Charges for services	110,927	110,927	111,392	465
Miscellaneous	210	210	1,554	1,344
TOTAL REVENUES	207,996	212,860	202,561	(10,299)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	184,395	183,813	180,513	(3,300)
Other charges	21,303	21,071	20,482	(589)
Fixed assets	21,937	22,751	3,455	(19,296)
TOTAL EXPENDITURES	227,635	227,635	204,450	(23,185)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(19,639)	(14,775)	(1,889)	12,886
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	150	150	708	558
Transfers out	(2,118)	(2,118)	(1,306)	812
Long-term debt proceeds	10,152	10,152		(10,152)
Appropriation for contingencies	(1,131)	(5,995)		5,995
Changes in reserves and designations			5,003	5,003
OTHER FINANCING SOURCES (USES) - NET	7,053	2,189	4,405	2,216
NET CHANGE IN FUND BALANCE	(12,586)	(12,586)	2,516	15,102
FUND BALANCE, JULY 1, 2003 (Note 13)	12,586	12,586	12,586	
FUND BALANCE, JUNE 30, 2004 (Note 13)	\$		15,102	15,102

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 -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 51,832	52,721	52,682	(39)
Fines, forfeitures and penalties			547	547
Revenue from use of money and property:				
Investment income	35	35	107	72
Rents and concessions	38	38	40	2
Intergovernmental revenues:				
Federal	48	48	6	(42)
State	2,518	2,518	2,370	(148)
Other	1,025	1,025	1,157	132
Charges for services	2,552	2,552	2,691	139
Miscellaneous	1,116	1,116	599	(517)
TOTAL REVENUES	59,164	60,053	60,199	146
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	53,912	53,662	52,482	(1,180)
Services and supplies	31,123	31,997	30,448	(1,549)
Other charges	843	843	743	(100)
Fixed assets	1,124	1,325	1,114	(211)
TOTAL EXPENDITURES	87,002	87,827	84,787	(3,040)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(27,838)	(27,774)	(24,588)	3,186
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets			13	13
Transfers in	24,989	25,814	25,898	84
Transfers out	(4,355)	(4,355)	(4,355)	
Appropriation for contingencies		(889)		889
Changes in reserves and designations	(80)	(80)	166	246
OTHER FINANCING SOURCES (USES) - NET	20,554	20,490	21,722	1,232
NET CHANGE IN FUND BALANCE	(7,284)	(7,284)	(2,866)	4,418
FUND BALANCE, JULY 1, 2003 (Note 13)	7,284	7,284	7,284	
FUND BALANCE, JUNE 30, 2004 (Note 13)	\$		4,418	4,418

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 -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 REGIONAL PARK AND OPEN SPACE DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 866	866	1,269	403
Revenue from use of money and property- Investment income	8,069	8,069	3,811	(4,258)
Charges for services	78,008	78,008	77,179	(829)
TOTAL REVENUES	86,943	86,943	82,259	(4,684)
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	10,178	10,178	4,845	(5,333)
Other charges	257,614	257,614	40,782	(216,832)
Fixed Assets			(214)	(214)
TOTAL EXPENDITURES	267,792	267,792	45,413	(222,379)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(180,849)	(180,849)	36,846	217,695
OTHER FINANCING SOURCES (USES):				
Transfers in	50,870	50,870	41,717	(9,153)
Transfers out	(89,583)	(89,583)	(80,605)	8,978
Long-term debt proceeds	125,980	125,980		(125,980)
Appropriation for contingencies	(1,915)	(1,915)		1,915
Changes in reserves and designations	(22,916)	(22,916)	7,976	30,892
OTHER FINANCING SOURCES (USES) - NET	62,436	62,436	(30,912)	(93,348)
NET CHANGE IN FUND BALANCE	(118,413)	(118,413)	5,934	124,347
FUND BALANCE, JULY 1, 2003 (Note 13)	119,827	119,827	119,827	
FUND BALANCE, JUNE 30, 2004 (Note 13)	\$ 1,414	1,414	125,761	124,347

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

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 4)					
Operating (Note 1)	\$ 429	276	106,360	401	76
Other (Note 1)	8,752	8,200	18,574	10,268	2,235
Total pooled cash and investments	<u>9,181</u>	<u>8,476</u>	<u>124,934</u>	<u>10,669</u>	<u>2,311</u>
Other investments (Note 4)					
Taxes receivable					
Accounts receivable - net	133,831	118,547	286,730	117,291	12,050
Interest receivable		5	306	1	
Other receivables	2,942	4,770	8,069	2,785	767
Due from other funds (Note 12)	153,370	96,388	346,457	112,888	10,565
Advances to other funds (Note 12)					
Inventories	3,010	2,703	12,870	3,645	761
Total current assets	<u>302,334</u>	<u>230,889</u>	<u>779,366</u>	<u>247,279</u>	<u>26,454</u>
Noncurrent assets:					
Restricted assets (Note 4)	4,988	6,435	28,079	11,089	442
Net pension obligation (Note 6)	23,991	15,932	62,997	26,736	5,548
Capital assets: (Notes 5 and 7)					
Land	1,001	1,842	18,183	2,277	13,329
Buildings and improvements	77,672	143,449	164,111	195,867	9,491
Equipment	30,329	15,410	82,627	40,050	5,149
Construction in progress	13,332		326,149		
Less accumulated depreciation	<u>(72,470)</u>	<u>(77,571)</u>	<u>(196,602)</u>	<u>(127,267)</u>	<u>(12,258)</u>
Total capital assets - net	<u>49,864</u>	<u>83,130</u>	<u>394,468</u>	<u>110,927</u>	<u>15,711</u>
Total noncurrent assets	<u>78,843</u>	<u>105,497</u>	<u>485,544</u>	<u>148,752</u>	<u>21,701</u>
TOTAL ASSETS	<u>381,177</u>	<u>336,386</u>	<u>1,264,910</u>	<u>396,031</u>	<u>48,155</u>
LIABILITIES					
Current liabilities:					
Accounts payable	11,045	4,574	35,944	8,494	1,299
Accrued payroll	15,796	10,248	33,585	14,469	2,386
Other payables	782	566	1,383	780	138
Accrued interest payable	138	181	139	574	
Due to other funds (Note 12)	60,890	50,159	227,716	28,700	7,099
Advances from other funds (Note 12)	63,797	69,569	44,094	85,679	2,868
Deferred revenue (Note 6)	1,510	1,003	5,516	1,683	349
Current portion of long-term liabilities (Note 8)	32,714	30,139	219,417	45,160	11,660
Total current liabilities	<u>186,672</u>	<u>166,439</u>	<u>567,794</u>	<u>185,539</u>	<u>25,799</u>
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 8)	20,245	11,313	37,058	18,821	2,466
Bonds and notes payable (Note 8)	20,445	28,360	24,165	66,392	
Pension bonds payable (Notes 6 and 8)	62,882	41,757	165,115	70,075	14,541
Capital lease obligations (Notes 7 and 8)	375		39	13	52
Workers' compensation (Notes 8 and 15)	37,644	23,760	152,080	76,382	9,765
Litigation and self-insurance (Notes 8 and 15)	29,301	8,333	93,746	40,483	5,870
Third party payors (Notes 8 and 11)	86,857	85,340	107,049	29,650	8,094
Total noncurrent liabilities	<u>257,749</u>	<u>198,863</u>	<u>579,252</u>	<u>301,816</u>	<u>40,788</u>
TOTAL LIABILITIES	<u>444,421</u>	<u>365,302</u>	<u>1,147,046</u>	<u>487,355</u>	<u>66,587</u>
NET ASSETS					
Invested in capital assets, net of related debt (Notes 5 and 8)					
	27,619	49,735	254,104	44,187	13,839
Restricted	4,850	6,254	27,940	10,515	442
Unrestricted (Deficit)	<u>(95,713)</u>	<u>(84,905)</u>	<u>(164,180)</u>	<u>(146,026)</u>	<u>(32,713)</u>
TOTAL NET ASSETS (DEFICIT) (Note 2)	<u>\$ (63,244)</u>	<u>(28,916)</u>	<u>117,864</u>	<u>(91,324)</u>	<u>(18,432)</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ 190	27,510	\$ 135,242	\$ 45,132	
2,560	600	51,189	6,680	
<u>2,750</u>	<u>28,110</u>	<u>186,431</u>	<u>51,812</u>	
	10,970	10,970	8,698	
	1,383	1,383		
60,484		728,933		
	55	367	139	
2,201	17,485	39,019	82	
45,540	818	766,026	52,529	
	1,173	1,173		
<u>1,005</u>	<u></u>	<u>23,994</u>	<u>6,840</u>	
<u>111,980</u>	<u>59,994</u>	<u>1,758,296</u>	<u>120,100</u>	
15,886		66,919	17,859	
17,270		152,474	29,290	
217	80,558	117,407		
187,179	324,449	1,102,218	1,734	
10,566	2,220	186,351	196,668	
6,550	5,125	351,156		
<u>(90,652)</u>	<u>(222,563)</u>	<u>(799,383)</u>	<u>(108,191)</u>	
<u>113,860</u>	<u>189,789</u>	<u>957,749</u>	<u>90,211</u>	
<u>147,016</u>	<u>189,789</u>	<u>1,177,142</u>	<u>137,360</u>	
<u>258,996</u>	<u>249,783</u>	<u>2,935,438</u>	<u>257,460</u>	
2,461	9,094	72,911	5,082	
6,173		82,657	17,857	
446	1,870	5,965	661	
309		1,341	357	
43,832	4,189	422,585	25,490	
2,358		268,365	22,000	
1,087	167	11,315	2,245	
<u>29,236</u>	<u>1,288</u>	<u>369,614</u>	<u>55,855</u>	
<u>85,902</u>	<u>16,608</u>	<u>1,234,753</u>	<u>129,547</u>	
7,514	218	97,635	31,085	
66,470	6,880	212,712	17,711	
45,265		399,635	76,769	
617		1,096	504	
28,892		328,523	57,728	
12,519		190,252	17,807	
<u>22,177</u>	<u></u>	<u>339,167</u>	<u></u>	
<u>183,454</u>	<u>7,098</u>	<u>1,569,020</u>	<u>201,604</u>	
<u>269,356</u>	<u>23,706</u>	<u>2,803,773</u>	<u>331,151</u>	
45,141	182,520	617,145	63,293	
15,577	39,824	105,402	1,795	
<u>(71,078)</u>	<u>3,733</u>	<u>(590,882)</u>	<u>(138,779)</u>	
<u>\$ (10,360)</u>	<u>226,077</u>	<u>131,665</u>	<u>\$ (73,691)</u>	

5,292
\$ 136,957

ASSETS

Current assets:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 4)

Taxes receivable

Accounts receivable - net

Interest receivable

Other receivables

Due from other funds (Note 12)

Advances to other funds (Note 12)

Inventories

Total current assets

Noncurrent assets:

Restricted assets (Note 4)

Net pension obligation (Note 6)

Capital assets: (Notes 5 and 7)

Land

Buildings and improvements

Equipment

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

TOTAL ASSETS

LIABILITIES

Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 12)

Advances from other funds (Note 12)

Deferred revenue (Note 6)

Current portion of long-term liabilities (Note 8)

Total current liabilities

Noncurrent liabilities:

Accrued vacation and sick leave (Note 8)

Bonds and notes payable (Note 8)

Pension bonds payable (Notes 6 and 8)

Capital lease obligations (Notes 7 and 8)

Workers' compensation (Notes 8 and 15)

Litigation and self-insurance (Notes 8 and 15)

Third party payors (Notes 8 and 11)

Total noncurrent liabilities

TOTAL LIABILITIES

NET ASSETS

Invested in capital assets, net of related debt
(Notes 5 and 8)

Restricted

Unrestricted (Deficit)

TOTAL NET ASSETS (DEFICIT) (Note 2)

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

NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 21)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
OPERATING REVENUES:					
Net patient service revenues (Note 11)	\$ 456,336	329,756	998,980	425,399	38,144
Rentals					
Charges for services					
Other	11,959	9,309	38,596	10,124	2,120
TOTAL OPERATING REVENUES	468,295	339,065	1,037,576	435,523	40,264
OPERATING EXPENSES:					
Salaries and employee benefits	229,426	148,306	497,402	220,688	36,135
Services and supplies	65,902	48,184	163,898	54,054	10,502
Other professional services	78,515	53,001	196,556	75,154	13,102
Depreciation and amortization (Note 5)	1,459	2,426	3,083	3,043	129
Medical malpractice	3,974	6,145	6,112	778	327
Rent	3,858	4,020	6,313	3,320	778
Provision for bad debts	77	2,902	5,644	3,463	1,716
TOTAL OPERATING EXPENSES	383,211	264,984	879,008	360,500	62,689
OPERATING INCOME (LOSS)	85,084	74,081	158,568	75,023	(22,425)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	154	183	1,491	304	60
Interest expense	(8,062)	(8,042)	(20,902)	(13,065)	(1,591)
Intergovernmental transfers expense (Note 11)	(156,513)	(127,332)	(395,270)	(161,951)	(3,462)
Intergovernmental revenues:					
State			8,413		
Federal			73,725		
TOTAL NONOPERATING REVENUES (EXPENSES)	(164,421)	(135,191)	(332,543)	(174,712)	(4,993)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(79,337)	(61,110)	(173,975)	(99,689)	(27,418)
Transfers in (Note 12)	109,205	85,077	323,976	128,309	29,469
Transfers out (Note 12)		(311)		(101)	
CHANGE IN NET ASSETS	29,868	23,656	150,001	28,519	2,051
TOTAL NET ASSETS (DEFICIT), JULY 1, 2003	(93,112)	(52,572)	(32,137)	(119,843)	(20,483)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004	\$ (63,244)	(28,916)	117,864	(91,324)	(18,432)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds		
\$ 183,975		\$ 2,432,590	\$		OPERATING REVENUES:
	12,430	12,430	26,068		Net patient service revenues (Note 11)
	44,959	44,959	329,798		Rentals
10,570	934	83,612			Charges for services
					Other
<u>194,545</u>	<u>58,323</u>	<u>2,573,591</u>	<u>355,866</u>		TOTAL OPERATING REVENUES
					OPERATING EXPENSES:
91,893		1,223,850	257,581		Salaries and employee benefits
20,082	259,866	622,488	52,306		Services and supplies
20,269	1,683	438,280	10,576		Other professional services
2,404	10,911	23,455	30,226		Depreciation and amortization (Note 5)
(3,670)		13,666			Medical malpractice
1,815		20,104			Rent
3,868		17,670			Provision for bad debts
<u>136,661</u>	<u>272,460</u>	<u>2,359,513</u>	<u>350,689</u>		TOTAL OPERATING EXPENSES
<u>57,884</u>	<u>(214,137)</u>	<u>214,078</u>	<u>5,177</u>		OPERATING INCOME (LOSS)
	2,845	2,845			NONOPERATING REVENUES (EXPENSES):
185	612	2,989	224		Taxes
(8,829)	(356)	(60,847)	(9,575)		Interest income
(72,779)		(917,307)			Interest expense
	67	8,480			Intergovernmental transfers expense (Note 11)
	211,171	284,896	934		Intergovernmental revenues:
					State
					Federal
<u>(81,423)</u>	<u>214,339</u>	<u>(678,944)</u>	<u>(8,417)</u>		TOTAL NONOPERATING REVENUES (EXPENSES)
(23,539)	202	(464,866)	(3,240)		INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
47,203	(8,480)	723,239	4,159		Transfers in (Note 12)
		(8,892)	(1,631)		Transfers out (Note 12)
23,664	(8,278)	249,481	(712)		CHANGE IN NET ASSETS
<u>(34,024)</u>	<u>234,355</u>		<u>(72,979)</u>		TOTAL NET ASSETS (DEFICIT), JULY 1, 2003
<u>\$ (10,360)</u>	<u>226,077</u>		<u>\$ (73,691)</u>		TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004
		(323)			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		<u>\$ 249,158</u>			CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	\$ 399,715	293,852	987,918	417,741	37,542
Rentals received					
Cash received from charges for services					
Other operating revenues	11,961	9,310	38,607	10,124	2,121
Cash received for services provided to other funds	10,428	9,887	22,812	10,623	5,084
Cash paid for salaries and employee benefits	(228,725)	(147,835)	(492,495)	(221,270)	(38,016)
Cash paid for services and supplies	(42,384)	(35,538)	(94,118)	(25,572)	(10,861)
Other operating expenses	(83,468)	(59,448)	(208,142)	(81,415)	(14,295)
Cash paid for services from other funds	(26,481)	(18,742)	(74,359)	(31,480)	(5,961)
Net cash provided by (required for) operating activities	<u>41,046</u>	<u>51,486</u>	<u>180,223</u>	<u>78,751</u>	<u>(24,386)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	215,911	166,552	229,970	219,592	7,061
Cash advances paid/returned to other funds	(200,016)	(166,078)	(244,111)	(242,370)	(5,194)
Interest paid on pension bonds	(6,632)	(4,405)	(17,416)	(7,390)	(1,534)
Interest paid on advances	(647)	(1,245)	(408)	(1,575)	(4)
Intergovernmental transfers	(159,618)	(123,572)	(359,423)	(171,035)	(4,605)
Transfers in	109,205	85,077	323,976	128,309	29,469
Transfers out		(311)		(101)	
Net cash provided by (required for) noncapital financing activities	<u>(41,797)</u>	<u>(43,982)</u>	<u>(67,412)</u>	<u>(74,570)</u>	<u>25,193</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Intergovernmental receipts			82,138		
Proceeds from bonds and notes			45,500		
Interest paid on capital borrowing	(794)	(2,429)	(3,087)	(4,147)	(53)
Principal payments on bonds and notes	(4,180)	(9,125)	(19,031)	(6,550)	(1,557)
Principal payments on capital leases	(141)		(36)	(12)	(33)
Acquisition and construction of capital assets	(2,706)	(368)	(149,741)	(1,680)	(99)
Net cash provided by (required for) capital and related financing activities	<u>(7,821)</u>	<u>(11,922)</u>	<u>(44,257)</u>	<u>(12,389)</u>	<u>(1,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -					
Interest income received	(80)	25	566	39	6
Net increase (decrease) in cash and cash equivalents	(8,652)	(4,393)	69,120	(8,169)	(929)
Cash and cash equivalents, July 1, 2003	<u>22,821</u>	<u>19,304</u>	<u>83,893</u>	<u>29,927</u>	<u>3,682</u>
Cash and cash equivalents, June 30, 2004	<u>\$ 14,169</u>	<u>14,911</u>	<u>153,013</u>	<u>21,758</u>	<u>2,753</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ 167,155		\$ 2,303,923	\$	CASH FLOWS FROM OPERATING ACTIVITIES:
	7,565	7,565	26,084	Cash received from patient services
	44,171	44,171	325,846	Rentals received
10,574	934	83,631		Cash received from charges for services
41		58,875		Other operating revenues
(93,694)	878	(1,221,157)	(256,036)	Cash received for services provided to other funds
5,055	(251,122)	(454,540)	(45,353)	Cash paid for salaries and employee benefits
(22,351)	(1,683)	(470,802)	(10,576)	Cash paid for services and supplies
(13,708)		(170,731)		Other operating expenses
				Cash paid for services from other funds
53,072	(199,257)	180,935	39,965	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
40,502		879,588		Cash advances received from other funds
(54,286)	(401)	(912,456)		Cash advances paid/returned to other funds
(4,774)		(42,151)	(8,098)	Interest paid on pension bonds
(44)		(3,923)		Interest paid on advances
(71,182)		(889,435)		Intergovernmental transfers
47,203		723,239	4,159	Transfers in
	(8,480)	(8,892)	(1,631)	Transfers out
				Net cash provided by (required for) noncapital financing activities
(42,581)	(8,881)	(254,030)	(5,570)	
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
	2,963	2,963		Proceeds from taxes
	211,238	293,376	934	Intergovernmental receipts
		45,500	10,000	Proceeds from bonds and notes
(4,045)	(356)	(14,911)	(1,315)	Interest paid on capital borrowing
(11,100)	(593)	(52,136)	(18,255)	Principal payments on bonds and notes
(89)		(311)	(235)	Principal payments on capital leases
(31)	(9,858)	(164,483)	(19,833)	Acquisition and construction of capital assets
				Net cash provided by (required for) capital and related financing activities
(15,265)	203,394	109,998	(28,704)	
				CASH FLOWS FROM INVESTING ACTIVITIES -
16	612	1,184	(89)	Interest income received
				Net increase (decrease) in cash and cash equivalents
(4,758)	(4,132)	38,087	5,602	
23,394	43,212	226,233	72,767	Cash and cash equivalents, July 1, 2003
\$ 18,636	39,080	\$ 264,320	\$ 78,369	Cash and cash equivalents, June 30, 2004

Continued...

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH PROVIDED BY					
(REQUIRED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 85,084	74,081	158,568	75,023	(22,425)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	1,459	2,426	3,083	3,043	129
Other charges - net	492	(34)	(536)	1,075	95
(Increase) decrease in:					
Accounts receivable - net	27,441	22,087	78,553	58,903	2,691
Interest receivable					
Other receivables	1,328	1,692	4,197	1,299	216
Due from other funds	(69,586)	(43,867)	(63,545)	(44,833)	2,227
Inventories	274	(55)	828	1,063	207
Net pension obligation	3,012	2,000	7,908	3,356	696
Increase (decrease) in:					
Accounts payable	1,506	(255)	2,010	958	(75)
Accrued payroll	680	507	217	(1,628)	(385)
Other payables	444	303	629	461	70
Accrued vacation and sick leave	(82)	49	(781)	(2,060)	(518)
Due to other funds	(5,233)	(5,751)	(6,870)	(6,094)	(6,546)
Deferred revenue			(65)		
Pension bonds payable	(6,250)	(4,148)	(16,403)	(6,965)	(1,443)
Workers' compensation liability	3,920	993	15,441	6,677	(766)
Litigation and self-insurance liability	1,856	4,485	(1,265)	(2,586)	377
Third party payor liability	(5,299)	(3,027)	(1,746)	(8,941)	1,064
TOTAL ADJUSTMENTS	(44,038)	(22,595)	21,655	3,728	(1,961)
NET CASH PROVIDED BY (REQUIRED FOR)					
OPERATING ACTIVITIES	\$ 41,046	51,486	180,223	78,751	(24,386)
NONCASH INVESTING, CAPITAL AND					
FINANCING ACTIVITIES:					
Assets acquired from capital leases	\$ 237				
TOTAL	\$ 237				
RECONCILIATION OF CASH AND CASH					
EQUIVALENTS TO THE STATEMENT OF					
NET ASSETS:					
Pooled cash and investments	\$ 9,181	8,476	124,934	10,669	2,311
Other investments					
Restricted assets	4,988	6,435	28,079	11,089	442
TOTAL	\$ 14,169	14,911	153,013	21,758	2,753

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds		
\$ 57,884	(214,137)	\$ 214,078	\$ 5,177		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:
2,404	10,911	23,455	30,226		Depreciation and amortization
160	4,680	5,932	140		Other charges - net
					(Increase) decrease in:
8,784		198,459			Accounts receivable - net
			(9)		Interest receivable
79	(5,035)	3,776	1		Other receivables
(16,016)	(209)	(235,829)	(3,654)		Due from other funds
80	2,812	5,209	(392)		Inventories
2,168		19,140	3,677		Net pension obligation
					Increase (decrease) in:
(477)	922	4,589	1,396		Accounts payable
(420)		(1,029)	290		Accrued payroll
208	139	2,254	420		Other payables
(610)	878	(3,124)	(175)		Accrued vacation and sick leave
11,670	191	(18,633)	5,664		Due to other funds
	(409)	(474)	(274)		Deferred revenue
(4,494)		(39,703)	(7,624)		Pension bonds payable
413		26,678	3,430		Workers' compensation liability
(3,003)		(136)	1,672		Litigation and self-insurance liability
(5,758)		(23,707)			Third party payor liability
<u>(4,812)</u>	<u>14,880</u>	<u>(33,143)</u>	<u>34,788</u>		TOTAL ADJUSTMENTS
<u>\$ 53,072</u>	<u>(199,257)</u>	<u>\$ 180,935</u>	<u>\$ 39,965</u>		NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
<u>\$</u>	<u></u>	<u>\$ 237</u>	<u>\$</u>		NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
<u>\$</u>	<u></u>	<u>\$ 237</u>	<u>\$</u>		Assets acquired from capital leases
					TOTAL
\$ 2,750	28,110	\$ 186,431	\$ 51,812		RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
	10,970	10,970	8,698		Pooled cash and investments
15,886		66,919	17,859		Other investments
					Restricted assets
<u>\$ 18,636</u>	<u>39,080</u>	<u>\$ 264,320</u>	<u>\$ 78,369</u>		TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Pooled cash and investments (Note 4)	\$ 23,443	\$ 10,038,312	\$ 1,291,524
Other investments: (Note 4)		969,184	202,314
Stocks	16,592,643		
Bonds	7,588,497		
Short-term investments	1,086,950		
Real estate	2,952,245		
Mortgages	320,594		
Alternative assets	1,382,499		
Collateral on loaned securities	2,770,860		
Taxes receivable			230,895
Interest receivable	102,427	50,364	3,480
Other receivables	427,730		
Capital assets, net	<u>1</u>		
TOTAL ASSETS	<u>33,247,889</u>	<u>11,057,860</u>	<u>\$ 1,728,213</u>
LIABILITIES			
Accounts payable	924,203		
Other payables (Note 4)	2,842,503		
Due to other governments			<u>1,728,213</u>
TOTAL LIABILITIES	<u>3,766,706</u>		<u>\$ 1,728,213</u>
NET ASSETS			
Held in trust for pension benefits and investment trust participants	<u>\$ 29,481,183</u>	<u>\$ 11,057,860</u>	

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
	<u> </u>	<u> </u>
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	\$ 395,109	
Member	262,699	
Contributions to investment trust funds		31,950,033
Total contributions	<u> 657,808</u>	<u> 31,950,033</u>
Investment earnings:		
Interest	1,444,888	83,291
Net increase in the fair value of investments	2,740,449	
Securities lending income (Note 4)	36,817	
Total investment earnings	<u> 4,222,154</u>	<u> 83,291</u>
Less - Investment expenses:		
Expense from investing activities	75,823	
Expense from securities lending activities (Note 4)	27,831	
Total net investment expense	<u> 103,654</u>	
Net investment earnings	<u> 4,118,500</u>	<u> 83,291</u>
Miscellaneous	<u> 2,605</u>	
TOTAL ADDITIONS	<u> 4,778,913</u>	<u> 32,033,324</u>
DEDUCTIONS:		
Salaries and employee benefits	24,858	
Services and supplies	13,786	
Depreciation and amortization	40	
Benefit payments	1,488,477	
Distribution from investment trust funds		32,426,090
Miscellaneous	<u> 18,375</u>	
TOTAL DEDUCTIONS	<u> 1,545,536</u>	<u> 32,426,090</u>
CHANGE IN NET ASSETS	3,233,377	(392,766)
NET ASSETS HELD IN TRUST, JULY 1, 2003	<u> 26,247,806</u>	<u> 11,450,626</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2004	<u> \$ 29,481,183</u>	<u> 11,057,860</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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (the "County") is a legal subdivision of the State of California (the "State") charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (the "Board") which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by the Governmental Accounting Standards Board ("GASB"), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

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

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

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

Discretely Presented Component Unit

The Children and Families First Commission ("Commission") 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 the Commission with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, two are heads of County Departments (Health and Mental Health), one is an early childhood education expert, and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Component Unit Financial Statements

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

Government-wide Financial Statements

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

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

Net assets are classified into the following three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Net asset restrictions are also recognized when imposed by law through constitutional provisions or enabling legislation. Net assets "restricted for special purpose" are principally related to special revenue funds and the restrictions on their net asset use in accordance with the provisions mentioned above.

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

Fund Financial Statements

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

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

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 all resources except for those accounted for in other funds.

Fire Protection District Fund

The Fire Protection District Fund was established to provide for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of district property and equipment. Revenues are derived principally from the Countywide tax levy.

Flood Control District Fund

The Flood Control District Fund was established to provide 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. Revenues are derived primarily from the Countywide tax levy and benefit assessments.

Public Library Fund

The Public Library Fund was established to provide free library services to the unincorporated areas of the County and to cities that contract for these services. Revenues are derived principally from the Countywide tax levy.

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund was established to administer grant programs designed to preserve beaches, parks and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding is derived from voter-approved assessments and long-term debt proceeds.

The County's major enterprise funds consist of six Hospital Enterprise Funds. These funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. A description of each Hospital Enterprise Fund is provided below:

Harbor/UCLA Medical Center

The Harbor/UCLA Medical Center provides acute and intensive care unit medical/surgical inpatient and outpatient care 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 provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecology services, and psychiatric services.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

LAC+USC Medical Center

The LAC+USC Medical Center 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.

M. L. King/Drew Medical Center

The M. L. King/Drew Medical Center provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, psychiatric services, dental services, pediatric and obstetric services.

High Desert Hospital

The High Desert Health System provides non-hospital based outpatient services.

Rancho Los Amigos Medical Center

The Rancho Los Amigos National Rehabilitation Center 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.

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 Trust Fund

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

Investment Trust Funds

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

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

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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

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

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. 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 leases are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, property and sales taxes, investment income, and charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenues are not considered susceptible to accrual and are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's six Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 11, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

The County applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, in accounting and reporting for operations of the enterprise funds. FASB pronouncements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB pronouncement.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (the "Government Code"), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles ("GAAP").

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds \$19 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 at June 30, 2004. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

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

Note 13 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 2003-2004 gross assessed valuation of the County of Los Angeles was \$717,496,718,000.

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 11,695 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

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

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 4.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2004 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 Statement No. 34.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Investments

"Other Investments" represent Pension Trust Fund investments, investments of the Community Development Commission, various JPAs, NPC, and Public Buildings, 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 LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 4.

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 offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, \$48,017,000 represents land held for resale by the Community Development Commission (CDC). The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Project Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The County's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements and \$100,000 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, 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 5.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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
Infrastructure	10 to 50 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.

Pursuant to GASB 34, an extended period of deferral (fiscal year beginning July 1, 2005) is available before the requirement to record and depreciate infrastructure assets acquired prior to July 1, 2001 is effective. As a result, the governmental activities column in the accompanying government-wide financial statements as of June 30, 2004 does not reflect those infrastructure assets completed prior to July 1, 2001. The accompanying government-wide financial statements include infrastructure assets that have been acquired since July 1, 2001. Infrastructure assets that are functional are currently being depreciated.

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service. 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 8 days per year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued vacation and sick leave benefits 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).

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. 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).

Accounting Reclassifications

Certain reclassifications have been made to amounts previously reported to conform to the current year's report format. Such reclassifications had no effect on previously reported changes in net assets.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

2. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2004 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Harbor/UCLA Medical Center	\$ 63,244
Olive View/UCLA Medical Center	28,916
M. L. King/Drew Medical Center	91,324
High Desert Hospital	18,432
Rancho Los Amigos Medical Center	10,360
Internal Service Fund-	
Public Works	90,060

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice and third party payor liabilities, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

3. ELIMINATIONS

The Regional Park and Open Space District (District), 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 District executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authority" (JPA). Under the terms of the agreement, the District sold \$510,185,000 of bonds in 1997 that were acquired as an investment by the JPA. The JPA 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 District's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of District related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPA, the District has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPA. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2004, the Fund Financial Statements reflect an investment asset (referred to as "Other Investments") held by the JPA of \$376,210,000 that has been recorded in the Nonmajor Governmental Funds. The Fund Financial Statements do not reflect a liability for the related Bonds Payable (\$376,210,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

3. ELIMINATIONS-Continued

Fund Financial Statements-Continued

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

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within Governmental Activities (as appropriate under the accrual basis of accounting). The specific items eliminated were Other Investments and Bonds Payable (\$376,210,000 for each) and Investment Earnings and Interest Expense (\$20,183,000) 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 \$376,210,000 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 8 and are captioned "Assessment Bonds."

4. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2004 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 3,200,526	\$ 259,146			\$ 3,459,672
Proprietary Funds	238,243	19,668	\$ 37,226	\$ 47,552	342,689
Fiduciary Funds (excluding Pension Trust Fund)	11,329,836	1,171,498			12,501,334
Pension Trust Fund	23,443	32,694,288			32,717,731
Component Unit	678,498				678,498
Total	<u>\$ 15,470,546</u>	<u>\$ 34,144,600</u>	<u>\$ 37,226</u>	<u>\$ 47,552</u>	<u>\$ 49,699,924</u>

Deposits

At June 30, 2004, the carrying amount of the County's deposits was \$106,419,000 and the balance per various financial institutions was \$106,457,000. Of the balance in financial institutions, \$100,636,000 was covered by either Federal depository insurance or collateralized with securities held by the County or its agent in the County's name. The remaining balance of \$5,821,000 was uninsured and uncollateralized.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS-Continued

Deposits-Continued

At June 30, 2004, the carrying amount of Pension Trust Fund deposits was \$36,333,000 and the balance per various financial institutions was \$36,333,000. Of the balance in financial institutions, \$28,157,000 was either covered by Federal depository insurance or collateralized with securities held by the entity or its agent in the entity's name. The remaining balance of \$8,176,000 was uninsured and uncollateralized.

Investments

Statutes authorize the County to invest pooled investments in obligations of the United States Treasury, Federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements and reverse repurchase agreements.

The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals.

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the Federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate.

The School Districts and the Courts are required by legal provisions to participate in the County's investment pool. Eighty-nine percent (89%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, 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 External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS-Continued

Investments-Continued

In accordance with the Governmental Accounting Standards Board Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the County's investments and investments of the Pension Trust Fund are categorized separately below to give an indication of the level of credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the agent's nominee name, with subsidiary records listing the County as the legal owner. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty's trust department or agent but not in the County's name.

County pooled and other investments (excluding Pension Trust Fund other investments) are categorized as follows at June 30, 2004 (in thousands):

	Category			Fair Value
	1	2	3	
U.S. Government securities	\$ 10,259,918			\$ 10,259,918
Negotiable certificates of deposit	1,901,375			1,901,375
Commercial paper	3,674,496			3,674,496
Corporate and deposit notes	253,466			253,466
Repurchase agreements	500,534			500,534
Los Angeles County securities	46,077			46,077
	<u>\$ 16,635,866</u>	<u> </u>	<u> </u>	
Investments not considered securities for purposes of custodial risk classification:				
Investment in money market funds				147,927
Investment in State and local agency investment funds				113,846
1st and 2nd Mortgages				1,578
Total				<u>\$ 16,899,217</u>

Pension Trust Fund investments are reported in the basic financial statements at fair value and are categorized as follows at June 30, 2004 (in thousands):

	Category			Fair Value
	1	2	3	
U.S. Government and agency instruments	\$ 1,911,672			\$ 1,911,672
Domestic stocks and convertibles	9,368,379			9,368,379
Global stocks, bonds, and convertibles	6,576,184			6,576,184
Domestic corporate bonds	3,308,633			3,308,633
Short term corporate and government investments	1,086,950			1,086,950
Private placement bonds	340,918			340,918
	<u>\$ 22,592,736</u>	<u> </u>	<u> </u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS-Continued

Investments-Continued

	Category			Fair Value
	1	2	3	
Investments not considered securities for purposes of custodial risk classification:				
Real estate and title holdings				2,952,245
Alternative assets				1,382,499
Mortgages				320,594
Investments held by broker-dealer under securities loans with cash collateral:				
Stocks				665,431
Government bonds				1,435,465
Corporate bonds				538,125
Securities lending cash collateral -				
Invested in short-term fixed income fund				<u>2,770,860</u>
Total				<u>\$ 32,657,955</u>

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2004 totaling \$3,511,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2004 to support the value of shares in the Treasurer's investment pool.

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

A summary of investments held by the Treasurer's Pool is as follows (in thousands):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>
U. S. Government securities	\$ 9,034,177	\$ 9,073,386	1.0% - 9.25%	07/15/04 - 12/01/08
Negotiable certificates of deposit	1,901,375	1,904,364	1.045% - 1.725%	07/06/04 - 5/03/05
Commercial paper	3,674,496	3,675,123	1.03% - 1.47%	07/01/04 - 01/25/05
Corporate and deposit notes	253,466	255,002	1.09% - 2.10%	07/08/04 - 11/06/06
Repurchase agreements	500,000	500,000	1.35%	7/1/2004
Los Angeles County securities	40,538	40,538	1.46% - 4.905%	06/30/05 - 08/01/07
Deposits	<u>101,036</u>	<u>101,036</u>		
	<u>\$ 15,505,088</u>	<u>\$15,549,449</u>		

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2004 was 1.37%.

A separate financial report is not issued for the external investment pool. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2004 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	<u>\$ 15,505,088</u>
Equity of internal pool participants	\$ 5,422,828
Equity of external pool participants	<u>10,082,260</u>
Total equity	<u>\$ 15,505,088</u>
Statement of Changes in Net Assets	
Net assets at July 1, 2003	\$ 14,121,106
Net change in investments by pool participants	<u>1,383,982</u>
Net assets at June 30, 2004	<u>\$ 15,505,088</u>

The unrealized loss on investments held in the Treasurer's Pool was \$44,361,000 as of June 30, 2004. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

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

Derivatives

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS-Continued

Derivatives-Continued

The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2004, there were approximately \$350,538,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gain in fiscal year 2004 was \$80,400,000. At June 30, 2004, forward currency contracts receivable and payable totaled \$196,000,000 and \$198,000,000, respectively.

Securities Lending Transactions

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

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2004, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2004.

Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records and are presented as unclassified in the preceding schedule of custodial credit risk. A corresponding liability is recorded for the fair value of the cash collateral received.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

As of June 30, 2004, the fair value of securities on loan was \$2,640,000,000. The value of the cash collateral received for those securities was \$2,770,000,000. Securities lending assets (Other Investments) and liabilities (Other Payables) of \$2,770,860,000 are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was \$8,990,000 for the year ended June 30, 2004.

For the year ended June 30, 2004, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2004 (in thousands):

	<u>County</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Deposits	\$ 106,419	\$ 36,333	\$ 142,752
Investments	<u>16,899,217</u>	<u>32,657,955</u>	<u>49,557,172</u>
	<u>\$ 17,005,636</u>	<u>\$ 32,694,288</u>	<u>\$ 49,699,924</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 are as follows (in thousands):

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land	\$ 276,239	\$ 2,167	\$ (678)	\$ 277,728
Construction in progress-buildings and improvements	300,921	71,956	(285,776)	87,101
Construction in progress-infrastructure	<u>59,402</u>	<u>43,188</u>	<u>(38,173)</u>	<u>64,417</u>
Subtotal	<u>636,562</u>	<u>117,311</u>	<u>(324,627)</u>	<u>429,246</u>
Capital assets, depreciated:				
Buildings and improvements	3,368,146	302,513	(8,539)	3,662,120
Equipment	735,931	95,367	(60,037)	771,261
Infrastructure	<u>98,487</u>	<u>52,720</u>	<u></u>	<u>151,207</u>
Subtotal	<u>4,202,564</u>	<u>450,600</u>	<u>(68,576)</u>	<u>4,584,588</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

5. CAPITAL ASSETS-Continued

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Governmental Activities-Continued</u>				
Less accumulated depreciation for:				
Buildings and improvements	(1,088,022)	(62,371)	3,925	(1,146,468)
Equipment	(510,507)	(71,383)	35,450	(546,440)
Infrastructure	(5,590)	(8,836)		(14,426)
Subtotal	<u>(1,604,119)</u>	<u>(142,590)</u>	<u>39,375</u>	<u>(1,707,334)</u>
Total capital assets, being depreciated, net	<u>2,598,445</u>	<u>308,010</u>	<u>(29,201)</u>	<u>2,877,254</u>
Governmental activities capital assets, net	<u>\$3,235,007</u>	<u>\$425,321</u>	<u>\$(353,828)</u>	<u>\$ 3,306,500</u>
<u>Business-type Activities</u>				
Capital assets, not depreciated:				
Land	\$ 117,427		\$ (20)	\$ 117,407
Construction in progress-buildings and improvements	<u>208,612</u>	<u>\$153,572</u>	<u>(11,028)</u>	<u>351,156</u>
Subtotal	<u>326,039</u>	<u>153,572</u>	<u>(11,048)</u>	<u>468,563</u>
Capital assets, being depreciated:				
Buildings and improvements	1,091,353	11,011	(146)	1,102,218
Equipment	<u>231,448</u>	<u>18,874</u>	<u>(32,334)</u>	<u>217,988</u>
Subtotal	<u>1,322,801</u>	<u>29,885</u>	<u>(32,480)</u>	<u>1,320,206</u>
Less accumulated depreciation for:				
Buildings and improvements	(613,560)	(18,089)	159	(631,490)
Equipment	<u>(194,168)</u>	<u>(13,355)</u>	<u>22,837</u>	<u>(184,686)</u>
Subtotal	<u>(807,728)</u>	<u>(31,444)</u>	<u>22,996</u>	<u>(816,176)</u>
Total capital assets, being depreciated, net	<u>515,073</u>	<u>(1,559)</u>	<u>(9,484)</u>	<u>504,030</u>
Business-type activities capital assets, net	<u>841,112</u>	<u>152,013</u>	<u>(20,532)</u>	<u>972,593</u>
Total Capital Assets, Net	<u>\$4,076,119</u>	<u>\$577,334</u>	<u>\$(374,360)</u>	<u>\$ 4,279,093</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

5. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:

General government	\$ 13,140
Public protection, including depreciation of infrastructure assets	75,209
Public ways and facilities, including depreciation of infrastructure assets	6,176
Health and sanitation	6,152
Public assistance	5,852
Education	1,385
Recreation and cultural services	12,439
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>22,237</u>
Total depreciation expense, governmental activities	<u>\$ 142,590</u>

Business-type activities:

Hospitals	\$ 12,544
Aviation	1,250
Waterworks	3,039
Community Development Commission	6,622
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>7,989</u>
Total depreciation expense, business-type activities	<u>\$ 31,444</u>

Discretely Presented Component Unit

Capital assets activity for the Children and Families First Commission component unit for the year ended June 30, 2004 was as follows (in thousands):

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital assets, depreciated:				
Buildings and improvements	\$ 13,867			\$ 13,867
Equipment	<u>151</u>	\$ 80	\$ (25)	<u>206</u>
Subtotal	<u>14,018</u>	<u>80</u>	<u>(25)</u>	<u>14,073</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,368)			(5,368)
Equipment	<u>(25)</u>	<u>(124)</u>	<u>25</u>	<u>(124)</u>
Subtotal	<u>(5,393)</u>	<u>(124)</u>	<u>25</u>	<u>(5,492)</u>
Component unit capital assets, net	<u>\$ 8,625</u>	<u>\$ (44)</u>	<u>\$</u>	<u>\$ 8,581</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. PENSION PLAN

Plan Description

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

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

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

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

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

Funding Policy

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

The following employer rates were in effect for 2003-2004:

	A	B	C	D	E
General Members	15.31%	8.59%	8.21%	8.31%	7.70%
Safety Members	22.32%	18.75%			

The rates were determined by the actuarial valuation performed as of June 30, 2002 and are the same as those used to calculate the annual required contribution (ARC).

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

During 2003-2004, the County did not pay LACERA the full amount of the ARC. LACERA applied \$126,916,000 in excess earnings reserves towards the County's required contribution.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation, computed in accordance with GASB 27, for 2003-2004 were as follows (in thousands):

Annual required contribution (ARC):	
County	\$ 521,893
Non County entities	<u>85</u>
Total ARC	521,978
Interest on net pension obligation	<u>(53,011)</u>
Annual pension cost	<u>468,967</u>
Contributions made:	
County	394,977
Non County entities	<u>85</u>
Total contributions	<u>395,062</u>
Cost in excess of contributions	73,905
Net pension obligation (asset), July 1, 2003	<u>(662,635)</u>
Net pension obligation (asset), June 30, 2004	<u>\$ (588,730)</u>

Trend Information (in thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2002	\$ 344,397	75.2%	\$ (793,378)
June 30, 2003	455,452	71.3%	(662,635)
June 30, 2004	468,967	84.2%	(588,730)

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2002 using the entry age normal method. The valuation assumed an annual investment rate of return of 8%, and projected salary increases ranging from 4.78% to 10.24%, with both assumptions including a 4% inflation factor. The valuation also assumed post-retirement benefit increases of between 0% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The June 30, 2003 valuation determined the funding ratio to be 87.2% and recognized an unfunded actuarial accrued liability (UAAL) of \$3.91 billion. The County contribution rate (effective for the 2004-2005 fiscal year) was, therefore, increased by 4.66% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) over the normal cost rate of 9.99%.

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Because it is negative, the net pension obligation represents an asset. Accordingly, a pension asset, "Net Pension Obligation," has been recognized in the government-wide financial statements and in the proprietary funds financial statements.

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately \$1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds (\$1,365,230,000) were fixed rate. The remaining \$600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96.

In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received \$79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as deferred revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2004, the unamortized balance was \$37,053,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2004 was \$1,586,879,000. The bonds have interest rates varying from 6.77% to 9.19%.

In 1986, the County issued \$461,493,000 in fixed rate pension obligation certificates to purchase annuity contracts to provide pension benefits to a specified group of LACERA members. Variable rate bonds totaling \$327,400,000 were issued in May 1996 to advance refund \$327,405,000 of the certificates. Interest rates on the bonds are reset weekly and varied during 2003-2004 from 0.55% to 1.17%. The fixed rate certificates which remain outstanding have a rate of 6.875%. At June 30, 2004, the total outstanding principal (including accreted interest) for the refunding bonds and remaining fixed rate certificates was \$226,933,000 and has been included in the financial statements as pension bonds payable.

For the year ended June 30, 2004, the combined principal and interest payments for both the bonds and certificates were \$249,492,000 and \$66,623,000, respectively. For governmental activities, the total debt service was \$234,261,000. For business-type activities, the total debt service was \$81,854,000. At June 30, 2004, the total outstanding principal, including accreted interest of \$531,462,000 on both bonds and certificates, was \$1,813,812,000.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

The following is a summary of future funding requirements for all outstanding pension bonds and certificates (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 200,629	48,596	\$ 70,121	16,983
2006	231,957	32,503	81,062	11,360
2007	140,971	141,524	49,268	49,461
2008	115,664	167,121	40,423	58,407
2009	86,377	151,001	30,188	52,773
2010-2014	<u>174,638</u>	<u>366,513</u>	<u>61,052</u>	<u>128,091</u>
Total	<u>\$ 950,236</u>	<u>907,258</u>	<u>\$ 332,114</u>	<u>317,075</u>
Accretions	<u>393,820</u>		<u>137,642</u>	
Total Pension Bonds Payable	<u>\$1,344,056</u>		<u>\$ 469,756</u>	

Swap Transaction Related to Pension Bonds

In conjunction with the issuance of \$327,400,000 of variable pension refunding bonds in 1996, the County entered into a swap transaction to create a synthetic fixed interest rate. The County also received an up-front payment of \$19,036,000 from the counterparty.

The bonds, and the related swap agreement, mature on June 30, 2007. As of June 30, 2004, the swap's notional amount of \$184,700,000 was the same as the principal amount of the outstanding bonds. Under the swap, the County is obligated to pay the counterparty a fixed rate of 6.48% and receives a variable payment based on the market interest rate of the variable bonds. The market interest rate is reset on a weekly basis and the rate as of June 30, 2004 was 1.04%.

"Credit risk" refers to the risk that the counterparty will not fulfill its obligations. As of June 30, 2004, the County was not exposed to credit risk because the swap transaction had a negative fair value of \$16,823,000. However, should interest rates change, and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aaa and AAA by Moody's and Standard and Poor's, respectively. If the counterparty's credit rating falls below Aa3 or AA-, or if the rating is suspended or withdrawn, the fair value of the swap will be fully collateralized by either U.S. Government or Government Guaranteed Agency securities. Collateral would be posted with a third-party trustee.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. PENSION PLAN-Continued

Swap Transaction Related to Pension Bonds-Continued

The following is a summary of future funding requirements related to the variable rate pension bonds, net of swap payments associated with those bonds (in thousands):

Year Ending June 30	<u>Variable-Rate Bonds</u>		<u>Interest Rate Swaps, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2005	\$ 52,900	\$ 1,921	\$ 10,048	\$ 64,869
2006	61,300	1,371	7,170	69,841
2007	<u>70,500</u>	<u>733</u>	<u>3,835</u>	<u>75,068</u>
Total	<u>\$ 184,700</u>	<u>\$ 4,025</u>	<u>\$ 21,053</u>	<u>\$ 209,778</u>

Post-Retirement Benefits

In addition to providing pension benefits, the County provides funding for certain health care benefits for all retired employees and their eligible dependents or survivors. There are approximately 48,000 retirees presently eligible to receive such benefits. LACERA is responsible for administering the benefits to the retirees.

The amount of funding required for health care benefits is 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. This ranges 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.

Prior to 1996-97, the County fully subsidized the funding requirements for these benefits. In 1996-97, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account for use in connection with the County's payment of retiree health care costs. This agreement, which remains effective until terminated by either party or in the event excess earnings cease to be available, permits the use of LACERA excess earnings reserves to reduce the County's funding requirement for these benefits.

The cost of retiree health care is recognized when the County makes payments to LACERA. For the year ended June 30, 2004, the amounts of such payments were approximately \$167,079,000, for governmental activities, and \$34,328,000, for business-type activities. These amounts exclude \$59,055,000 of LACERA excess earnings reserves, which were utilized to offset a portion of the total funding requirements.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. 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, 2004 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2005	\$ 74,375
2006	63,526
2007	54,944
2008	46,042
2009	38,264
2010-2014	54,681
2015-2019	7,445
2020-2024	<u>37</u>
Total	<u>\$ 339,314</u>

Rent expenditures related to operating leases were \$79,833,000 for the year ended June 30, 2004.

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2004 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2005	\$ 26,446	\$ 480
2006	25,649	477
2007	25,070	314
2008	24,925	149
2009	20,374	145
2010-2014	49,675	148
2015-2019	25,623	
2020-2024	25,002	
2025-2029	25,002	
2030-2034	11,260	
2035-2039	<u>27</u>	
Total	259,053	1,713
Less: Amount representing interest	<u>123,795</u>	<u>214</u>
Present value of future minimum lease payments	<u>\$ 135,258</u>	<u>\$ 1,499</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2004 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 9,578	
Buildings and improvements	133,679	\$ 1,200
Equipment	46,134	2,098
Accumulated depreciation	(42,947)	(1,771)
Total	<u>\$ 146,444</u>	<u>\$ 1,527</u>

The following is a schedule of future minimum lease payments and the present value of future minimum lease payments for the Children and Families First Commission discretely presented component unit as of June 30, 2004 (in thousands):

<u>Year Ending June 30</u>	<u>Discretely Presented Component Unit</u>
2005	\$ 665
2006	1,320
2007	1,310
2008	1,298
2009	1,287
2010-2014	7,270
2015	<u>716</u>
Total	<u>\$ 13,866</u>
Less: Amount representing interest	<u>(5,367)</u>
Present value of future minimum lease payments	<u>\$ 8,499</u>

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 90 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 31 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 63 years and are accounted for in the Debt Service Funds as a result of the issuance of certificates of participation related to the Marina del Rey Project area.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2004 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2005	\$ 32,932
2006	32,799
2007	32,914
2008	32,349
2009	31,943
Thereafter	<u>1,106,495</u>
Total	<u>\$ 1,269,432</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2004 (in thousands):

	<u>Governmental Activities</u>
Minimum rentals	\$ 33,142
Contingent rentals	<u>16,822</u>
Total	<u>\$ 49,964</u>

8. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 6), capital lease obligations (see Note 7) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

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

	<u>Original Amount of Debt</u>	<u>Balance June 30, 2004</u>
Los Angeles County General Obligation Detention Facilities Bonds, 6.5% to 7.875%	\$ 96,000	\$ 23,470
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 2.5% to 8.5%	132,090	6,155
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	131,790
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 4.2% to 6%	510,185	376,210

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

	<u>Original Amount of Debt</u>	<u>Balance June 30, 2004</u>
Community Development Commission Notes Payable, 3.82% to 7.91%	43,045	27,447
NPC Bonds and Bond Anticipation Notes, 4.6% to 8.97%	60,565	28,309
Marina del Rey Certificates of Participation, 4.75% to 6.5%	189,491	82,470
Marina del Rey Loans Payable, 4.5% to 4.70%	23,000	22,343
Public Buildings Certificates of Participation, 2.8% to 7.75%	1,583,114	1,026,540
Total	<u>\$ 2,780,685</u>	<u>\$ 1,724,734</u>

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

	<u>Original Amount of Debt</u>	<u>Balance June 30, 2004</u>
NPC Bonds and Bond Anticipation Notes, 4.6% to 8.9%	\$ 35,570	\$ 16,626
Public Buildings Certificates of Participation, 2.8% to 7.0%	433,967	233,455
Commercial Paper, 1.0% to 1.12%	153,800	153,800
Waterworks District Bonds, 3.3% to 8.0%	1,335	239
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,384	7,269
Total	<u>\$ 636,056</u>	<u>\$ 411,389</u>

General Obligation Bonds

The County issued general obligation bonds in 1986 to finance detention facilities. The Flood Control District issued general obligation bonds to finance flood control projects. Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt are as follows (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 11,155	2,117	\$ 58	20
2006	8,995	1,379	45	15
2007	9,105	704	15	12
2008	370	9	17	11
2009			18	9
2010-2014	_____	_____	86	17
Total	<u>\$ 29,625</u>	<u>4,209</u>	<u>\$ 239</u>	<u>84</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997 to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the proceeds of annual assessments levied on parcels within the District's boundaries.

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

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 19,565	19,208
2006	20,475	18,252
2007	21,475	17,175
2008	22,630	15,989
2009	23,845	14,726
2010-2014	140,405	51,890
2015-2019	111,565	15,285
2020-2024	<u>16,250</u>	<u>406</u>
Total	<u>\$ 376,210</u>	<u>152,931</u>

Certificates of Participation

The County has issued certificates of participation 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. Principal and interest requirements on certificates of participation are as follows (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 99,272	77,371	\$ 32,132	11,893
2006	90,467	54,025	31,451	10,285
2007	90,976	52,036	23,090	8,603
2008	94,694	48,259	23,843	7,330
2009	92,021	44,363	14,525	6,320
2010-2014	327,129	180,065	77,595	19,986
2015-2019	126,516	140,416	38,195	2,633
2020-2024	120,641	76,550		
2025-2029	79,040	26,804		
2030-2034	<u>57,225</u>	<u>6,659</u>		
Total	<u>\$ 1,177,981</u>	<u>706,548</u>	<u>\$ 240,831</u>	<u>67,050</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (Equipment Acquisition Internal Service Fund) 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 by the five-year period, they convert to capital leases with a three-year term secured by County real property.

Community Development Commission notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD.

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.

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of the LAC+USC Medical Center replacement facility. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days.

Principal and interest requirements on notes, loans, and commercial paper are as follows (in thousands):

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 13,125	2,553	\$159,934	288
2006	8,024	2,459	4,301	246
2007	1,713	2,371	660	200
2008	1,793	2,281	710	151
2009	1,885	2,185	830	99
2010-2014	10,423	9,328	705	58
2015-2019	11,557	6,179	993	
2020-2024	10,404	2,750		
2025-2029	6,615	919		
Indeterminate maturity			2,186	
Total	<u>\$ 65,539</u>	<u>31,025</u>	<u>\$170,319</u>	<u>1,042</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

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

<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>
General Obligation Bonds	\$ 29,625	4,209	\$ 239	84
Assessment Bonds	376,210	152,931		
Certificates of Participation	1,177,981	706,548	240,831	67,050
Notes, Loans, and Commercial Paper	<u>65,539</u>	<u>31,025</u>	<u>170,319</u>	<u>1,042</u>
Subtotal		<u>894,713</u>		<u>68,176</u>
Add: Accretions	<u>75,379</u>			
Total Bonds and Notes Payable	<u>\$ 1,724,734</u>		<u>\$ 411,389</u>	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds for Public Buildings related to governmental activities.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2004, the amount of outstanding bonds and certificates of participation considered defeased was \$161,490,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2004 (in thousands):

	<u>Balance July 1, 2003</u>	<u>Additions/ Accretions</u>	<u>Transfers/ Maturities</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 1,861,158	\$ 11,542	\$ (147,966)	\$ 1,724,734	\$ 163,262
Pension bonds payable (Note 6)	1,457,732	58,329	(172,005)	1,344,056	200,629
Capital lease obligations (Note 7)	120,270	29,054	(14,066)	135,258	13,500
Accrued vacation and sick leave	584,095	46,746	(42,392)	588,449	47,021
Workers' compensation liability (Note 15)	1,917,691	567,595	(321,574)	2,163,712	392,988
Litigation and self-insurance liability (Note 15)	509,562	40,135	(164,997)	384,700	91,633
Third party payor liability	<u>33,719</u>	<u>3,596</u>	<u>(10,803)</u>	<u>26,512</u>	<u>24,911</u>
Total governmental activities	<u>\$6,484,227</u>	<u>\$ 756,997</u>	<u>\$ (873,803)</u>	<u>\$ 6,367,421</u>	<u>\$ 933,944</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Liabilities-Continued

Business-type activities:

Bonds and notes payable	\$ 420,548	\$ 49,200	\$ (58,359)	\$ 411,389	\$ 192,124
Pension bonds payable (Note 6)	509,459	20,392	(60,095)	469,756	70,121
Capital lease obligations (Note 7)	1,761	237	(499)	1,499	403
Accrued vacation and sick leave	111,187	5,906	(9,629)	107,464	9,829
Workers' compensation liability (Note 15)	366,934	79,327	(53,372)	392,889	64,366
Litigation and self-insurance liability (Note 15)	223,566	20,323	(21,796)	222,093	31,841
Third party payor liability (Note 11)	<u>373,877</u>	<u>13,295</u>	<u>(37,002)</u>	<u>350,170</u>	<u>11,002</u>
Total business-type activities	<u>\$ 2,007,332</u>	<u>\$ 188,680</u>	<u>\$ (240,752)</u>	<u>\$1,955,260</u>	<u>\$ 379,686</u>

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 vacation and sick leave and litigation and self-insurance liabilities.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes Payable and Pension Bonds Payable. Amounts accreted in previous years were paid during 2003-2004, thereby reducing liabilities for Bonds and Notes Payable by \$10,401,000 for governmental activities. Liabilities for Pension Bonds Payable were increased for governmental and business-type activities by \$58,329,000 and \$20,392,000, respectively, for interest accretions. Note 15 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

9. SHORT-TERM DEBT

On July 1, 2003, the County issued \$600 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.9%. 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 2003. The notes matured and were redeemed on June 30, 2004.

10. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2004, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$101,435,000 and limited obligation improvement bonds totaling \$18,390,000. 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

10. CONDUIT DEBT OBLIGATIONS-Continued

Community Facilities and Improvement District Bonds-Continued

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. Revenues have been recorded (proceeds from property owners) to reflect the bond proceeds issued for capital improvements.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds issued since inception of the programs approximates \$1,531,639,000. The amount of bonds outstanding as of June 30, 2004 was not determinable.

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

Industrial Development and Other Conduit Bonds

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

As of June 30, 2004, the amount of industrial development and other conduit bonds outstanding was \$27,744,000.

11. 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.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project

For fiscal year 1995-96, Federal, State, and County officials approved a Medicaid Demonstration Project ("Project") to enable the County to stabilize and restructure its health care system. The basis for the Project required a shift in emphasis from conventional inpatient care to preventive, primary, and outpatient care. The Project was initially approved for a five-year period that was scheduled to end on June 30, 2000. The status of the Project's extension for an additional five-year period is discussed in the next segment of this Note. The plan provided \$366.5 million in financial assistance in 1995-96, which provided impetus and support to the restructuring of health care delivery in the County.

Medicaid Demonstration Project Extension

The Federal Health Care Financing Administration, now known as the Centers for Medicare & Medicaid Services (CMS), granted an extension and phase-out of the Project over a term of five years (July 1, 2000 through June 30, 2005), to continue to assist the County in restructuring its health care delivery system.

As part of this extension agreement, the County commits to use \$300 million of tobacco litigation settlement revenues and an additional \$100 million of General Fund contributions for Project-related services during the extension period. Also, as part of this extension agreement, a minimum of \$40 million in State and County funds at a 2 to 1 ratio, respectively, will be made available over the course of the extension period to fund the system's workforce training needs, as identified in the CMS/Department of Labor approved work plan.

For the period July 1, 2000 through June 30, 2005, CMS will provide Federal Financial Participation (FFP) at the applicable Federal-matching rate for the Federally Reimbursable Ambulatory Care Service Costs and the Supplemental Project Pool for both the Department of Health Services and Department of Mental Health. Payments for these components will not exceed the annual and total budget limits as follows (in thousands):

<u>Fiscal Year</u>	<u>Percent Limit on Demonstration FFP</u>	<u>Dollar Limit on Demonstration FFP</u>
2000-01	100%	\$ 246,600
2001-02	100%	246,600
2002-03	75%	185,000
2003-04	55%	135,500
2004-05	35%	86,300
2005-06 post-extension	0%	
Total		<u>\$ 900,000</u>

To provide increased funding to the County for outpatient services, CMS approved an amendment to the State Medi-Cal Plan, effective July 1, 2000, to provide cost-based reimbursement for County-operated and contracted facilities for covered outpatient services rendered to Medi-Cal beneficiaries.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project Extension-Continued

If the County does not meet specified milestones in the "Terms and Conditions" provisions of the extension agreement, the State may impose sanctions on the County of up to 18 percent of the Supplemental Project Pool and 10 percent of the Federally Reimbursable Ambulatory Care Service Cost claim, depending on the program.

The Project Federal Financial Participation (FFP) revenues recognized in the Hospital Enterprise Funds totaled \$114.1 million for the year ended June 30, 2004 and consisted of the following:

- \$54.1 million in additional Medi-Cal matching funds for indigent care at health centers and outpatient facilities.
- \$60.0 million in increased Medi-Cal funding for providing at least 450,000 outpatient visits.

Medi-Cal and Medicare Programs

A substantial portion of the Hospitals' revenue is derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Medi-Cal acute inpatient services are reimbursed at a contractually agreed upon per-diem rate. Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Cost Based Reimbursement Clinics (CBRC) funding became effective on July 1, 2000, as part of the 1115 Waiver Extension, and is scheduled to expire on June 30, 2005. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics and health centers (excluding clinics that provide predominately public health services). Certain other services to Medicare beneficiaries are reimbursed based on cost, subject to certain limitations. Revenues from Medi-Cal and Medicare programs represent approximately 90% and 4% respectively, of net patient care revenue for the year ended June 30, 2004.

Medi-Cal cost audit reports have been issued for all hospitals through Fiscal Year 2000-2001. Medi-Cal/Cost-Based Reimbursement Clinic Fiscal Year 2001-02 audit reports have been issued for the High Desert Hospital and audits are in progress for all the other facilities.

The Medicare audits have been completed for Fiscal Year 1998-99 at all hospitals. The notices of program reimbursement have been received for all hospitals with the exception of LAC+USC Medical Center. For Fiscal Year 1999-00, the audits have been completed with the exception of Rancho Los Amigos Medical Center which has not been scheduled. In addition, the notice of program reimbursement has not been issued for LAC+USC Medical Center. For Fiscal Year 2000-01, only Martin Luther King/Drew Medical Center has been audited and the notice of program reimbursement has been issued. For Fiscal Year 2001-02, Rancho Los Amigos Medical Center's audit has been completed. The notice of program reimbursement has been issued. For Fiscal Year 2002-2003, the audits have not been scheduled.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

The Hospitals have various outstanding appeals pertaining to Medi-Cal and Medicare audit settlements. There are also outstanding Medi-Cal appeals related to health centers. These amounts have not been recorded, as the outcome is not certain. The County believes the final resolution of the appeals will not have a material effect on its financial condition.

The Hospitals, excluding health centers, also received revenues from the following programs:

During FY 1991-92, SB 855 and SB 146 were enacted to provide higher Medi-Cal reimbursement rates to Disproportionate Share Hospitals ("DSH"). These are hospitals which provide a disproportionate share of services to Medi-Cal and other low income patients. The law requires certain public entities to contribute matching funds to the State. These funds, along with additional Federal revenues, are utilized by the State to fund the supplemental payment amounts.

SB 855 funds cannot exceed each hospital's DSH limits as mandated under OBRA '93. As a result of the original 1115 Waiver, the Department of Health Services may have received SB 855 funds beyond its OBRA '93 DSH limits for the fiscal year ended June 30, 1996 (estimated to be \$104 million) in cash flow assistance which may be an obligation that is expected to be repaid in the future, and has been recorded as a liability ("Estimated Liability to Third-Party Payors") of the Hospital Enterprise Funds in the accompanying basic financial statements. Additional potential obligations totaling \$89.5 million have also been recognized as liabilities in the basic financial statements as of June 30, 2004. The amount includes \$61 million and \$28.5 million related to Fiscal Years 1996-97 and 1997-98, respectively.

SB 1255, which became effective in 1990, established the State Disproportionate Share and Emergency Services Fund to receive contributions from public agencies. The State utilizes these funds to obtain additional Federal matching funds. The total is then distributed to the hospital applicants through a negotiation process with the California Medical Assistance Commission. To be eligible to receive funds, among other requirements, a hospital must be a disproportionate share provider.

Office of Inspector General

The Office of Inspector General (OIG) performed an audit to verify that Medi-Cal's Fiscal Year (FY) 1997-98 Disproportionate Share Hospital (DSH) payments to the six Los Angeles County hospitals did not exceed their OBRA '93 limits. The OIG Audit found that the DSH payments to four of the six LAC hospitals exceeded their respective FY 1997-98 OBRA '93 limits by more than a total of \$195 million (\$98 million federal share). According to the OIG, the excess payments occurred because the State's DSH payment formula did not limit hospitals' total operating expenses to amounts that would be allowable under Medicare cost principles. The State and the County strongly disagreed with the audit findings and submitted written objections to many of the points raised by the OIG.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Office of Inspector General-Continued

The OIG recommended that the State work with CMS to address and resolve the DSH payments in excess of the limits. In its approval of the State's application for renewal of its Selective Provider Contracting Program (SPCP) waiver for the period of January 1, 2003 through December 31, 2004, CMS agreed to permit the State to make DSH payments to the Los Angeles County hospitals without applying Medicare cost principles, but required the State to exclude any amounts not related to patient care from its calculations of the hospitals' operating expenses and to modify its treatment of bad debt. CMS has agreed not to pursue retroactive recovery of overpayments found by the OIG as long as the State corrects the formula in its State Plan prospectively.

Although the State has initiated action and fully intends to comply with the CMS requirements, the final state plan amendments have not been submitted to CMS for their review and approval. Accordingly, there is still some uncertainty regarding the final acceptance of the State Plan amendment and the ultimate resolution of potential liabilities that the OIG has asserted. The County believes that the state plan amendments will ultimately be submitted and approved by CMS and that the potential liabilities of \$98 million will not significantly affect the County's financial condition.

Other Program Revenues

Proposition 99 imposes an additional State excise tax on cigarettes and other tobacco products. The increased taxes on tobacco products generate additional revenues for health care, research, health education, and public resources. State Assembly Bill 75 allocates these revenues to health care providers based upon their share of the financial burden for providing care to persons who are uninsured or otherwise unable to pay for care. The County's share of the AB 75 California Healthcare for the Indigent Program (CHIP) revenues for the year ended June 30, 2004 was \$13.1 million.

Revenues related to the aforementioned programs are included in the accompanying basic financial statements as hospital operating revenues. Uncollected amounts are reported as Accounts Receivable. Claims for these programs are subject to audit by State and/or Federal agencies.

Intergovernmental Transfers

The County of Los Angeles provides funding for the State's share of the Medicaid Demonstration Project Supplemental Project Pool (SPP) and a portion of the State's share of the SB 855 and SB 1255 programs by transferring funds to the State from the County's General Fund. These transferred funds are referred to as intergovernmental transfers (IGT) and are used by the State to draw down federal matching funds. The IGT funds transferred to the State by the County and the matching federal funds are utilized by the State to provide supplemental funding to the County, and in some instances other providers, under the SPP, SB 855 and SB 1255 programs.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Intergovernmental Transfers-Continued

The transfer of County General Funds to the State (IGT) is initially recorded as a health expenditure of the General Fund. At the time the Hospitals recognize the supplemental funding received (net patient services revenue) under one of the aforementioned programs, the General Fund distributes the cost of the IGTs to each of the Hospitals. This cost is reflected as a non-operating expense by each Hospital in its Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2004, the cost of the IGTs and the supplemental funding received are as follows (in thousands):

<u>Program</u>	<u>Intergovernmental Transfers Expense</u>	<u>Revenues</u>
Medicaid Demonstration Project (SPP)	\$ 53,323	\$ 113,333
SB 855	425,509	621,949
SB 1255	438,475	852,475
Total	<u>\$ 917,307</u>	<u>\$1,587,757</u>

Charity Care

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

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2004, based on established rates, is as follows (in thousands):

Charges forgone	\$1,456,953
Less: Federal and State subventions	<u>13,086</u>
Net charges forgone	<u>\$1,443,867</u>

Restructuring of the County's Health Care Delivery System

As indicated in the "Medicaid Demonstration Project Extension" segment of this note, the County's augmented reimbursement for health services is scheduled to expire during fiscal year 2004-2005. To address projected budget deficits, the Board approved a strategic plan in January 2002 that provided several options for a redesigned Health Care Delivery System (System). The plan established the direction for the System's restructuring and included the immediate closure of five health centers, a two-phased administrative reduction, and the consolidation of certain clinical services.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Restructuring of the County's Health Care Delivery System-Continued

In June 2002, the Board adopted a redesign plan that contemplates a System based on four acute hospitals, the closure of an additional 11 health centers, and additional reductions focused on narrowing the projected deficit. The Board and County management are continuing to work closely with federal and State officials to collaborate on the resolution of the projected deficit, the restructuring process, and other matters that impact the viability of the System.

The Department's June 26, 2002, Proposed Savings Plan included reducing LAC+USC Medical Center by 100 acute beds and reducing the County's contribution to Rancho Los Amigos National Rehabilitation Center (Rancho) by either implementing an alternative governance structure or, failing that, by closing the hospital. As of June 30, 2004, the Department has not been able to implement either of these plans because of a preliminary injunction issued by a federal district court prohibiting any service reductions at these two facilities.

The County's cost of operating Rancho is approximately \$60.4 million per year and the County's cost of maintaining the 100 beds at LAC+USC Medical Center is approximately \$31.9 million per year.

12. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2004.

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, 2004 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 3,085
	Flood Control District	4,648
	Public Library	2,465
	Regional Park and Open Space District	3,593
	Internal Service Funds	5,773
	Harbor UCLA Medical Center	55,884
	Olive View UCLA Medical Center	32,688
	LAC+USC Medical Center	227,175
	M.L. King/Drew Medical Center	26,044
	High Desert Hospital	5,323
	Rancho Los Amigos Medical Center	43,271
	Nonmajor Enterprise Funds	317
	Nonmajor Governmental Funds	<u>44,633</u>
		<u>454,899</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fire Protection District	General Fund	5,600
	Flood Control District	2
	Internal Service Funds	4
	LAC+USC Medical Center	30
	Nonmajor Governmental Funds	16
		<u>5,652</u>
Flood Control District	General Fund	57
	Internal Service Funds	10,237
	Nonmajor Governmental Funds	47
		<u>10,341</u>
Public Library	General Fund	1,166
	Nonmajor Governmental Funds	444
		<u>1,610</u>
Regional Park and Open Space District	General Fund	<u>208</u>
Internal Service Funds	General Fund	8,637
	Fire Protection District	28
	Flood Control District	14,303
	Public Library	6
	Regional Park and Open Space District	5
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	60
	M. L. King/Drew Medical Center	5
	Rancho Los Amigos Medical Center	41
	Nonmajor Enterprise Funds	3,872
	Nonmajor Governmental Funds	25,570
		<u>52,529</u>
Harbor UCLA Medical Center	General Fund	114,133
	Fire Protection District	25
	Olive View UCLA Medical Center	11,539
	LAC+USC Medical Center	1
	M.L. King/Drew Medical Center	104
	Rancho Los Amigos Medical Center	34
	Nonmajor Governmental Funds	27,534
	<u>153,370</u>	

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Olive View UCLA Medical Center	General Fund	85,335
	Fire Protection District	16
	Harbor UCLA Medical Center	446
	LAC+USC Medical Center	11
	High Desert Hospital	67
	Rancho Los Amigos Medical Center	4
	Nonmajor Governmental Funds	<u>10,509</u>
		<u>96,388</u>
LAC+USC Medical Center	General Fund	247,932
	Fire Protection District	49
	Internal Service Funds	8
	Harbor UCLA Medical Center	4,517
	Olive View UCLA Medical Center	2,653
	M.L. King/Drew Medical Center	2,545
	High Desert Hospital	1,709
	Rancho Los Amigos Medical Center	477
	Nonmajor Governmental Funds	<u>86,567</u>
		<u>346,457</u>
M. L. King/Drew Medical Center	General Fund	93,833
	Fire Protection District	35
	Harbor UCLA Medical Center	6
	Olive View UCLA Medical Center	28
	LAC+USC Medical Center	434
	Rancho Los Amigos Medical Center	5
	Nonmajor Governmental Funds	<u>18,547</u>
High Desert Hospital	General Fund	10,525
	Harbor UCLA Medical Center	35
	Olive View UCLA Medical Center	3
	M. L. King/Drew Medical Center	<u>2</u>
Rancho Los Amigos Medical Center	General Fund	45,533
	Flood Control District	2
	LAC+USC Medical Center	<u>5</u>
Nonmajor Enterprise Funds	General Fund	14
	Internal Service Funds	<u>804</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	2,662
	Flood Control District	557
	Public Library	404
	Internal Service Funds	8,664
	Olive View UCLA Medical Center	3,248
	Nonmajor Governmental Funds	<u>7,713</u>
		<u>23,248</u>
Total Interfund Receivables/Payables		<u>\$1,314,513</u>

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the six hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2004 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 18
	Public Library	25,566
	Internal Service Funds	247
	Harbor UCLA Medical Center	81,570
	Olive View UCLA Medical Center	77,671
	LAC+USC Medical Center	236,710
	M.L. King/Drew Medical Center	109,762
	High Desert Hospital	29,469
	Rancho Los Amigos Medical Center	47,203
	Nonmajor Governmental Funds	<u>106,907</u>
		<u>715,123</u>
Fire Protection District	Nonmajor Governmental Funds	<u>6,816</u>
Flood Control District	Internal Service Funds	1,306
	Nonmajor Governmental Funds	<u>17,521</u>
		<u>18,827</u>
Public Library	General Fund	4,070
	Nonmajor Governmental Funds	<u>793</u>
		<u>4,863</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>38,888</u>
Internal Service Funds	General Fund	<u>1,631</u>
Olive View UCLA Medical Center	Nonmajor Governmental Funds	<u>311</u>
M. L. King/Drew Medical Center	Harbor UCLA Medical Center	6
	Nonmajor Governmental Funds	<u>95</u>
		<u>101</u>
Nonmajor Enterprise Funds	Internal Service Funds	252
	Nonmajor Governmental Funds	<u>8,228</u>
		<u>8,480</u>
Nonmajor Governmental Funds	General Fund	70,312
	Public Library	332
	Internal Service Funds	2,354
	Harbor UCLA Medical Center	27,629
	Olive View UCLA Medical Center	7,406
	LAC+USC Medical Center	87,266
	M.L. King/Drew Medical Center	18,547
	Nonmajor Governmental Funds	<u>22,468</u>
		<u>236,314</u>
Total Interfund Transfers		<u>\$ 1,031,354</u>

Short-term Advances

Advances from/to other funds at June 30, 2004 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 3,863
	Harbor UCLA Medical Center	63,797
	Olive View UCLA Medical Center	69,569
	LAC+USC Medical Center	44,094
	M.L. King/Drew Medical Center	85,679
	High Desert Hospital	2,868
	Rancho Los Amigos Medical Center	<u>2,358</u>
		<u>272,228</u>
Flood Control District	Internal Service Funds	<u>6,712</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>1,173</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>10,252</u>
Total Short-term Advances		<u>\$ 290,365</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

12. INTERFUND TRANSACTIONS-Continued

Short-term Advances-Continued

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. 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.

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

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

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

- For budgetary purposes, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.
- For the General Fund, obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.
- In conjunction with the sale of pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 6.
- 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.
- 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-Continued

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE
BUDGETARY BASIS AND GAAP-Continued

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

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	\$ 872,284	\$ 71,543	\$ 15,102	\$ 4,418	\$ 125,761
Reserves and designations	<u>1,009,571</u>	<u>14,093</u>	<u>109,997</u>	<u>6,949</u>	<u>114,126</u>
Subtotal	<u>1,881,855</u>	<u>85,636</u>	<u>125,099</u>	<u>11,367</u>	<u>239,887</u>
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	99,422	(254)		127	
Reversal of accrued vacation and sick leave benefits	39,501				
Deferral of unearned investment income	(24,155)	(1,193)		(265)	
Change in revenue accruals	<u>(108,896)</u>	<u>(15,765)</u>	<u>(4,816)</u>	<u>(2,092)</u>	<u>(1,313)</u>
Subtotal	<u>5,872</u>	<u>(17,212)</u>	<u>(4,816)</u>	<u>(2,230)</u>	<u>(1,313)</u>
Fund balance - GAAP basis	<u>\$1,887,727</u>	<u>\$ 68,424</u>	<u>\$ 120,283</u>	<u>\$ 9,137</u>	<u>\$ 238,574</u>

14. COMMITMENTS

Construction Commitments

At June 30, 2004, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately \$367,061,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2004, LACERA had outstanding capital commitments to various investment managers, approximating \$2,340,000,000. Subsequent to June 30, 2004, LACERA funded \$110,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2004, the County had open trade commitments (forward contracts) with various brokers to purchase investments approximating \$190,423,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2004 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 20, 2004, the County had purchased such investments.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

15. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2002-2003 or 2003-2004.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation and long-term disability, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County's workers' compensation liabilities as of June 30, 2004 were approximately \$2.557 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2004. Approximately \$256 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code. Workers' compensation benefits and their related costs are significantly influenced by State laws and regulations. State legislation and legal decisions have lengthened the duration of claims managed by the County. In addition, the County's program has experienced significant increases in medical and litigation expenses, as well as growth in utilization rates.

As of June 30, 2004, the County's best estimate of these liabilities is \$3.163 billion. Changes in the reported liability since July 1, 2002 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>2002-2003</u>				
Workers' Compensation	\$ 1,703,620	\$ 855,142	\$ 274,137	\$ 2,284,625
Other	<u>594,040</u>	<u>226,814</u>	<u>87,726</u>	<u>733,128</u>
Total 2002-2003	<u>\$ 2,297,660</u>	<u>\$ 1,081,956</u>	<u>\$ 361,863</u>	<u>\$ 3,017,753</u>
<u>2003-2004</u>				
Workers' Compensation	\$ 2,284,625	\$ 646,922	\$ 374,946	\$ 2,556,601
Other	<u>733,128</u>	<u>60,458</u>	<u>186,793</u>	<u>606,793</u>
Total 2003-2004	<u>\$ 3,017,753</u>	<u>\$ 707,380</u>	<u>\$ 561,739</u>	<u>\$ 3,163,394</u>

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

15. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$204 million (including the \$98 million discussed in Note 11) are possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

In addition to the aforementioned lawsuits, there are unasserted claims approximating \$150 million as a result of a federal court decision which ordered the California Secretary of State to decertify the use of punch card voting systems. The County has implemented an interim paper-based voting system to replace the punch card system and is continuing to evaluate new technologies in this area.

In November 2003 and May 2004, the Secretary of State issued directives that will require all existing and new touch screens to have an accessible voter verifiable paper audit trail. In the opinion of County Counsel, it is reasonably possible for the County to incur costs of approximately \$150 million to comply with the regulatory requirements if the County were to replace the current paper-based voting system to a touch screen voting system. However, it is also reasonable to assume that both federal and State funding would be available to offset at least a portion of such costs. During 2003-2004, the County received approximately \$15.8 million from the State as advance funding to comply with some of the new requirements. County management believes that the timing of this matter is uncertain and its final outcome will not have a material affect on the County's financial condition.

Litigation Related to Pension Benefits

In addition to the aforementioned claims, the County and LACERA have been named as defendants in a number of lawsuits that seek to expand the types of employee benefits which are applied in determining pension compensation. On July 20, 2000, the Superior Court held that the following items are not includable in pension compensation: 1) the cash-out of accrued benefits (primarily unused vacation and sick leave benefits), 2) flexible benefit plan payments for insurance benefits, and 3) employer payment of member-required contributions to LACERA.

The Court subsequently held that certain contributions and benefits must be applied retroactively in Los Angeles County.

On July 11, 2003, the California Court of Appeal affirmed the trial court judgment in all respects. The California Supreme Court denied review and the judgment is now final.

LACERA's actuary has estimated that the present value of benefit increases required by the judgment is approximately \$190 million and represents an unfunded actuarial accrued liability (UAAL). This estimate was included in the actuarial valuation of the County's pension plan conducted as of June 30, 2003. Revised County contribution rates were recommended by the actuary and included a provision to fund the UAAL over a rolling thirty year period. On May 18, 2004, the Board of Supervisors adopted the revised employer contributions that were recommended by the actuary and those rates became effective July 1, 2004.

COUNTY OF LOS ANGELES
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

16. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition. Accordingly, there is uncertainty about the validity of taxes currently being collected and as of June 30, 2004, a portion (\$190 million) of the general fund's designation for budgetary uncertainties pertained to such collections.

17. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2004, the County issued \$600,000,000 in 2004-05 TRANS which will mature on June 30, 2005. The TRANS are collateralized by taxes and other revenues attributable to the 2004-05 fiscal year and were issued in the form of Fixed Rate Notes at an interest rate of 1.6%.

Capital Asset Leasing Corporation Lease Revenue Bonds, 2004 Series A

On August 17, 2004, the Corporation issued \$12,240,000 in lease revenue bonds. The bond proceeds, collected lease revenue and unexpended equipment acquisition funds were used to retire \$20,000,000 in outstanding bond anticipation notes. The bonds were issued in conjunction with the operations of the Equipment Acquisition Internal Service Fund and will be repaid through equipment rental charges received from various other County funds. The bonds mature from December 2004, to December 2007, with interest rates ranging from 2.50% to 4.00%.

Tax-Exempt Commercial Paper

On August 20, 2004 and September 29, 2004, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$26,000,000 and \$34,000,000, respectively, in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of the LAC+USC Medical Center Replacement Project.

The commercial paper, which was initially issued at an average rate of 1.22% and 1.69%, respectively, is secured by a long-term lease of County real estate and a letter of credit. The County pays debt service in the form of lease payments.

Capital Asset Leasing Corporation Bond Anticipation Notes

On August 24, 2004, the Corporation issued a \$5,000,000 Bond Anticipation Note with an initial interest rate of 2.14%. The rate is adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2007. Proceeds of the note are being used to purchase equipment. The note is to be repaid from the proceeds of lease revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited - See accompanying independent auditors' report)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded/ (Overfunded) AAL [UAAL/(OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/(OAAL) as a Percentage of Covered Payroll ((b-a)/c)
06/30/01	26,490,000	26,489,976	(24)	100.0%	4,398,443	0.0%
06/30/02	28,262,129	28,437,493	175,364	99.4%	4,744,340	3.7%
06/30/03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%

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 all financial resources except those accounted for in other funds. 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; Health and sanitation; Public assistance; 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, 2004 (in thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
GENERAL GOVERNMENT:				
Salaries and employee benefits	\$ 606,006	615,617	548,289	(67,328)
Services and supplies	589,661	591,440	389,057	(202,383)
Other charges	71,123	82,859	81,201	(1,658)
Fixed assets	6,501	7,034	5,597	(1,437)
Intrafund transfers	(406,807)	(406,807)	(363,157)	43,650
TOTAL GENERAL GOVERNMENT	866,484	890,143	660,987	(229,156)
PUBLIC PROTECTION:				
Salaries and employee benefits	2,382,552	2,393,223	2,375,322	(17,901)
Services and supplies	685,199	708,977	594,543	(114,434)
Other charges	377,569	379,657	372,381	(7,276)
Fixed assets	7,342	13,764	9,549	(4,215)
Intrafund transfers	(72,247)	(79,843)	(68,804)	11,039
TOTAL PUBLIC PROTECTION	3,380,415	3,415,778	3,282,991	(132,787)
HEALTH AND SANITATION:				
Salaries and employee benefits	619,796	595,463	580,321	(15,142)
Services and supplies	1,489,738	1,436,612	1,359,634	(76,978)
Other charges	443,416	489,091	484,223	(4,868)
Fixed assets	6,141	5,698	5,373	(325)
Intrafund transfers	(142,770)	(142,785)	(119,841)	22,944
TOTAL HEALTH AND SANITATION	2,416,321	2,384,079	2,309,710	(74,369)
PUBLIC ASSISTANCE:				
Salaries and employee benefits	1,205,969	1,214,020	1,155,459	(58,561)
Services and supplies	833,295	851,382	709,795	(141,587)
Other charges	2,722,997	2,726,064	2,492,940	(233,124)
Fixed assets	3,958	3,958	2,717	(1,241)
Intrafund transfers	(72,771)	(73,040)	(61,030)	12,010
TOTAL PUBLIC ASSISTANCE	4,693,448	4,722,384	4,299,881	(422,503)
RECREATION AND CULTURAL SERVICES:				
Salaries and employee benefits	84,734	84,840	82,617	(2,223)
Services and supplies	80,968	83,907	80,995	(2,912)
Other charges	12,563	12,380	11,427	(953)
Fixed assets	825	939	871	(68)
Intrafund transfers	(2,698)	(2,698)	(2,327)	371
TOTAL RECREATION AND CULTURAL SERVICES	176,392	179,368	173,583	(5,785)
DEBT SERVICE-				
Interest	5,706	5,706	5,706	
CAPITAL OUTLAY	343,078	338,755	72,100	(266,655)
TOTAL GENERAL FUND	\$ 11,881,844	11,936,213	10,804,958	(1,131,255)



NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

The Road Fund was established to provide for the maintenance and construction of streets, roads, highways, and bridges. Revenue consists primarily of the County's share of State highway use 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, Special Road Districts, Construction Fee Districts, Transit Operations, Paratransit Operations, and Off Highway License Fee were established to provide 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 revenues and service charges to parking lots.

The Street Lighting Districts Funds were established to provide for the installation and maintenance of street lighting systems. Revenues are derived primarily from the Countywide tax levy and benefit assessments.

The Garbage Disposal District Funds were established under 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 District Funds were established pursuant to 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 was established to support 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 & 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, and Solid Waste Management Funds were established to offset the cost of emergency services for the indigent, County alcoholism programs and services, AIDS education, air quality improvements, bicycle safety, hazardous waste enforcement and solid waste management. Revenues are from State tobacco taxes, patient collections, court fines, State-assessed vehicle fees, penalties assessed for hazardous waste violations, and sanitation services.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

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, District Attorney Asset Forfeiture, Fire Department Developer Fees, Children's Waiting Room, Oak Forest Mitigation, Information Systems Advisory Body, Drug Abuse Gang Diversion, Jury Operations Improvement, Dependency Court Facilities and Small Claims Advisor Program were established to provide certain services and supplies to inmates, to supplement the cost of various law enforcement and prosecutorial investigation activities, and to finance vehicle replacement, facilities improvement, equipment maintenance and automated systems. 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 and court 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 were established to provide a variety of public assistance services. The programs are financed from special fees collected for birth certificates, marriage licenses, confidential marriage certificates, court fines for driving under the influence of alcohol or drugs, and disabled parking violation assessments.

The Recreation Funds: Golf Course, Recreation and Development, and Ford Theater were established to provide for maintenance and improvements to County golf courses, public recreation areas, and Ford Theater. Fish and Game was set up for the preservation and propagation of fish and wildlife. Revenues are derived from a percentage of golf course green fees, vehicle entrance fees collected from the regional parks, and local fish and game fines.

The Community Development Commission: The Housing Authority and Community Development Commission were established to increase the supply of affordable housing, effect community improvements under grant programs and to administer the County's Community Development Block Grant Funds, the County Redevelopment Agency and other County housing related functions. Revenues are derived principally from Federal grants.

The Courthouse Temporary Construction Fund was established 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 was established 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.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

The Other Special Revenue Funds: Accumulative Capital Outlay ("ACO") was set up for the replacement of motor vehicles, printing and communications equipment, and helicopters. Productivity Investment was established to account for the start-up and incidental costs associated with productivity improvement projects. Civic Center Employee parking was established to provide parking services and alternative means of transportation for County employees. Energy Management provides for the replacement of inefficient energy equipment in County facilities and other energy cost reduction measures. Cable TV Franchise was established to fund cable-related activities. Revenues are derived from a percentage of cable franchise fees. Operating transfers are also made from the General Fund to support operations. Public Library Developer Fees were established to acquire land, construct library facilities, and purchase equipment and library materials. Various funds have been established to report resources that are legally restricted and the principal and earnings may be used for purposes that support recreation, cultural, education, and health and sanitation programs.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR DEBT SERVICE FUNDS

The Detention Facilities and Flood Control District Debt Service Funds receive their funds from a voted indebtedness tax levy. The Flood Control District additionally receives operating transfers from the Flood Control District Special Revenue Fund. The Regional Park and Open Space District received long-term debt proceeds and also receives voter-approved benefit assessments. The Marina del Rey Fund receives rental revenues from the Marina del Rey Project area. Joint Powers Authorities and Public Buildings receive their funds primarily from the General Fund in the form of operating transfers.

Joint Powers Authorities

Public Works Financing Authority

Public Buildings

Antelope Valley Courthouse Project - Series 2000A
Disney Parking Project
1998 Disney Parking Refunding Project
Los Angeles County Museum of Art
Los Angeles County Public Properties Project
Multiple Capital Facilities Project IV
Multiple Capital Facilities Project V - Series A
Multiple Capital Facilities Project V - Series B
Multiple Capital Facilities Project VI - Series A
1996 Master Refunding Project
1997 Master Refunding Project
2002 Master Refunding Project - Series A
2002 Master Refunding Project - Series B

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR CAPITAL PROJECTS FUNDS

The Capital Projects Funds were established to account for financial resources for the acquisition or construction of major capital facilities.

Accumulative Capital Outlay Funds have been established in accordance with Government Code Section 53730 for specific capital projects.

Flood Control District projects are financed by general obligation bonds and certificates of participation.

Improvement Districts are financed by contributions from property owners.

Public Buildings projects are financed by bonds and operating transfers.

Continued...

COUNTY OF LOS ANGELES
NONMAJOR GOVERNMENTAL FUNDS
NONMAJOR PERMANENT FUNDS

Permanent funds have been established to 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, 2004 (in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Pooled cash and investments:					
Operating	\$ 817,313	88,654	49,931	2,446	\$ 958,344
Other	27,600	530	89	3	28,222
Total pooled cash and investments	844,913	89,184	50,020	2,449	986,566
Other investments	40,568	535,232	51,467	847	628,114
Taxes receivable	8,010	1,856			9,866
Interest receivable	1,784	231	136	20	2,171
Other receivables	68,760	11,361	162		80,283
Due from other funds	20,737	866	1,645		23,248
Advances to other funds	10,252				10,252
Inventories	48,017				48,017
TOTAL ASSETS	\$ 1,043,041	638,730	103,430	3,316	\$ 1,788,517
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 47,000		620		\$ 47,620
Accrued payroll	461				461
Other payables	1,320	1,895			3,215
Due to other funds	207,313	13,010	1,256	1	221,580
Deferred revenue	17,066	16,177			33,243
Advances payable	15,375				15,375
Third party payor liability	2,504				2,504
TOTAL LIABILITIES	291,039	31,082	1,876	1	323,998
FUND BALANCES:					
Reserved for:					
Encumbrances	101,186		5,236		106,422
Inventories	48,017				48,017
Housing programs	2,260				2,260
Debt service		607,648			607,648
Endowments & annuities				3,315	3,315
Other	21,917		9,279		31,196
Unreserved, designated for:					
Program expansion	147,484				147,484
Unreserved, undesignated, reported in:					
Special revenue funds	431,138				431,138
Capital projects funds			87,039		87,039
TOTAL FUND BALANCES	752,002	607,648	101,554	3,315	1,464,519
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,043,041	638,730	103,430	3,316	\$ 1,788,517

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SUMMARY
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 240,943	12,351			\$ 253,294
Licenses, permits and franchises	5,550	24			5,574
Fines, forfeitures and penalties	64,819	78			64,897
Revenue from use of money/property:					
Investment income	9,577	23,128	898	2	33,605
Rents and concessions	5,429	36,193			41,622
Royalties	10				10
Intergovernmental revenues:					
Federal	91,543		1		91,544
State	180,427	77	159		180,663
Other	13,202				13,202
Charges for services	71,808	1,308	3,205		76,321
Proceeds from property owners			73		73
Miscellaneous	70,507	76	881		71,464
TOTAL REVENUES	753,815	73,235	5,217	2	832,269
EXPENDITURES:					
Current:					
General government	16,538			228	16,766
Public protection	74,693				74,693
Public ways and facilities	229,546				229,546
Health and sanitation	92,231				92,231
Public assistance	121,623				121,623
Recreation and cultural services	4,672				4,672
Debt service:					
Principal	3,559	134,777			138,336
Interest and other charges	1,587	123,301			124,888
Capital outlay			20,224		20,224
TOTAL EXPENDITURES	544,449	258,078	20,224	228	822,979
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	209,366	(184,843)	(15,007)	(226)	9,290
OTHER FINANCING SOURCES (USES):					
Transfers in	22,070	176,324	3,633		202,027
Transfers out	(220,621)	(15,489)	(204)		(236,314)
Sales of capital assets	4,250		104		4,354
TOTAL OTHER FINANCING SOURCES (USES)	(194,301)	160,835	3,533		(29,933)
NET CHANGE IN FUND BALANCES	15,065	(24,008)	(11,474)	(226)	(20,643)
FUND BALANCE, JULY 1, 2003	736,937	631,656	113,028	3,541	1,485,162
FUND BALANCE, JUNE 30, 2004	\$ 752,002	607,648	101,554	3,315	\$ 1,464,519



COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 JUNE 30, 2004 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting	Garbage Disposal	Sewer Maintenance
	Roads	Other	Districts	Districts	Districts
ASSETS					
Pooled cash and investments:					
Operating	\$ 40,878	95,036	39,874	15,776	5,928
Other	15,322	438	305	225	294
Total pooled cash and investments	<u>56,200</u>	<u>95,474</u>	<u>40,179</u>	<u>16,001</u>	<u>6,222</u>
Other investments					
Taxes receivable	1	372	1,431	908	575
Interest receivable	133	224	97	38	16
Other receivables	23,477	7,432	18	717	660
Due from other funds	10,522	375	32	4	1,455
Advances to other funds	8,501	409			1,025
TOTAL ASSETS	<u>\$ 98,834</u>	<u>104,286</u>	<u>41,757</u>	<u>17,668</u>	<u>9,953</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,178	5,014	1,116	1,123	159
Other payables					348
Due to other funds	23,463	4,527	372	342	2,314
Deferred revenue	5,246	833	972	1,156	827
Advances payable	15,375				
Third party payor liability	1,093			1,411	
TOTAL LIABILITIES	<u>47,355</u>	<u>10,374</u>	<u>2,460</u>	<u>4,032</u>	<u>3,648</u>
FUND BALANCES:					
Reserved for:					
Encumbrances	29,615	32,953	520	3	623
Other	3,014	15,120			2,152
Unreserved, designated for:					
Program expansion		2,862		10,000	
Unreserved, undesignated	18,850	42,977	38,777	3,633	3,530
TOTAL FUND BALANCES	<u>51,479</u>	<u>93,912</u>	<u>39,297</u>	<u>13,636</u>	<u>6,305</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 98,834</u>	<u>104,286</u>	<u>41,757</u>	<u>17,668</u>	<u>9,953</u>

Health Services Measure B	Health and Sanitation	Other Public Protection	Public Assistance	Recreation	
					ASSETS
					Pooled cash and investments:
\$ 159,022	52,375	129,401	4,453	4,140	Operating
2,522	1,548	1,559	1,084		Other
<u>161,544</u>	<u>53,923</u>	<u>130,960</u>	<u>5,537</u>	<u>4,140</u>	Total pooled cash and investments
4,680	43				Other investments
382	127	309	5	6	Taxes receivable
	12,760			132	Interest receivable
4,243	267	5	150	299	Other receivables
	317				Due from other funds
<u>\$ 170,849</u>	<u>67,437</u>	<u>131,274</u>	<u>5,692</u>	<u>4,577</u>	Advances to other funds
					TOTAL ASSETS
					LIABILITIES AND FUND BALANCES
					LIABILITIES:
\$	15,887	2,254	170	560	Accounts payable
			803	36	Other payables
143,487	16,272	4,917	1,628	78	Due to other funds
2,896	824				Deferred revenue
					Advances payable
					Third party payor liability
<u>146,383</u>	<u>32,983</u>	<u>7,171</u>	<u>2,601</u>	<u>674</u>	TOTAL LIABILITIES
					FUND BALANCES:
					Reserved for:
10,590	6,014	15,010	260	73	Encumbrances
		300			Other
	20,467	2,156	25	282	Unreserved, designated for:
13,876	7,973	106,637	2,806	3,548	Program expansion
<u>24,466</u>	<u>34,454</u>	<u>124,103</u>	<u>3,091</u>	<u>3,903</u>	Unreserved, undesignated
					TOTAL FUND BALANCES
<u>\$ 170,849</u>	<u>67,437</u>	<u>131,274</u>	<u>5,692</u>	<u>4,577</u>	TOTAL LIABILITIES AND FUND BALANCES

Continued...

COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET - Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 JUNE 30, 2004 (in thousands)

	Community Development Commission	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Other Special Revenue	Total
ASSETS					
Pooled cash and investments:					
Operating	\$ 71,751	99,124	28,484	71,071	\$ 817,313
Other		1,933	2,059	311	27,600
Total pooled cash and investments	<u>71,751</u>	<u>101,057</u>	<u>30,543</u>	<u>71,382</u>	<u>844,913</u>
Other investments	40,567			1	40,568
Taxes receivable					8,010
Interest receivable		243	71	133	1,784
Other receivables	23,334			230	68,760
Due from other funds	1,637			1,748	20,737
Advances to other funds					10,252
Inventories	48,017				48,017
TOTAL ASSETS	<u>\$ 185,306</u>	<u>101,300</u>	<u>30,614</u>	<u>73,494</u>	<u>\$ 1,043,041</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 18,041			498	\$ 47,000
Accrued payroll				461	461
Other payables	133				1,320
Due to other funds	1,637		3,220	5,056	207,313
Deferred revenue	4,312				17,066
Advances payable					15,375
Third party payor liability					2,504
TOTAL LIABILITIES	<u>24,123</u>		<u>3,220</u>	<u>6,015</u>	<u>291,039</u>
FUND BALANCES:					
Reserved for:					
Encumbrances			691	4,834	101,186
Inventories	48,017				48,017
Housing programs	2,260				2,260
Other	1,331				21,917
Unreserved, designated for:					
Program expansion	109,575			2,117	147,484
Unreserved, undesignated		101,300	26,703	60,528	431,138
TOTAL FUND BALANCES	<u>161,183</u>	<u>101,300</u>	<u>27,394</u>	<u>67,479</u>	<u>752,002</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 185,306</u>	<u>101,300</u>	<u>30,614</u>	<u>73,494</u>	<u>\$ 1,043,041</u>



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, 2004 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting	Garbage Disposal	Sewer Maintenance
	Roads	Other	Districts	Districts	Districts
REVENUES:					
Taxes	\$ 3,244	31,500	12,765	3,214	
Licenses, permits and franchises	1,951				
Fines, forfeitures and penalties		31	148	267	201
Revenue from use of money/property:					
Investment income	837	737	320	136	155
Rents and concessions	8	173			
Intergovernmental revenues:					
Federal	8,982	1,751			
State	124,167	1,208	150	36	
Other	249	11,429	293		16
Charges for services	7,229	2,866	4,191	9,970	17,418
Miscellaneous	726		1		
TOTAL REVENUES	147,393	49,695	17,868	13,623	17,790
EXPENDITURES:					
Current:					
General government					
Public protection					
Public ways and facilities	161,404	51,478	16,664		
Health and sanitation				15,440	18,372
Public assistance					
Recreation and cultural services					
TOTAL EXPENDITURES	161,404	51,478	16,664	15,440	18,372
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,011)	(1,783)	1,204	(1,817)	(582)
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out	(2,103)				(131)
Sales of capital assets	3,310				
TOTAL OTHER FINANCING SOURCES (USES)	1,207				(131)
NET CHANGE IN FUND BALANCES	(12,804)	(1,783)	1,204	(1,817)	(713)
FUND BALANCES, JULY 1, 2003	64,283	95,695	38,093	15,453	7,018
FUND BALANCES, JUNE 30, 2004	\$ 51,479	93,912	39,297	13,636	6,305

Health Services Measure B	Health and Sanitation	Other Public Protection	Public Assistance	Recreation
\$ 175,490				
		33	1,337	21
	14,334	6,291	1,561	12
339	721	871	6	14
				218
	34	438		
	41,789	13,077		
	1,215			
	13,834	10,333	2,974	969
	8	40,251	2,840	3,846
<u>175,829</u>	<u>71,935</u>	<u>71,294</u>	<u>8,718</u>	<u>5,080</u>
		42,080		
10,979	47,440			
			7,932	
				4,672
<u>10,979</u>	<u>47,440</u>	<u>42,080</u>	<u>7,932</u>	<u>4,672</u>
<u>164,850</u>	<u>24,495</u>	<u>29,214</u>	<u>786</u>	<u>408</u>
		3,870		10
(140,384)	(42,455)	(7,810)	(3,548)	(15)
		22		
<u>(140,384)</u>	<u>(42,455)</u>	<u>(3,918)</u>	<u>(3,548)</u>	<u>(5)</u>
24,466	(17,960)	25,296	(2,762)	403
	52,414	98,807	5,853	3,500
<u>\$ 24,466</u>	<u>34,454</u>	<u>124,103</u>	<u>3,091</u>	<u>3,903</u>

REVENUES:

Taxes

Licenses, permits and franchises

Fines, forfeitures and penalties

Revenue from use of money/property:

Investment income

Rents and concessions

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

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, 2003

FUND BALANCES, JUNE 30, 2004

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, 2004 (in thousands)

	Community Development Commission	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Other Special Revenue	Total
REVENUES:					
Taxes	14,730				\$ 240,943
Licenses, permits and franchises				2,208	5,550
Fines, forfeitures and penalties		19,615	22,209	150	64,819
Revenue from use of money/property:					
Investment income	4,044	950	230	217	9,577
Rents and concessions	852	155		4,023	5,429
Royalties				10	10
Intergovernmental revenues:					
Federal	80,338				91,543
State					180,427
Other					13,202
Charges for services				2,024	71,808
Miscellaneous	22,690			145	70,507
TOTAL REVENUES	122,654	20,720	22,439	8,777	753,815
EXPENDITURES:					
Current:					
General government				16,538	16,538
Public protection		17,711	14,902		74,693
Public ways and facilities					229,546
Health and sanitation					92,231
Public assistance	113,691				121,623
Recreation and cultural services					4,672
Debt service:					
Principal	3,559				3,559
Interest and other charges	1,587				1,587
TOTAL EXPENDITURES	118,837	17,711	14,902	16,538	544,449
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,817	3,009	7,537	(7,761)	209,366
OTHER FINANCING SOURCES (USES):					
Transfers in	8,228			9,962	22,070
Transfers out	(92)	(8,807)	(7,140)	(8,136)	(220,621)
Sales of capital assets				918	4,250
TOTAL OTHER FINANCING SOURCES (USES)	8,136	(8,807)	(7,140)	2,744	(194,301)
NET CHANGE IN FUND BALANCES	11,953	(5,798)	397	(5,017)	15,065
FUND BALANCES, JULY 1, 2003	149,230	107,098	26,997	72,496	736,937
FUND BALANCES, JUNE 30, 2004	\$ 161,183	101,300	27,394	67,479	\$ 752,002

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	215,616	215,616	227,524	11,908
Licenses, permits and franchises	4,447	4,447	5,550	1,103
Fines, forfeitures and penalties	67,674	67,674	64,818	(2,856)
Revenue from use of money and property:				
Investment income	15,220	15,220	8,610	(6,610)
Rents and concessions	4,839	4,839	4,576	(263)
Royalties			10	10
Intergovernmental revenues:				
Federal	41,006	41,006	11,205	(29,801)
State	181,804	191,604	180,427	(11,177)
Other	18,700	18,811	13,202	(5,609)
Charges for services	111,788	111,717	71,875	(39,842)
Miscellaneous	40,601	40,601	47,859	7,258
TOTAL REVENUES	701,695	711,535	635,656	(75,879)
EXPENDITURES:				
Current:				
General government	40,740	43,275	15,440	(27,835)
Public protection	272,406	276,391	94,163	(182,228)
Public ways and facilities	388,349	388,349	234,958	(153,391)
Health and sanitation	104,514	113,648	100,304	(13,344)
Public assistance	8,638	8,638	8,104	(534)
Recreation and cultural services	9,153	9,188	4,605	(4,583)
TOTAL EXPENDITURES	823,800	839,489	457,574	(381,915)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(122,105)	(127,954)	178,082	306,036
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	5,006	5,006	4,250	(756)
Transfers in	15,689	18,494	18,053	(441)
Transfers out	(286,447)	(287,097)	(210,287)	76,810
Appropriation for contingencies	(40,740)	(36,304)		36,304
Changes in reserves and designations	17,468	16,726	33,598	16,872
OTHER FINANCING SOURCES (USES) - NET	(289,024)	(283,175)	(154,386)	128,789
NET CHANGE IN FUND BALANCE	(411,129)	(411,129)	23,696	434,825
FUND BALANCE, JULY 1, 2003	411,141	411,141	411,141	
FUND BALANCE, JUNE 30, 2004	\$ 12	12	434,837	434,825

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	ROAD			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 3,601	3,601	3,244	(357)
Licenses, permits and franchises	1,339	1,339	1,951	612
Fines, forfeitures and penalties	1	1		(1)
Revenue from use of money and property:				
Investment income	1,700	1,700	1,027	(673)
Rents and concessions	3	3	8	5
Intergovernmental revenues:				
Federal	38,908	38,908	8,982	(29,926)
State	133,020	133,020	124,167	(8,853)
Other	871	871	249	(622)
Charges for services	13,206	13,206	7,229	(5,977)
Miscellaneous	238	238	726	488
TOTAL REVENUES	192,887	192,887	147,583	(45,304)
EXPENDITURES:				
Current-Public ways and facilities:				
Services and supplies	193,630	193,630	156,412	(37,218)
Other charges	5,360	5,360	403	(4,957)
Fixed assets	685	685	8	(677)
TOTAL EXPENDITURES	199,675	199,675	156,823	(42,852)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(6,788)	(6,788)	(9,240)	(2,452)
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	14	14	3,310	3,296
Transfers out	(3,226)	(3,226)	(2,103)	1,123
Appropriation for contingencies	(10,650)	(10,650)		10,650
Changes in reserves and designations			6,350	6,350
OTHER FINANCING SOURCES (USES) - NET	(13,862)	(13,862)	7,557	21,419
NET CHANGE IN FUND BALANCE	(20,650)	(20,650)	(1,683)	18,967
FUND BALANCE, JULY 1, 2003	20,650	20,650	20,650	
FUND BALANCE, JUNE 30, 2004	\$		18,967	18,967

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	OTHER STREETS, HIGHWAYS, ROADS, AND BRIDGES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 27,879	27,879	31,557	3,678
Fines, forfeitures and penalties	34	34	31	(3)
Revenue from use of money and property:				
Investment income	3,831	3,831	1,158	(2,673)
Rents and concessions	173	173	173	
Intergovernmental revenues:				
Federal	2,070	2,070	1,751	(319)
State	504	504	1,208	704
Other	16,277	16,277	11,429	(4,848)
Charges for services	43,699	43,699	2,866	(40,833)
Miscellaneous	2,016	2,016		(2,016)
TOTAL REVENUES	96,483	96,483	50,173	(46,310)
EXPENDITURES:				
Current-Public ways and facilities:				
Services and supplies	131,706	131,206	56,962	(74,244)
Other charges	1,981	1,981		(1,981)
Fixed assets	4,496	4,996	3,994	(1,002)
TOTAL EXPENDITURES	138,183	138,183	60,956	(77,227)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(41,700)	(41,700)	(10,783)	30,917
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	461	461		(461)
Appropriation for contingencies	(10,427)	(10,427)		10,427
Changes in reserves and designations	(387)	(387)	2,077	2,464
OTHER FINANCING SOURCES (USES) - NET	(10,353)	(10,353)	2,077	12,430
NET CHANGE IN FUND BALANCE	(52,053)	(52,053)	(8,706)	43,347
FUND BALANCE, JULY 1, 2003	52,053	52,053	52,053	
FUND BALANCE, JUNE 30, 2004	\$		43,347	43,347

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	STREET LIGHTING DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 11,069	11,069	12,988	1,919
Fines, forfeitures and penalties	108	108	147	39
Revenue from use of money and property- Investment income	956	956	500	(456)
Intergovernmental revenues:				
State	147	147	150	3
Other	452	452	293	(159)
Charges for services	4,208	4,208	4,193	(15)
TOTAL REVENUES	16,940	16,940	18,271	1,331
EXPENDITURES:				
Current-Public ways and facilities- Services and supplies	50,491	50,491	17,179	(33,312)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,551)	(33,551)	1,092	34,643
OTHER FINANCING SOURCES (USES):				
Transfers in	4,434	4,434	4,211	(223)
Transfers out	(4,434)	(4,434)	(4,211)	223
Appropriation for contingencies	(4,615)	(4,615)		4,615
Changes in reserves and designations	1,624	1,624	1,630	6
OTHER FINANCING SOURCES (USES) - NET	(2,991)	(2,991)	1,630	4,621
NET CHANGE IN FUND BALANCE	(36,542)	(36,542)	2,722	39,264
FUND BALANCE, JULY 1, 2003	36,542	36,542	36,542	
FUND BALANCE, JUNE 30, 2004	\$		39,264	39,264

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	GARBAGE DISPOSAL DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 3,067	3,067	3,257	190
Fines, forfeitures and penalties	273	273	267	(6)
Revenue from use of money and property- Investment income	382	382	211	(171)
Intergovernmental revenues- State	37	37	36	(1)
Charges for services	9,337	9,337	10,062	725
TOTAL REVENUES	13,096	13,096	13,833	737
EXPENDITURES:				
Current-Health and sanitation:				
Services and supplies	15,556	14,869	14,241	(628)
Other charges	850	1,552	1,200	(352)
TOTAL EXPENDITURES	16,406	16,421	15,441	(980)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,310)	(3,325)	(1,608)	1,717
OTHER FINANCING SOURCES (USES):				
Appropriation for contingencies	(2,288)	(2,273)		2,273
Changes in reserves and designations	1,244	1,244	1,245	1
OTHER FINANCING SOURCES (USES) - NET	(1,044)	(1,029)	1,245	2,274
NET CHANGE IN FUND BALANCE	(4,354)	(4,354)	(363)	3,991
FUND BALANCE, JULY 1, 2003	4,354	4,354	4,354	
FUND BALANCE, JUNE 30, 2004	\$		3,991	3,991

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	SEWER MAINTENANCE DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 163	163	201	38
Revenue from use of money and property-				
Investment income	460	460	184	(276)
Intergovernmental revenues:				
Federal	28	28		(28)
Other			16	16
Charges for services	17,317	17,317	17,394	77
Miscellaneous	10	10		(10)
TOTAL REVENUES	17,978	17,978	17,795	(183)
EXPENDITURES:				
Current-Health and sanitation:				
Services and supplies	23,548	23,116	18,429	(4,687)
Other charges	318	318	303	(15)
Fixed assets	50	50		(50)
TOTAL EXPENDITURES	23,916	23,484	18,732	(4,752)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(5,938)	(5,506)	(937)	4,569
OTHER FINANCING SOURCES (USES):				
Transfers out	(260)	(260)	(131)	129
Appropriation for contingencies	(595)	(285)		285
Changes in reserves and designations	168	(574)	(35)	539
OTHER FINANCING SOURCES (USES) - NET	(687)	(1,119)	(166)	953
NET CHANGE IN FUND BALANCE	(6,625)	(6,625)	(1,103)	5,522
FUND BALANCE, JULY 1, 2003	6,625	6,625	6,625	
FUND BALANCE, JUNE 30, 2004	\$		5,522	5,522

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	HEALTH SERVICES MEASURE B			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 170,000	170,000	176,478	6,478
Revenue from use of money and property:				
Investment income			794	794
TOTAL REVENUES	170,000	170,000	177,272	7,272
EXPENDITURES:				
Current-Health and sanitation- Services and supplies	24,000	24,000	21,570	(2,430)
EXCESS OF REVENUES OVER EXPENDITURES	146,000	146,000	155,702	9,702
OTHER FINANCING USES-				
Transfers out	(146,000)	(146,000)	(140,384)	5,616
NET CHANGE IN FUND BALANCE			15,318	15,318
FUND BALANCE, JULY 1, 2003				
FUND BALANCE, JUNE 30, 2004	\$		15,318	15,318

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	HEALTH AND SANITATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 16,274	16,274	14,334	(1,940)
Revenue from use of money and property- Investment income	1,481	1,481	1,000	(481)
Intergovernmental revenues:				
Federal			34	34
State	33,043	42,843	41,789	(1,054)
Other	1,100	1,211	1,215	4
Charges for services	13,525	13,525	13,832	307
Miscellaneous	63	63	8	(55)
TOTAL REVENUES	65,486	75,397	72,212	(3,185)
EXPENDITURES:				
Current-Health and sanitation:				
Services and supplies	39,658	49,209	44,412	(4,797)
Fixed assets	534	534	149	(385)
TOTAL EXPENDITURES	40,192	49,743	44,561	(5,182)
EXCESS OF REVENUES OVER EXPENDITURES	25,294	25,654	27,651	1,997
OTHER FINANCING SOURCES (USES):				
Transfers out	(46,384)	(46,744)	(42,455)	4,289
Appropriation for contingencies	(1,364)	(1,364)		1,364
Changes in reserves and designations	13,585	13,585	14,069	484
OTHER FINANCING SOURCES (USES) - NET	(34,163)	(34,523)	(28,386)	6,137
NET CHANGE IN FUND BALANCE	(8,869)	(8,869)	(735)	8,134
FUND BALANCE, JULY 1, 2003	8,869	8,869	8,869	
FUND BALANCE, JUNE 30, 2004	\$		8,134	8,134

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	OTHER PUBLIC PROTECTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$ 22	22	33	11
Fines, forfeitures and penalties	6,648	6,648	6,291	(357)
Revenue from use of money and property:				
Investment income	2,040	2,040	1,426	(614)
Rents and concessions	24	24		(24)
Intergovernmental revenues:				
Federal			438	438
State	15,053	15,053	13,077	(1,976)
Charges for services	5,242	5,242	10,332	5,090
Miscellaneous	29,687	29,687	40,251	10,564
TOTAL REVENUES	58,716	58,716	71,848	13,132
EXPENDITURES:				
Current-Public protection:				
Services and supplies	65,118	65,118	44,737	(20,381)
Other charges	6,144	6,144	3,599	(2,545)
Fixed assets	30,117	34,102	5,048	(29,054)
TOTAL EXPENDITURES	101,379	105,364	53,384	(51,980)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,663)	(46,648)	18,464	65,112
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	31	31	22	(9)
Transfers in	3,860	3,860	3,870	10
Transfers out	(34,940)	(34,955)	(4,215)	30,740
Appropriation for contingencies	(8,791)	(4,791)		4,791
Changes in reserves and designations	(1,240)	(1,240)	5,112	6,352
OTHER FINANCING SOURCES (USES) - NET	(41,080)	(37,095)	4,789	41,884
NET CHANGE IN FUND BALANCE	(83,743)	(83,743)	23,253	106,996
FUND BALANCE, JULY 1, 2003	83,743	83,743	83,743	
FUND BALANCE, JUNE 30, 2004	\$		106,996	106,996

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	PUBLIC ASSISTANCE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$ 1,286	1,286	1,337	51
Fines, forfeitures and penalties	1,575	1,575	1,561	(14)
Revenue from use of money and property-				
Investment income	33	33	6	(27)
Charges for services	3,364	3,293	2,974	(319)
Miscellaneous	2,167	2,167	2,865	698
TOTAL REVENUES	8,425	8,354	8,743	389
EXPENDITURES:				
Current-Public assistance-				
Services and supplies	8,638	8,638	8,104	(534)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(213)	(284)	639	923
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,519)	(4,519)	(3,549)	970
Appropriation for contingencies	(925)	(854)		854
Changes in reserves and designations	2,246	2,246	2,317	71
OTHER FINANCING SOURCES (USES) - NET	(3,198)	(3,127)	(1,232)	1,895
NET CHANGE IN FUND BALANCE	(3,411)	(3,411)	(593)	2,818
FUND BALANCE, JULY 1, 2003	3,411	3,411	3,411	
FUND BALANCE, JUNE 30, 2004	\$		2,818	2,818

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	RECREATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$		21	21
Fines, forfeitures and penalties	26	26	12	(14)
Revenue from use of money and property:				
Investment income	36	36	14	(22)
Rents and concessions	150	150	218	68
Charges for services			969	969
Miscellaneous	6,420	6,420	3,864	(2,556)
TOTAL REVENUES	6,632	6,632	5,098	(1,534)
EXPENDITURES:				
Current-Recreation and cultural services- Services and supplies	9,153	9,188	4,605	(4,583)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,521)	(2,556)	493	3,049
OTHER FINANCING SOURCES (USES):				
Transfers in		10	10	
Transfers out		(15)	(15)	
Appropriation for contingencies	(534)	(494)		494
Changes in reserves and designations	826	826	843	17
OTHER FINANCING SOURCES (USES) - NET	292	327	838	511
NET CHANGE IN FUND BALANCE	(2,229)	(2,229)	1,331	3,560
FUND BALANCE, JULY 1, 2003	2,229	2,229	2,229	
FUND BALANCE, JUNE 30, 2004	\$		3,560	3,560

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	COURTHOUSE TEMPORARY CONSTRUCTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 19,600	19,600	19,615	15
Revenue from use of money and property:				
Investment income	3,000	3,000	1,415	(1,585)
Rents and concessions	150	150	155	5
TOTAL REVENUES	<u>22,750</u>	<u>22,750</u>	<u>21,185</u>	<u>(1,565)</u>
EXPENDITURES:				
Current-Public protection:				
Services and supplies	99,278	99,278	1,100	(98,178)
Other charges	29,881	29,881	25,419	(4,462)
TOTAL EXPENDITURES	<u>129,159</u>	<u>129,159</u>	<u>26,519</u>	<u>(102,640)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(106,409)</u>	<u>(106,409)</u>	<u>(5,334)</u>	<u>101,075</u>
OTHER FINANCING SOURCES (USES)-				
Appropriation for contingencies	<u>(509)</u>	<u>(509)</u>		<u>509</u>
NET CHANGE IN FUND BALANCE	<u>(106,918)</u>	<u>(106,918)</u>	<u>(5,334)</u>	<u>101,584</u>
FUND BALANCE, JULY 1, 2003	<u>106,918</u>	<u>106,918</u>	<u>106,918</u>	
FUND BALANCE, JUNE 30, 2004	<u>\$</u>		<u>101,584</u>	<u>101,584</u>

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	CRIMINAL JUSTICE TEMPORARY CONSTRUCTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 22,822	22,822	22,209	(613)
Revenue from use of money and property- Investment income	800	800	356	(444)
TOTAL REVENUES	23,622	23,622	22,565	(1,057)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	33,777	32,823	9,321	(23,502)
Other charges	7,536	8,490	4,939	(3,551)
Fixed assets	555	555		(555)
TOTAL EXPENDITURES	41,868	41,868	14,260	(27,608)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,246)	(18,246)	8,305	26,551
OTHER FINANCING SOURCES (USES):				
Transfers out	(5,240)	(5,240)	(5,088)	152
Changes in reserves and designations			81	81
OTHER FINANCING SOURCES (USES) - NET	(5,240)	(5,240)	(5,007)	233
NET CHANGE IN FUND BALANCE	(23,486)	(23,486)	3,298	26,784
FUND BALANCE, JULY 1, 2003	23,486	23,486	23,486	
FUND BALANCE, JUNE 30, 2004	\$		26,784	26,784

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	OTHER SPECIAL REVENUE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$ 1,800	1,800	2,208	408
Fines, forfeitures and penalties	150	150	150	
Revenue from use of money and property:				
Investment income	501	501	519	18
Rents and concessions	4,339	4,339	4,022	(317)
Royalties			10	10
Charges for services	1,890	1,890	2,024	134
Miscellaneous			145	145
TOTAL REVENUES	8,680	8,680	9,078	398
EXPENDITURES:				
Current-General government:				
Salaries and employee benefits	5,700	5,700	5,474	(226)
Services and supplies	29,497	29,114	3,522	(25,592)
Other charges	3,128	3,128	3,128	
Fixed assets	2,415	5,333	3,316	(2,017)
TOTAL EXPENDITURES	40,740	43,275	15,440	(27,835)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(32,060)	(34,595)	(6,362)	28,233
OTHER FINANCING SOURCES (USES):				
Sales of fixed assets	4,500	4,500	918	(3,582)
Transfers in	7,395	10,190	9,962	(228)
Transfers out	(41,444)	(41,704)	(8,136)	33,568
Appropriation for contingencies	(42)	(42)		42
Changes in reserves and designations	(598)	(598)	(91)	507
OTHER FINANCING SOURCES (USES) - NET	(30,189)	(27,654)	2,653	30,307
NET CHANGE IN FUND BALANCE	(62,249)	(62,249)	(3,709)	58,540
FUND BALANCE, JULY 1, 2003	62,261	62,261	62,261	
FUND BALANCE, JUNE 30, 2004	\$ 12	12	58,552	58,540



COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 JUNE 30, 2004 (in thousands)

	Detention Facilities	Flood Control District	Regional Park and Open Space District	Marina Del Rey
ASSETS				
Pooled cash and investments:				
Operating	\$ 3,408	3,003	66,751	15,492
Other	109	50	52	319
Total pooled cash and investments	<u>3,517</u>	<u>3,053</u>	<u>66,803</u>	<u>15,811</u>
Other investments				26,290
Taxes receivable	887	969		
Interest receivable	9	7	112	34
Other receivables				11,361
Due from other funds				<u>866</u>
TOTAL ASSETS	<u>\$ 4,413</u>	<u>4,029</u>	<u>66,915</u>	<u>54,362</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Other payables	\$			342
Due to other funds				13,010
Deferred revenue	<u>654</u>	<u>759</u>		<u>14,764</u>
TOTAL LIABILITIES	<u>654</u>	<u>759</u>		<u>28,116</u>
FUND BALANCES - reserved for debt service	<u>3,759</u>	<u>3,270</u>	<u>66,915</u>	<u>26,246</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,413</u>	<u>4,029</u>	<u>66,915</u>	<u>54,362</u>

Joint Powers Authorities	Public Buildings	Total
\$		\$ 88,654
		530
		<u>89,184</u>
376,210	132,732	535,232
	69	1,856
		231
		11,361
		<u>866</u>
<u>\$ 376,210</u>	<u>132,801</u>	<u>\$ 638,730</u>
\$	1,553	\$ 1,895
		13,010
		<u>16,177</u>
	1,553	<u>31,082</u>
376,210	131,248	607,648
<u>\$ 376,210</u>	<u>132,801</u>	<u>\$ 638,730</u>

ASSETS

Pooled cash and investments:

Operating

Other

Total pooled cash and investments

Other investments

Taxes receivable

Interest receivable

Other receivables

Due from other funds

TOTAL ASSETS

LIABILITIES AND FUND BALANCES

LIABILITIES:

Other payables

Due to other funds

Deferred revenue

TOTAL LIABILITIES

FUND BALANCES - reserved for debt service

TOTAL LIABILITIES AND FUND BALANCES

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, 2004 (in thousands)

	Detention Facilities	Flood Control District	Regional Park and Open Space District	Marina Del Rey
REVENUES:				
Taxes	\$ 8,517	3,834		
Licenses, permits and franchises				24
Fines, forfeitures and penalties	39	39		
Revenue from use of money/property:				
Investment income	61	30	(35)	426
Rents and concessions				31,683
Intergovernmental revenues:				
State	77			
Charges for services				1,308
Miscellaneous				4
TOTAL REVENUE	8,694	3,903	(35)	33,445
EXPENDITURES - Debt service:				
Principal	6,755	16,205	18,525	14,760
Interest and other charges	2,387	6,669	20,183	5,423
TOTAL EXPENDITURES	9,142	22,874	38,708	20,183
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(448)	(18,971)	(38,743)	13,262
OTHER FINANCING SOURCES (USES):				
Transfers in		17,587	39,532	
Transfers out			(643)	(13,010)
TOTAL OTHER FINANCING SOURCES (USES)		17,587	38,889	(13,010)
NET CHANGE IN FUND BALANCES	(448)	(1,384)	146	252
FUND BALANCES, JULY 1, 2003	4,207	4,654	66,769	25,994
FUND BALANCES, JUNE 30, 2004	\$ 3,759	3,270	66,915	26,246

Joint Powers Authorities	Public Buildings	Total
\$		\$
		12,351
		24
		78
20,183	2,463	23,128
	4,510	36,193
		77
		1,308
	72	76
<u>20,183</u>	<u>7,045</u>	<u>73,235</u>
18,525	60,007	134,777
<u>20,183</u>	<u>68,456</u>	<u>123,301</u>
<u>38,708</u>	<u>128,463</u>	<u>258,078</u>
<u>(18,525)</u>	<u>(121,418)</u>	<u>(184,843)</u>
	119,205	176,324
	(1,836)	(15,489)
	<u>117,369</u>	<u>160,835</u>
(18,525)	(4,049)	(24,008)
<u>394,735</u>	<u>135,297</u>	<u>631,656</u>
<u>\$ 376,210</u>	<u>131,248</u>	<u>\$ 607,648</u>

REVENUES:

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

EXPENDITURES - Debt service:

Principal	
Interest and other charges	
TOTAL EXPENDITURES	

EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES

OTHER FINANCING SOURCES (USES):

Transfers in	
Transfers out	
TOTAL OTHER FINANCING SOURCES (USES)	

NET CHANGE IN FUND BALANCES

FUND BALANCES, JULY 1, 2003

FUND BALANCES, JUNE 30, 2004

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 9,043	9,044	12,263	3,219
Licenses, permits and franchises	10	10	24	14
Fines, forfeitures and penalties	14	14	78	64
Revenue from use of money and property:				
Investment income	1,785	1,785	886	(899)
Rents and concessions	30,151	30,726	31,683	957
Intergovernmental revenues:				
State	76	76	77	1
Charges for services	1,188	1,468	1,308	(160)
Miscellaneous	10	10	4	(6)
TOTAL REVENUES	42,277	43,133	46,323	3,190
EXPENDITURES:				
Debt service:				
Principal	45,478	45,478	45,478	
Interest	57,801	57,561	28,159	(29,402)
TOTAL EXPENDITURES	103,279	103,039	73,637	(29,402)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(61,002)	(59,906)	(27,314)	32,592
OTHER FINANCING SOURCES (USES):				
Transfers in	39,357	39,357	39,531	174
Transfers out	(12,558)	(13,654)	(13,653)	1
Appropriation for contingencies	(465)	(465)		465
Changes in reserves and designations	1,255	1,255	1,255	
OTHER FINANCING SOURCES (USES) - NET	27,589	26,493	27,133	640
NET CHANGE IN FUND BALANCE	(33,413)	(33,413)	(181)	33,232
FUND BALANCE, JULY 1, 2002	33,413	33,413	33,413	
FUND BALANCE, JUNE 30, 2003	\$		33,232	33,232

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	DETENTION FACILITIES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 6,197	6,198	8,461	2,263
Fines, forfeitures and penalties			39	39
Revenue from use of money and property-				
Investment income	177	177	78	(99)
Intergovernmental revenues-				
State	76	76	77	1
TOTAL REVENUES	6,450	6,451	8,655	2,204
EXPENDITURES:				
Debt service:				
Principal	6,755	6,755	6,755	
Interest	2,388	2,389	2,387	(2)
TOTAL EXPENDITURES	9,143	9,144	9,142	(2)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,693)	(2,693)	(487)	2,206
OTHER FINANCING SOURCES (USES):				
Appropriation for contingencies	(356)	(356)		356
Changes in reserves and designations	214	214	214	
OTHER FINANCING SOURCES (USES) - NET	(142)	(142)	214	356
NET CHANGE IN FUND BALANCE	(2,835)	(2,835)	(273)	2,562
FUND BALANCE, JULY 1, 2003	2,835	2,835	2,835	
FUND BALANCE, JUNE 30, 2004	\$		2,562	2,562

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 2,846	2,846	3,802	956
Fines, forfeitures and penalties	14	14	39	25
Revenue from use of money and property- Investment income	57	57	48	(9)
TOTAL REVENUES	2,917	2,917	3,889	972
EXPENDITURES:				
Debt service:				
Principal	4,803	4,803	4,803	
Interest	485	485	485	
TOTAL EXPENDITURES	5,288	5,288	5,288	
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,371)	(2,371)	(1,399)	972
OTHER FINANCING SOURCES (USES):				
Appropriation for contingencies	(109)	(109)		109
Changes in reserves and designations	1,041	1,041	1,041	
OTHER FINANCING SOURCES (USES) - NET	932	932	1,041	109
NET CHANGE IN FUND BALANCE	(1,439)	(1,439)	(358)	1,081
FUND BALANCE, JULY 1, 2003	1,439	1,439	1,439	
FUND BALANCE, JUNE 30, 2004	\$		1,081	1,081

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Revenue from use of money and property- Investment income	\$ 255	255	270	15
EXPENDITURES:				
Debt service:				
Principal	18,525	18,525	18,525	
Interest	49,582	49,582	20,183	(29,399)
TOTAL EXPENDITURES	68,107	68,107	38,708	(29,399)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(67,852)	(67,852)	(38,438)	29,414
OTHER FINANCING SOURCES (USES):				
Transfers in	39,357	39,357	39,531	174
Transfers out	(644)	(644)	(643)	1
OTHER FINANCING SOURCES (USES) - NET	38,713	38,713	38,888	175
NET CHANGE IN FUND BALANCE	(29,139)	(29,139)	450	29,589
FUND BALANCE, JULY 1, 2003	29,139	29,139	29,139	
FUND BALANCE, JUNE 30, 2004	\$		29,589	29,589

Continued...

COUNTY OF LOS ANGELES
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	MARINA DEL REY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$ 10	10	24	14
Revenue from use of money and property:				
Investment income	1,296	1,296	490	(806)
Rents and concessions	30,151	30,726	31,683	957
Charges for services	1,188	1,468	1,308	(160)
Miscellaneous	10	10	4	(6)
TOTAL REVENUES	32,655	33,510	33,509	(1)
EXPENDITURES:				
Debt service:				
Principal	15,395	15,395	15,395	
Interest	5,346	5,105	5,104	(1)
TOTAL EXPENDITURES	20,741	20,500	20,499	(1)
EXCESS OF REVENUES OVER EXPENDITURES	11,914	13,010	13,010	
OTHER FINANCING USES -				
Transfers out	(11,914)	(13,010)	(13,010)	
NET CHANGE IN FUND BALANCE				
FUND BALANCE, JULY 1, 2003				
FUND BALANCE, JUNE 30, 2004	\$			

COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 JUNE 30, 2004 (in thousands)

	Accumulative Capital Outlay	Flood Control District	Improvement Districts	Public Buildings	Total
ASSETS					
Pooled cash and investments:					
Operating	\$ 46,500	100	3,331		\$ 49,931
Other	89				89
Total pooled cash and investments	<u>46,589</u>	<u>100</u>	<u>3,331</u>		<u>50,020</u>
Other investments		2		51,465	51,467
Interest receivable	110		4	22	136
Other receivables	162				162
Due from other funds	<u>1,645</u>				<u>1,645</u>
TOTAL ASSETS	<u>\$ 48,506</u>	<u>102</u>	<u>3,335</u>	<u>51,487</u>	<u>\$ 103,430</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 535			85	\$ 620
Due to other funds	<u>1,256</u>				<u>1,256</u>
TOTAL LIABILITIES	<u>1,791</u>			<u>85</u>	<u>1,876</u>
FUND BALANCES:					
Reserved for:					
Encumbrances	1,942			3,294	5,236
Other	9,279				9,279
Unreserved-Undesignated	<u>35,494</u>	<u>102</u>	<u>3,335</u>	<u>48,108</u>	<u>87,039</u>
TOTAL FUND BALANCES	<u>46,715</u>	<u>102</u>	<u>3,335</u>	<u>51,402</u>	<u>101,554</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,506</u>	<u>102</u>	<u>3,335</u>	<u>51,487</u>	<u>\$ 103,430</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, 2004 (in thousands)

	Accumulative Capital Outlay	Flood Control District	Improvement Districts	Public Buildings	Total
REVENUES:					
Revenue from use of money and property -					
Investment income	\$ 375	8	4	511	\$ 898
Intergovernmental revenues:					
Federal	1				1
State	159				159
Charges for services	3,205				3,205
Proceeds from property owners			73		73
Miscellaneous	881				881
TOTAL REVENUES	4,621	8	77	511	5,217
EXPENDITURES - Capital outlay	8,109	60	1,057	10,998	20,224
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,488)	(52)	(980)	(10,487)	(15,007)
OTHER FINANCING SOURCES:					
Transfers in	2,590			1,043	3,633
Transfers out	(138)	(66)			(204)
Sales of capital assets	104				104
TOTAL OTHER FINANCING SOURCES	2,556	(66)		1,043	3,533
NET CHANGE IN FUND BALANCES	(932)	(118)	(980)	(9,444)	(11,474)
FUND BALANCES, JULY 1, 2003	47,647	220	4,315	60,846	113,028
FUND BALANCES, JUNE 30, 2004	<u>\$ 46,715</u>	<u>102</u>	<u>3,335</u>	<u>51,402</u>	<u>\$ 101,554</u>

COUNTY OF LOS ANGELES
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
 JUNE 30, 2004 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
ASSETS			
Pooled cash and investments:			
Operating	\$ 290	2,156	\$ 2,446
Other		<u>3</u>	<u>3</u>
Total pooled cash and investments	<u>290</u>	<u>2,159</u>	<u>2,449</u>
Other investments	847		847
Interest receivable	<u>15</u>	<u>5</u>	<u>20</u>
TOTAL ASSETS	<u>\$ 1,152</u>	<u>2,164</u>	<u>\$ 3,316</u>
LIABILITIES - Due to other funds	\$	1	\$ 1
FUND BALANCES - Reserved for annuities and endowments	<u>1,152</u>	<u>2,163</u>	<u>3,315</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,152</u>	<u>2,164</u>	<u>\$ 3,316</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, 2004 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
REVENUES:			
Revenue from use of money and property -			
Investment income (Loss)	<u>\$ (14)</u>	<u>16</u>	<u>\$ 2</u>
EXPENDITURES - General government	<u>64</u>	<u>164</u>	<u>228</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(78)	(148)	(226)
FUND BALANCE, JULY 1, 2003	<u>1,230</u>	<u>2,311</u>	<u>3,541</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ 1,152</u>	<u>2,163</u>	<u>\$ 3,315</u>

NONMAJOR ENTERPRISE FUNDS

COUNTY OF LOS ANGELES
NONMAJOR ENTERPRISE FUNDS

The Aviation Enterprise Fund was established to provide for the maintenance and operations of the five airports which are owned by the County. Operating revenues are derived primarily from charges for services and rentals associated with airport operations.

The Waterworks Enterprise Funds were established to provide for the administration, maintenance and operation and improvement of district water systems. Revenues are derived primarily from the sale of water and water service standby charges.

The Community Development Commission Enterprise Fund was established to provide for the operation, maintenance and management of certain housing developments. Revenues are derived primarily from tenant rentals and Federal grants.

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2004 (in thousands)

	Aviation	Waterworks Funds	Community Development Commission	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Pooled cash and investments:				
Operating	\$ 4,909	22,601		\$ 27,510
Other		600		600
Total pooled cash and investments	<u>4,909</u>	<u>23,201</u>		<u>28,110</u>
Other investments			10,970	10,970
Taxes receivable		1,383		1,383
Interest receivable		55		55
Other receivables	397	6,217	10,871	17,485
Due from other funds	5	813		818
Advances to other funds		1,173		1,173
Total current assets	<u>5,311</u>	<u>32,842</u>	<u>21,841</u>	<u>59,994</u>
Noncurrent assets:				
Capital assets:				
Land	11,449	4,015	65,094	80,558
Buildings and improvements	47,948	134,532	141,969	324,449
Equipment	1,045	201	974	2,220
Construction in progress	291	4,834		5,125
Less accumulated depreciation	(30,389)	(64,472)	(127,702)	(222,563)
Total capital assets - net	<u>30,344</u>	<u>79,110</u>	<u>80,335</u>	<u>189,789</u>
Total noncurrent assets	<u>30,344</u>	<u>79,110</u>	<u>80,335</u>	<u>189,789</u>
TOTAL ASSETS	<u>35,655</u>	<u>111,952</u>	<u>102,176</u>	<u>249,783</u>
LIABILITIES				
Current liabilities:				
Accounts payable	54	4,509	4,531	9,094
Other payables	1,255		615	1,870
Due to other funds	269	3,920		4,189
Deferred revenue		111	56	167
Current portion of long-term liabilities		58	1,230	1,288
Total current liabilities	<u>1,578</u>	<u>8,598</u>	<u>6,432</u>	<u>16,608</u>
Noncurrent liabilities:				
Accrued vacation and sick leave			218	218
Bonds and notes payable		181	6,699	6,880
Total noncurrent liabilities		<u>181</u>	<u>6,917</u>	<u>7,098</u>
TOTAL LIABILITIES	<u>1,578</u>	<u>8,779</u>	<u>13,349</u>	<u>23,706</u>
NET ASSETS				
Invested in capital assets, net of related debt	30,344	79,110	73,066	182,520
Restricted		24,063	15,761	39,824
Unrestricted	3,733			3,733
TOTAL NET ASSETS	<u>\$ 34,077</u>	<u>103,173</u>	<u>88,827</u>	<u>\$ 226,077</u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Aviation	Waterworks Funds	Community Development Commission	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Rentals	\$ 2,307		10,123	\$ 12,430
Charges for services	376	44,583		44,959
Other			934	934
TOTAL OPERATING REVENUES	2,683	44,583	11,057	58,323
OPERATING EXPENSES:				
Services and supplies	3,771	40,843	215,252	259,866
Other professional services	133	1,550		1,683
Depreciation and amortization	1,250	3,039	6,622	10,911
TOTAL OPERATING EXPENSES	5,154	45,432	221,874	272,460
OPERATING LOSS	(2,471)	(849)	(210,817)	(214,137)
NONOPERATING REVENUES (EXPENSES):				
Taxes		2,845		2,845
Interest income		256	356	612
Interest expense		(23)	(333)	(356)
Intergovernmental revenues:				
State	35	32		67
Federal	1,387	435	209,349	211,171
TOTAL NONOPERATING REVENUES	1,422	3,545	209,372	214,339
INCOME (LOSS) BEFORE TRANSFERS	(1,049)	2,696	(1,445)	202
Transfers out		(252)	(8,228)	(8,480)
CHANGE IN NET ASSETS	(1,049)	2,444	(9,673)	(8,278)
TOTAL NET ASSETS, JULY 1, 2003	35,126	100,729	98,500	234,355
TOTAL NET ASSETS, JUNE 30, 2004	\$ 34,077	103,173	88,827	\$ 226,077

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Aviation	Waterworks Funds	Community Development Commission	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Rentals received	\$ 2,307		5,258	\$ 7,565
Cash received from charges for services	608	43,563		44,171
Other operating revenues			934	934
Cash paid for salaries and employee benefits			878	878
Cash paid for services and supplies	(2,002)	(35,681)	(213,439)	(251,122)
Other operating expenses	(133)	(1,550)		(1,683)
Net cash provided by (required for) operating activities	<u>780</u>	<u>6,332</u>	<u>(206,369)</u>	<u>(199,257)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash advances paid/returned to other funds		(401)		(401)
Transfers out		(252)	(8,228)	(8,480)
Net cash required for noncapital financing activities		<u>(653)</u>	<u>(8,228)</u>	<u>(8,881)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from taxes		2,963		2,963
Intergovernmental receipts	1,422	467	209,349	211,238
Interest paid on capital borrowing		(23)	(333)	(356)
Principal payments on bonds		(58)	(535)	(593)
Acquisition and construction of capital assets	(1,967)	(7,865)	(26)	(9,858)
Net cash provided by (required for) capital and related financing activities	<u>(545)</u>	<u>(4,516)</u>	<u>208,455</u>	<u>203,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES -				
Interest income received		256	356	612
Net increase (decrease) in cash and cash equivalents	235	1,419	(5,786)	(4,132)
Cash and cash equivalents, July 1, 2003	<u>4,674</u>	<u>21,782</u>	<u>16,756</u>	<u>43,212</u>
Cash and cash equivalents, June 30, 2004	<u>\$ 4,909</u>	<u>23,201</u>	<u>10,970</u>	<u>\$ 39,080</u>

Continued...

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CASH FLOWS - Continued
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Aviation	Waterworks Funds	Community Development Commission	Total Nonmajor Enterprise Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating loss	\$ (2,471)	(849)	(210,817)	\$ (214,137)
Adjustments to reconcile operating loss to net cash provided by (required for) operating activities:				
Depreciation and amortization	1,250	3,039	6,622	10,911
Other charges - net	1,773	2,888	19	4,680
(Increase) decrease in:				
Other receivables	235	(814)	(4,456)	(5,035)
Due from other funds	(3)	(206)		(209)
Inventories			2,812	2,812
Increase (decrease) in:				
Accounts payable	(11)	1,476	(543)	922
Other payables	(65)		204	139
Accrued vacation and sick leave			878	878
Due to other funds	72	798	(679)	191
Deferred revenue			(409)	(409)
TOTAL ADJUSTMENTS	<u>3,251</u>	<u>7,181</u>	<u>4,448</u>	<u>14,880</u>
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	<u>\$ 780</u>	<u>6,332</u>	<u>(206,369)</u>	<u>\$ (199,257)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Pooled cash and investments	\$ 4,909	23,201		\$ 28,110
Other investments			10,970	10,970
TOTAL	<u>\$ 4,909</u>	<u>23,201</u>	<u>10,970</u>	<u>\$ 39,080</u>

INTERNAL SERVICE FUNDS

COUNTY OF LOS ANGELES
INTERNAL SERVICE FUNDS

The Public Works Fund was established 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 was established 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.

The Community Development Commission Internal Service Fund was established to account for the accumulation of resources for, and the payment of, services provided to various departments within the Commission. The charges for services are on a cost-reimbursement basis.

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2004 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
ASSETS				
Current assets:				
Pooled cash and investments:				
Operating	\$ 42,862	2,270		\$ 45,132
Other	6,655	25		6,680
Total pooled cash and investments	49,517	2,295		51,812
Other investments			8,698	8,698
Interest receivable	100	39		139
Other receivables	49		33	82
Due from other funds	52,514	15		52,529
Inventories	6,760		80	6,840
Total current assets	108,940	2,349	8,811	120,100
Noncurrent assets:				
Restricted assets		17,859		17,859
Net pension obligation	29,290			29,290
Capital assets:				
Buildings and improvements	1,734			1,734
Equipment	106,609	85,506	4,553	196,668
Less accumulated depreciation	(59,624)	(45,386)	(3,181)	(108,191)
Total capital assets - net	48,719	40,120	1,372	90,211
Total noncurrent assets	78,009	57,979	1,372	137,360
TOTAL ASSETS	186,949	60,328	10,183	257,460
LIABILITIES				
Current liabilities:				
Accounts payable	2,583	779	1,720	5,082
Accrued payroll	17,857			17,857
Other payables	661			661
Accrued interest payable		357		357
Due to other funds	25,490			25,490
Advances from other funds	22,000			22,000
Deferred revenue	2,207		38	2,245
Current portion of long-term liabilities	27,408	27,224	1,223	55,855
Total current liabilities	98,206	28,360	2,981	129,547
Noncurrent liabilities:				
Accrued vacation and sick leave	30,067		1,018	31,085
Bonds and notes payable		17,711		17,711
Pension bonds payable	76,769			76,769
Capital lease obligations			504	504
Workers' compensation liability	57,373		355	57,728
Litigation and self-insurance liability	14,594		3,213	17,807
Total noncurrent liabilities	178,803	17,711	5,090	201,604
TOTAL LIABILITIES	277,009	46,071	8,071	331,151
NET ASSETS				
Invested in capital assets, net of related debt	48,719	13,886	688	63,293
Restricted		371	1,424	1,795
Unrestricted (Deficit)	(138,779)			(138,779)
TOTAL NET ASSETS (DEFICIT)	\$ (90,060)	14,257	2,112	\$ (73,691)

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
OPERATING REVENUES:				
Rentals	\$	26,068		\$ 26,068
Charges for services	315,249		14,549	329,798
TOTAL OPERATING REVENUES	315,249	26,068	14,549	355,866
OPERATING EXPENSES:				
Salaries and employee benefits	257,581			257,581
Services and supplies	37,436	19	14,851	52,306
Other professional services	10,576			10,576
Depreciation and amortization	8,072	21,590	564	30,226
TOTAL OPERATING EXPENSES	313,665	21,609	15,415	350,689
OPERATING INCOME (LOSS)	1,584	4,459	(866)	5,177
NONOPERATING REVENUES (EXPENSES)				
Interest income	98	126		224
Interest expense	(8,098)	(1,438)	(39)	(9,575)
Intergovernmental revenues - Federal	84		850	934
TOTAL NONOPERATING REVENUES (EXPENSES)	(7,916)	(1,312)	811	(8,417)
INCOME (LOSS) BEFORE TRANSFERS	(6,332)	3,147	(55)	(3,240)
Transfers in	4,067		92	4,159
Transfers out		(1,631)		(1,631)
CHANGE IN NET ASSETS	(2,265)	1,516	37	(712)
TOTAL NET ASSETS (DEFICIT), JULY 1, 2003	(87,795)	12,741	2,075	(72,979)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004	\$ (90,060)	14,257	2,112	\$ (73,691)

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Rentals received	\$	26,084		\$ 26,084
Cash received from charges for services	311,925		13,921	325,846
Cash paid for salaries and employee benefits	(256,201)		165	(256,036)
Cash paid for services and supplies	(31,046)	(19)	(14,288)	(45,353)
Other operating expenses	(10,576)			(10,576)
Net cash provided by (required for) operating activities	14,102	26,065	(202)	39,965
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interest paid on pension bonds	(8,098)			(8,098)
Transfers in	4,067		92	4,159
Transfers out		(1,631)		(1,631)
Net cash required for noncapital financing activities	(4,031)	(1,631)	92	(5,570)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Intergovernmental receipts	84		850	934
Proceeds from bonds and notes		10,000		10,000
Interest paid on capital borrowing		(1,276)	(39)	(1,315)
Principal payments on bonds and notes		(18,255)		(18,255)
Principal payments on capital leases			(235)	(235)
Acquisition and construction of capital assets	(7,495)	(12,207)	(131)	(19,833)
Net cash provided by (required for) capital and related financing activities	(7,411)	(21,738)	445	(28,704)
CASH FLOWS FROM INVESTING ACTIVITIES -				
Interest income received	(193)	104		(89)
Net increase in cash and cash equivalents	2,467	2,800	335	5,602
Cash and cash equivalents, July 1, 2003	47,050	17,354	8,363	72,767
Cash and cash equivalents, June 30, 2004	\$ 49,517	20,154	8,698	\$ 78,369

Continued...

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CASH FLOWS - Continued
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,584	4,459	(866)	\$ 5,177
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	8,072	21,590	564	30,226
Other charges - net	132		8	140
(Increase) decrease in:				
Interest receivable	(9)			(9)
Other receivables	10		(9)	1
Due from other funds	(3,670)	16		(3,654)
Inventories	(522)		130	(392)
Net pension obligation	3,677			3,677
Increase (decrease) in:				
Accounts payable	1,021		375	1,396
Accrued payroll	290			290
Other payables	420			420
Accrued vacation and sick leave	(320)		145	(175)
Due to other funds	5,759		(95)	5,664
Deferred revenue	345		(619)	(274)
Pension bonds payable	(7,624)			(7,624)
Workers' compensation liability	3,882		(452)	3,430
Litigation and self-insurance liability	1,055		617	1,672
TOTAL ADJUSTMENTS	<u>12,518</u>	<u>21,606</u>	<u>664</u>	<u>34,788</u>
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	<u>\$ 14,102</u>	<u>26,065</u>	<u>(202)</u>	<u>\$ 39,965</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Pooled cash and investments	\$ 49,517	2,295		\$ 51,812
Other investments			8,698	8,698
Restricted assets		17,859		17,859
TOTAL	<u>\$ 49,517</u>	<u>20,154</u>	<u>8,698</u>	<u>\$ 78,369</u>

FIDUCIARY FUNDS

COUNTY OF LOS ANGELES
FIDUCIARY FUNDS

POOLED INVESTMENT TRUST FUND:

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

AGENCY:

Agency funds have been established to account for cash and other assets and related liabilities of such funds as temporary funds for deposits of unapportioned taxes, departmental funds, and clearing and revolving funds.

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS
 JUNE 30, 2004 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
ASSETS			
Pooled cash and investments	\$ 10,038,312		\$ 10,038,312
Other investments		969,184	969,184
Interest receivable	43,948	6,416	50,364
TOTAL ASSETS	<u>10,082,260</u>	<u>975,600</u>	<u>11,057,860</u>
NET ASSETS			
Held in trust for investment trust fund participants	<u>\$ 10,082,260</u>	<u>975,600</u>	<u>\$ 11,057,860</u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Contributions to investment trust funds	\$ 31,172,784	777,249	\$ 31,950,033
Interest income	<u>78,934</u>	<u>4,357</u>	<u>83,291</u>
TOTAL ADDITIONS	<u>31,251,718</u>	<u>781,606</u>	<u>32,033,324</u>
DEDUCTIONS -			
Distribution from investment trust funds	<u>30,583,602</u>	<u>1,842,488</u>	<u>32,426,090</u>
CHANGE IN NET ASSETS	668,116	(1,060,882)	(392,766)
NET ASSETS HELD IN TRUST, JULY 1, 2003	<u>9,414,144</u>	<u>2,036,482</u>	<u>11,450,626</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2004	<u>\$ 10,082,260</u>	<u>975,600</u>	<u>\$ 11,057,860</u>

COUNTY OF LOS ANGELES
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FIDUCIARY FUNDS - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 1,107,685	85,428,468	85,244,629	\$ 1,291,524
Other investments	43,579	202,618	43,883	202,314
Taxes receivable	253,911	588,075	611,091	230,895
Interest receivable	2,276	3,498	2,294	3,480
TOTAL ASSETS	<u>\$ 1,407,451</u>	<u>86,222,659</u>	<u>85,901,897</u>	<u>\$ 1,728,213</u>
LIABILITIES				
Due to other governments	<u>\$ 1,407,451</u>	<u>2,430,107</u>	<u>2,109,345</u>	<u>\$ 1,728,213</u>
TOTAL LIABILITIES	<u>\$ 1,407,451</u>	<u>2,430,107</u>	<u>2,109,345</u>	<u>\$ 1,728,213</u>



CAPITAL ASSETS
USED IN THE OPERATION OF
GOVERNMENTAL FUNDS

COUNTY OF LOS ANGELES
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE¹
 JUNE 30, 2004 (in thousands)

	<u>Total</u>
Governmental Funds Capital Assets:	
Land	\$ 277,728
Buildings and improvements	3,660,386
Equipment	606,230
Infrastructure	151,207
Construction in progress-Buildings and improvements	87,101
Construction in progress-Infrastructure	<u>64,417</u>
Total governmental funds capital assets	<u>\$ 4,847,069</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 4,061,937
Special Revenue funds	776,394
Capital Projects funds	<u>8,738</u>
Total governmental funds capital assets	<u>\$ 4,847,069</u>

¹This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within governmental activities in the statement of net assets.

COUNTY OF LOS ANGELES
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION¹
 JUNE 30, 2004 (in thousands)

Function:	Land	Buildings and Improvements	Equipment	Infrastructure	Construction in Progress Buildings and Improvements	Construction in Progress Infrastructure	Total	Function:
General government	\$ 29,949	274,161	133,972		\$ 9,248.0		\$ 447,330	General government
Public protection	99,861	2,410,315	379,118	60,412	51,266	47,388	3,048,360	Public protection
Public ways and facilities	2,132	13,829	3,228	90,795	1,262	17,029	128,275	Public ways and facilities
Health and sanitation	6,781	61,892	41,024		1,618		111,315	Health and sanitation
Public assistance	23,398	184,605	20,899				228,902	Public assistance
Education	7,114	49,382	5,887		7,918		70,301	Education
Recreation and cultural services	108,493	666,202	22,102		15,789		812,586	Recreation and cultural services
Total governmental funds capital assets	\$ 277,728	3,660,386	606,230	151,207	\$ 87,101	64,417	\$ 4,847,069	Total governmental funds capital assets

¹This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within governmental activities in the statement of net assets.

COUNTY OF LOS ANGELES
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION¹
 JUNE 30, 2004 (in thousands)

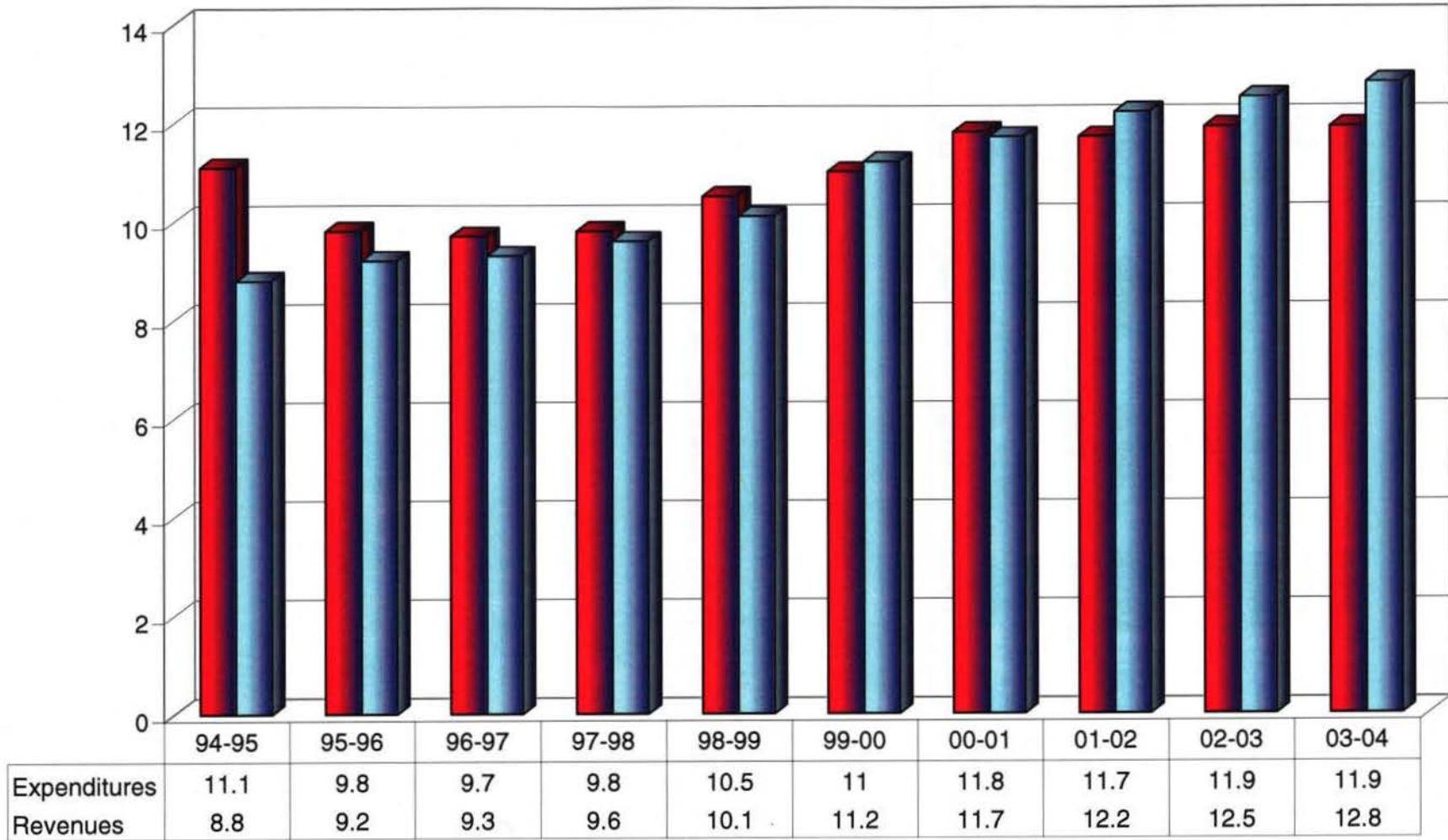
Function:	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
General government	\$ 440,245	18,514	(11,429)	\$ 447,330
Public protection	2,931,769	294,424	(177,833)	3,048,360
Public ways and facilities	106,358	47,905	(25,988)	128,275
Health and sanitation	102,570	10,485	(1,740)	111,315
Public assistance	226,981	5,031	(3,110)	228,902
Education	65,302	5,297	(298)	70,301
Recreation and cultural services	792,444	168,792	(148,650)	812,586
Total governmental funds capital assets	<u>\$ 4,665,669</u>	<u>550,448</u>	<u>(369,048)</u>	<u>\$ 4,847,069</u>

¹This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within governmental activities in the statement of net assets.

STATISTICAL SECTION

COUNTY of LOS ANGELES

General Governmental Expenditures and Revenues Last 10 Fiscal Years



In Billions of Dollars

■ Expenditures ■ Revenues

COUNTY OF LOS ANGELES
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS (in thousands)

<u>FUNCTION</u>		<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
General government	\$	415,219	478,680	415,241	408,378	436,520
Public protection		2,686,944	2,749,821	2,718,755	2,857,944	3,132,176
Public ways and facilities		218,155	188,590	173,072	182,829	209,190
Health and sanitation		1,758,178	1,659,727	1,731,003	2,013,821	2,081,634
Public assistance		3,973,040	4,007,782	3,915,607	3,703,503	3,845,071
Education		60,067	51,691	55,594	56,553	61,864
Recreation and cultural services		160,252	179,324	204,064	190,758	217,544
Debt service		1,686,047 (1)	344,233	340,482	368,897	454,489
Capital outlay		100,712	167,031	108,848	64,967	89,851
TOTAL	\$	<u>11,058,614</u>	<u>9,826,879</u>	<u>9,662,666</u>	<u>9,847,650</u>	<u>10,528,339</u>

Source: Comprehensive Annual Financial Report

Includes General Fund, Fire Protection, Flood Control District, Public Library, Regional Park and Open Space District, and Other Governmental Funds (Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds).

(1) In FY 94-95 the Debt service expenditures include one-time pension payments of \$1,390,714,000, related to the issuance of 1994-95 pension bonds.

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>FUNCTION</u>
\$	520,740	639,527	589,281	652,393	673,950	General government
	3,369,610	3,636,902	3,795,429	3,768,650	3,934,320	Public protection
	248,166	279,703	261,679	287,853	229,546	Public ways and facilities
	2,161,285	2,493,074	1,765,432	1,826,083	1,905,521	Health and sanitation
	4,053,280	4,041,544	4,360,342	4,461,044	4,325,241	Public assistance
	65,769	71,998	72,542	74,013	79,285	Education
	227,318	238,071	235,188	225,329	231,210	Recreation and cultural services
	329,688	337,017	470,758	489,813	476,489	Debt service
	52,329	67,620	120,579	99,710	48,536	Capital outlay
<u>\$</u>	<u>11,028,185</u>	<u>11,805,456</u>	<u>11,671,230</u>	<u>11,884,888</u>	<u>11,904,098</u>	TOTAL

COUNTY OF LOS ANGELES
 GENERAL GOVERNMENTAL REVENUES BY SOURCE
 LAST TEN FISCAL YEARS (in thousands)

<u>SOURCE</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Taxes	\$ 1,578,794	1,630,227	1,675,289	1,799,365	1,902,194
Licenses, permits and franchises	41,048	48,351	47,001	62,977	52,532
Fines, forfeitures and penalties	157,110	130,483	167,925	242,532	252,201
Revenue from use of money and property	250,189	256,480	251,489	306,176	298,175
Intergovernmental revenues:					
Federal	2,137,972	2,149,029	2,161,431	2,268,053	2,817,849
State	3,601,116	3,784,444	3,751,635	3,446,097	3,274,149
Other	4,403	7,248	32,255	66,326	67,768
Charges for services	897,135	1,022,760	1,034,166	1,138,253	1,289,122
Proceeds from property owners		9,416			
Miscellaneous	171,797	193,761	155,100	244,518	187,043
TOTAL	<u>\$ 8,839,564</u>	<u>9,232,199</u>	<u>9,276,291</u>	<u>9,574,297</u>	<u>10,141,033</u>

Source: Comprehensive Annual Financial Report
 Includes General Fund, Fire Protection, Flood Control District, Public Library, Regional Park and Open Space District,
 and Other Governmental Funds (Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent
 Funds).

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>SOURCE</u>
\$	1,969,177	2,140,846	2,282,620	2,422,005	2,830,843	Taxes
	58,611	58,986	59,712	67,478	71,176	Licenses, permits and franchises
	262,142	254,919	264,713	262,604	275,744	Fines, forfeitures and penalties
	298,630	357,632	214,300	160,401	128,982	Revenue from use of money and property
	3,113,281	3,006,474	3,252,597	3,198,572	3,148,842	Intergovernmental revenues:
	3,735,572	4,039,887	4,170,053	4,331,478	4,292,677	Federal
	88,213	104,169	98,051	107,337	113,576	State
						Other
	1,327,383	1,445,182	1,538,368	1,625,583	1,616,924	Charges for services
	9,068	22,521	1,336	8,123	73	Proceeds from property owners
	296,094	271,737	295,902	294,278	328,914	Miscellaneous
\$	<u>11,158,171</u>	<u>11,702,353</u>	<u>12,177,652</u>	<u>12,477,859</u>	<u>12,807,751</u>	TOTAL

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Del. Taxes To Total Tax Levy</u>
1994-95	\$ 5,402,496	\$ 5,128,589	94.9	\$ 379,958	\$ 5,508,547	102.0	\$ 1,083,695	20.1
1995-96	5,468,162	5,198,333	95.1	340,398	5,538,731	101.3	1,119,821	20.5
1996-97	5,505,658	5,252,253	95.4	312,632	5,564,885	101.1	1,099,594	20.0
1997-98	5,570,515	5,374,125	96.5	379,128	5,753,253	103.3	931,922	16.7
1998-99	5,760,686	5,549,836	96.3	317,984	5,867,820	101.9	927,526	16.1
1999-00	6,078,979	5,852,946	96.3	300,309	6,153,255	101.2	953,463	15.7
2000-01	6,441,176	6,228,309	96.7	283,004	6,511,313	101.1	987,721	15.3
2001-02	6,964,486	6,760,147	97.1	315,213	7,075,360	101.6	979,497	14.1
2002-03	7,415,691	7,182,974	96.9	290,775	7,473,749	100.8	1,046,059	14.1
2003-04	8,241,631	8,031,587	97.5	330,878	8,362,465	101.5	1,003,496	12.2

COUNTY OF LOS ANGELES
 GROSS ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (in thousands)

<u>Fiscal Year</u>		<u>Secured</u>		<u>Unsecured</u>		<u>Total</u>
1994-95	\$	489,979,385	\$	29,153,172	\$	519,132,557
1995-96		471,356,158		30,092,019		501,448,177
1996-97		474,306,711		31,412,568		505,719,279
1997-98		477,145,025		32,644,992		509,790,017
1998-99		489,487,788		35,296,402		524,784,190
1999-00		517,855,790		36,598,823		554,454,613
2000-01		551,649,114		38,862,504		590,511,618
2001-02		587,752,921		42,614,294		630,367,215
2002-03		626,278,005		41,928,753		668,206,758
2003-04		675,608,642		41,888,076		717,496,718

COUNTY OF LOS ANGELES
 PROPERTY TAX RATES - COMPUTATION OF DIRECT AND OVERLAPPING DEBT - TAX RATE AREA #4
 (PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Los Angeles County General</u>	<u>Los Angeles County Flood Control District</u>	<u>Los Angeles City Tax District No. 1</u>	<u>School Districts</u>	<u>Metropolitan Water District</u>	<u>General</u>	<u>Total</u>
1994-95	.001993	.006041	.025211	.004036	.008900	1.000000	1.046181
1995-96	.001814	.000963	.038012	.003358	.008900	1.000000	1.053047
1996-97	.001604	.001991	.035969	.003338	.008900	1.000000	1.051802
1997-98	.001584	.002197	.031098	.012017	.008900	1.000000	1.055796
1998-99	.001451	.001953	.030161	.024749	.008900	1.000000	1.067214
1999-00	.001422	.001765	.031113	.031528	.008900	1.000000	1.074728
2000-01	.001314	.001552	.026391	.040765	.008800	1.000000	1.078822
2001-02	.001128	.001073	.040051	.064125	.007700	1.000000	1.114077
2002-03	.001033	.000881	.042312	.051571	.006700	1.000000	1.102497
2003-04	.000992	.000462	.050574	.097002	.006100	1.000000	1.155130

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

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.

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.

COUNTY OF LOS ANGELES
 RATIO OF NET GENERAL BONDED DEBT
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS (dollars in thousands)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Debt Service Monies Available (2)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1994-95	9,244,646	\$ 519,132,557	\$ 5,090,012	\$ 529,595	\$ 4,560,417	.8785	\$ 493.30
1995-96	9,369,848	501,448,177	4,900,582	467,357	4,433,225	.8841	473.14
1996-97	9,488,225	505,719,279	4,804,391	460,399	4,343,992	.8590	457.83
1997-98	9,603,545	509,790,017	4,974,432	793,479	4,180,953	.8201	435.36
1998-99	9,757,535	524,784,190	4,672,329	649,348	4,022,981	.7666	412.29
1999-00	9,884,350	554,454,613	4,466,999	633,082	3,833,917	.6915	387.88
2000-01	9,802,690	590,511,618	4,291,604	634,099	3,657,505	.6194	373.11
2001-02	9,825,045	630,367,215	3,930,381	593,905	3,336,476	.5293	339.59
2002-03	9,979,465	668,206,758	3,699,715	560,233	3,139,482	.4698	314.59
2003-04	10,102,855	717,496,718	3,435,541	537,463	2,898,078	.4039	286.86

Notes:

(1) Source: California Department of Finance

(2) Long-term general obligation bonded debt outstanding includes, Detention Facilities, Nonprofit Corporations, Public Buildings Certificates of Participation, Pension Obligation Certificates, Marina Del Rey Certificates and Community Development Commission. The amounts do not include indebtedness and debt service monies available which are less than County-wide (Regional Park and Open Space District, Flood Control and Waterworks Districts), for which population and assessed values vary.

COUNTY OF LOS ANGELES
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2004

Assessed valuation (net taxable) August 2003 (1)	\$	709,612,257,909
Applicable percentage in computing capacity		<u>1.25%</u>
Total debt limit	\$	<u>8,870,153,223</u>
Less indebtedness, JUNE 30, 2004 (2)		<u>23,470,000</u>
Legal debt margin, JUNE 30, 2004	\$	<u><u>8,846,683,223</u></u>

Notes:

- (1) Net taxable valuation does not include homeowners' exemption of \$7,884,460,352 which cannot be considered as part of the valuation in computing legal debt margin.
- (2) Represents County General Obligation Bonds only.

COUNTY OF LOS ANGELES
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2004

Full Cash Value (2003-04) \$ 643,164,842,057 (1)
Population - (2004) 10,102,855 (4)

	%	Debt
	<u>Applicable</u>	<u>April 1, 2004</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Los Angeles County	100%	\$ 30,225,000
Los Angeles County Flood Control District	100	140,075,000
Metropolitan Water District	48.225	215,794,819
Community College Districts	Various	1,091,251,184
Beverly Hills Unified School District	100	112,894,260
Burbank Hills Unified School District	100	104,734,996
Glendale Unified School District	100	140,755,000
Long Beach Unified School District	100	210,125,000
Los Angeles Unified School District	100	4,328,210,000
Pasadena Unified School District	100	219,925,000
Pomona Unified School District	100	121,325,000
Other Unified School Districts	100	1,514,153,705
Other School and High School Districts	Various (2)	713,907,821
City of Los Angeles	100	1,140,850,000
City of Industry	100	217,190,000
Other Cities	100	41,000,000
Special Districts	100	16,276,517
Community Facilities Districts	100	728,904,035
Los Angeles County Regional Park & Open Space Assessment District	100	376,210,000
City of Los Angeles Special Tax Lease Revenue Bonds	100	173,060,000
1915 Act and Benefit Assessment Bonds - Estimate	100	245,489,499
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100	117,210,000
TOTAL GROSS DIRECT AND OVERLAPPING TAX & ASSESSMENT DEBT		<u>\$ 11,999,566,836</u>
Less:		
Kinnetoa Irrigation District, ID #1 Self-Supporting Bonds		40,000
TOTAL NET DIRECT AND OVERLAPPING TAX & ASSESSMENT DEBT		<u><u>\$ 11,999,526,836</u></u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	100	\$ 1,464,777,949 (5)
Los Angeles County Pension Obligations	100	\$ 1,552,952,395
Los Angeles County Office of Education Certificates of Participation	100	25,753,858
Community College District Certificates of Participation	Various (2)	142,226,419

Continued...

COUNTY OF LOS ANGELES
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT-Continued
JUNE 30, 2004

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT-Con't.:

Los Angeles Unified School District		
Certificates of Participation	100	750,890,000
Long Beach Unified School District		
Certificates of Participation	100	68,505,000
Other Unified School District		
Certificates of Participation	Various (2)	320,809,323
School and High School District		
General Fund Obligations	Various (2)	215,578,275
City of Beverly Hills General Fund Obligations	100	197,290,000
City of Los Angeles General Fund &		
Judgement Obligations	100	1,248,726,000
City of Long Beach General Fund Obligations	100	308,940,000
City of Long Beach Pension Obligations	100	106,710,000
City of Pasadena General Fund Obligations	100	242,865,000
City of Pasadena Pension Obligations	100	99,460,000
Other Cities' General Fund Obligations	100	748,385,041
Los Angeles County Sanitation Districts		
General Fund Obligations	100	433,075,000
Other Special Districts General Fund Obligations	100	18,090,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,945,034,260
Less:		
Los Angeles County Certificates of		
Participation (100% self-supporting from		
leasehold revenues on properties in Marina del Rey)		69,655,000
School District self-supporting bonds		15,500,000
Cities' self-supporting bonds		192,189,600
Walnut Valley Water District General Fund Obligations		16,990,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,650,699,660
GROSS COMBINED TOTAL DEBT		\$ 19,944,601,096 (3)
NET COMBINED TOTAL DEBT		\$ 19,650,226,496
<u>RATIOS TO 2003-04 ASSESSED VALUATION</u>		
Direct Debt (\$30,225,000)		.004%
Total Gross Direct and Overlapping Tax and Assessment Debt		1.67%
Total Net Direct and Overlapping Tax and Assessment Debt		1.67%
<u>RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)</u>		
Combined Gross Direct Debt (\$3,071,577,706)		.47%
Net Combined Direct Debt (\$3,001,922,706)		.46%
Gross Combined Total Debt		3.10%
Net Combined Total Debt		3.06%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03:		\$ 1,975,282

- (1) Excludes \$74,331,876,204 redevelopment incremental valuation; includes unitary utility valuation.
- (2) All 100%, or almost 100%, except for Antelope Valley Joint UHSD, Fullerton UHSD and Community College District, and the schools and special districts included in them.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
- (4) Source: California Department of Finance
- (5) Excludes lease revenue bond issue to be sold.

Source: California Municipal Statistics

COUNTY OF LOS ANGELES
 RATIO OF ANNUAL DEBT SERVICE FOR
 GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
 LAST TEN FISCAL YEARS (in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1994-95	\$ 96,598	\$ 132,085	\$ 228,683	\$ 11,058,614	2.07
1995-96	137,068	142,261	279,329	9,826,879	2.84
1996-97	126,570	155,876	282,446	9,662,666	2.92
1997-98	174,478	128,883	303,361	9,847,650	3.08
1998-99	263,273	144,762	408,035	10,528,339	3.88
1999-00	165,066	126,164	291,230	11,028,185	2.64
2000-01	163,043	135,089	298,132	11,805,456	2.53
2001-02	150,917	136,286	287,203	11,671,230	2.46
2002-03	149,320	132,522	281,842	11,884,888	2.37
2003-04	138,336	124,888	263,224	11,904,098	2.21

Note:

(1) Includes General Fund, Fire Protection, Flood Control District, Public Library, Regional Park and Open Space District, and Other Governmental Funds (Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds).

COUNTY OF LOS ANGELES
 SCHEDULE OF INSURANCE IN FORCE
 JUNE 30, 2004

Type of Coverage	Policy Limits	
	Per Occurrence	Aggregate
Aviation:		
Airport/Aviation	\$ 50,000,000	\$ Unlimited
Hull Protection		
On Ground & In Flight	Replacement Value	
Boiler & Machinery	100,000,000	Unlimited
Properties:		
Over 500 locations	Replacement Value	800,000,000
LAC-CAL equipment	Replacement Value	300,000,000
Public Library books	Replacement Value	140,000,000
Fidelity Insurance:		
Crime	10,000,000	Unlimited
Public Official Bond	Specified for each official	
Fiduciary Liability:		
Savings Plans, Deferred Compensation and Thrift Plan, Deferred Earnings Plan, Pension Savings Plan	20,000,000	20,000,000
Fine Arts:		
At County Museums	300,000,000	Unlimited
At Other Locations or in Transit	100,000,000	Unlimited
Hospital General Liability	95,000,000	Unlimited
Public Safety Employee:		
Sheriff Reserve Disability	10,000	300/Week 2 year max. 1,000,000
Aviation Personal	25,000	1,000,000
Volunteer Workers (Accident)	10,000	250,000
Special Event Liability Insurance	1,000,000 Per event	2,000,000
Contractors Liability (SPARTA)	1,000,000 Per Contract	2,000,000

COUNTY OF LOS ANGELES
PUBLIC OFFICIAL BLANKET BOND
JUNE 30, 2004

OFFICIAL

Assessor	\$	50,000
Auditor-Controller		50,000
Chief Medical Examiner		50,000
Coroner		50,000
County Clerk		50,000
District Attorney		50,000
Public Administrator		50,000
Registrar-Recorder		50,000
Sheriff-Civil		50,000
Sheriff-Criminal		50,000
County Engineer-Surveyor		50,000
Treasurer and Tax Collector:		
Treasurer		300,000
Tax Collector		50,000
License Collector		50,000
Board of Supervisors (per Supervisor)		50,000
Superintendent of Schools		50,000

COUNTY OF LOS ANGELES
 DEMOGRAPHIC STATISTICS
 LAST TEN YEARS (in thousands)

<u>Year</u>	<u>Population County of Los Angeles(1)</u>	<u>Population State of California(1)</u>	<u>Population United States(4)</u>	<u>School Enrollment(2)</u>	<u>Unemployment Rate(3)</u>	
1995	9,245	32,140	262,661	1,474	7.9%	
1996	9,370	32,231	265,072	1,509	8.2%	
1997	9,488	32,600	267,368	1,550	6.8%	
1998	9,604	33,252	269,816	1,583	6.5%	
1999	9,758	33,773	272,878	1,618	5.9%	
2000	9,884	34,336	275,130	1,651	5.3%	(5)
2001	9,803	34,818	276,059	1,682	5.6%	(5)
2002	9,825	35,037	287,170	1,711	6.8%	(5)
2003	9,979	35,591	291,116	1,736	6.8%	(5)
2004	10,103	36,144	293,382	1,742	6.5%	(5)

Sources:

- (1) State Department of Finance
- (2) California Department of Education internet web address WWW.CDE.CA.GOV for 1995 and subsequent years.
- (3) Los Angeles County Economic Development Corporation
- (4) United States Bureau of the Census for 1995 and subsequent years.
- (5) Revised per Los Angeles County Economic Development schedule as of June, 2004.

COUNTY OF LOS ANGELES
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN YEARS

Year	Valuation (1) (In Millions)			New Dwelling Units(1) (In Thousands)			Bank Deposits (2) (In Thousands)
	Residential	Non-Residential	Total Values	Single Family	Multiple Family	Total Units	
1994	\$ 2,154.5	2,263.0	4,417.5	4.6	3.0	7.6	\$ 151,449,736
1995	2,234.0	1,995.8	4,229.8	5.4	3.0	8.4	153,714,269
1996	2,087.0	2,082.2	4,169.2	5.4	3.0	8.4	147,100,000
1997	2,476.0	2,200.0	4,676.0	6.8	3.6	10.4	129,308,848
1998	2,785.0	2,344.0	5,129.0	6.7	4.8	11.5	132,611,000
1999	3,282.0	3,650.0	6,932.0	7.8	6.4	14.2	131,996,000
2000	3,808.0	3,297.0	7,105.0	8.3	8.6	16.9	138,122,000
2001	3,983.0	3,529.0	7,512.0	8.2	9.9	18.1	153,369,000
2002	4,285.0	2,895.0	7,180.0	8.2	11.1	19.3	165,632,000
2003	5,142.0	2,924.0	8,066.0	10.2	11.0	21.2	189,825,000

(1) Source: Construction Industry Research Board and Real Estate Research Council of Southern California for 1994 to 1997. Real Estate Research Council of Southern California for 1998 and subsequent years.

(2) For 1996 and prior years, bank data is for Commercial Banks, Savings & Loans and Credit Unions. Data was compiled by Sheshunoff Information Services, Inc., California, and is obtained from the L. A. Economic Development Corporation.

For 1997 and subsequent years, data is for Commercial Banks and Savings & Loans. Data is from the Federal Deposit Insurance Corporations (FDIC) Internet web address WWW.FDIC.GOV.

COUNTY OF LOS ANGELES
 PRINCIPAL TAXPAYERS
 JUNE 30, 2004

<u>Taxpayers</u>	<u>Total Tax Levy Fiscal Year 2003-04</u>	<u>Percentage of Total</u>	<u>Percentage of Total Tax Levy Fiscal Year 2003-04</u>
Southern California Edison Company	\$ 37,447,862	17.36	.45
SBC California	26,658,526	12.36	.32
Douglas Emmett Realty Fund	23,747,360	11.01	.29
Chevron USA, Inc.	23,136,149	10.73	.28
BP Amoco Corporation	21,186,081	9.82	.26
Exxon Mobil Corporation	20,334,825	9.43	.25
Verizon California, Inc.	17,716,265	8.22	.22
Arden Realty LTD Partnership	17,159,472	7.96	.21
Southern California Gas Company	16,647,237	7.72	.20
Maguire Thomas Partners	<u>11,619,225</u>	<u>5.39</u>	<u>.14</u>
Total	<u>\$ 215,653,002</u>	<u>100.00</u>	<u>2.62</u>

Source: Los Angeles County Treasurer and Tax Collector

COUNTY OF LOS ANGELES
COUNTY IMPROVEMENT DISTRICTS
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS (in thousands)

<u>FISCAL YEAR</u>	<u>SPECIAL ASSESSMENT BILLINGS</u>	<u>SPECIAL ASSESSMENTS COLLECTED (1)</u>
1994-95	13,787	13,149
1995-96	14,748	10,744
1996-97	16,797	11,360
1997-98	15,100	12,219
1998-99	17,083	12,971
1999-00	9,929	8,777
2000-01	12,388	11,502
2001-02	10,188	9,294
2002-03	11,030	10,500
2003-04	11,235	10,636

(1) Includes prepayments and foreclosures.

COUNTY OF LOS ANGELES
 MISCELLANEOUS STATISTICAL DATA
 JUNE 30, 2004

GEOGRAPHICAL LOCATION: The County of Los Angeles is located in the southern portion of California and is bordered on the east by Orange and San Bernardino Counties, on the north by Kern County, on the west by Ventura County and on the south by the Pacific Ocean.

ALTITUDE: 9 feet below sea level at Wilmington to 10,080 feet above sea level at Mt. San Antonio

AREA OF COUNTY: 4,083.21 square miles

COUNTY SEAT: Los Angeles, California

FORM OF GOVERNMENT: Chartered County, governed by five-member Board of Supervisors

DATE CHARTER ADOPTED: June 2, 1913

FISCAL YEAR: July 1 - June 30

REGISTERED VOTERS: 3,643,878 as of January 2, 2004

Estimated Population of the County of Los Angeles
 As of January, 2004 (1)

INCORPORATED CITIES: Agoura Hills	22,150	Commerce	13,350
Alhambra	89,700	Compton	97,900
Arcadia	55,900	Covina	49,100
Artesia	17,200	Cudahy	25,650
Avalon	3,500	Culver City	40,550
Azusa	48,150	Diamond Bar	59,500
Baldwin Park	80,300	Downey	112,800
Bell	38,650	Duarte	22,600
Bellflower	77,000	El Monte	123,500
Bell Gardens	45,950	El Segundo	16,850
Beverly Hills	35,700	Gardena	60,600
Bradbury	940	Glendale	205,300
Burbank	105,400	Glendora	52,000
Calabasas	22,900	Hawaiian Gardens	15,700
Carson	96,300	Hawthorne	88,200
Cerritos	54,700	Hermosa Beach	19,550
Claremont	36,350	Hidden Hills	2,020

COUNTY OF LOS ANGELES
 MISCELLANEOUS STATISTICAL DATA-Continued
 JUNE 30, 2004

INCORPORATED CITIES-Continued:

Huntington Park	64,500	Rancho Palos Verdes	43,200
Industry	800	Redondo Beach	66,900
Inglewood	117,600	Rolling Hills	1,960
Irwindale	1,490	Rolling Hills Estates	8,125
La Canada-Flintridge	21,400	Rosemead	56,700
La Habra Heights	6,150	San Dimas	36,750
Lakewood	83,100	San Fernando	24,750
La Mirada	50,100	San Gabriel	41,900
Lancaster	129,200	San Marino	13,600
La Puente	43,050	Santa Clarita	164,900
La Verne	33,250	Santa Fe Springs	17,750
Lawndale	33,200	Santa Monica	90,300
Lomita	21,000	Sierra Madre	11,050
Long Beach	487,100	Signal Hill	10,650
Los Angeles	3,912,200	South El Monte	22,100
Lynwood	73,000	South Gate	101,400
Malibu	13,550	South Pasadena	25,500
Manhattan Beach	36,600	Temple City	35,300
Maywood	29,400	Torrance	146,200
Monrovia	38,800	Vernon	95
Montebello	65,200	Walnut	31,700
Monterey Park	63,900	West Covina	111,400
Norwalk	109,500	West Hollywood	37,750
Palmdale	131,300	Westlake Village	8,825
Palos Verdes Estates	14,100	Whittier	<u>87,000</u>
Paramount	57,700	Total	9,038,155
Pasadena	144,000	Unincorporated	<u>1,064,700</u>
Pico Rivera	66,800	Total Population	<u>10,102,855</u>
Pomona	158,400		

(1) Source: California Department of Finance

Continued...

COUNTY OF LOS ANGELES
 MISCELLANEOUS STATISTICAL DATA-Continued
 JUNE 30, 2004

GOVERNMENT AGENCIES AND SPECIAL DISTRICTS

UNDER SUPERVISION OF THE BOARD OF SUPERVISORS:

	Agencies and <u>Districts</u>
General County	1
Construction Fee Districts	7
Drainage Fee District	1
Drainage Special Assessment Areas	15
Fire Protection	1
Flood Control	1
Garbage Disposal	7
LLAD-Landscape Districts and Zones	38
Street Lighting and Zones	23
LLAD-Street Lighting and Zones	20
Public Library	1
Recreation and Park	1
LLAD-Recreation and Park Districts	2
Regional Park-Open Space Districts	1
Sewer Maintenance Districts and Zones	12
Special Road	5
Waterworks	<u>11</u>
Total	<u>147</u>

UNDER SUPERVISION OF OWN GOVERNING BOARD:

Cemetery	5
Hospital	1
Irrigation and Zones	10
Library	2
Mosquito Abatement	4
Recreation and Park	3
Resource Conservation Districts	2
Sanitation	<u>23</u>
Total	<u>50</u>

SCHOOLS:

Elementary	32
High	8
Community College	15
Unified	<u>46</u>
Total	<u>101</u>

AGENCY ACCOUNTS:

Municipalities	
General Purposes	<u>88</u>

Continued...

COUNTY OF LOS ANGELES
 MISCELLANEOUS STATISTICAL DATA-Continued
 JUNE 30, 2004

CITY GOVERNED SPECIAL DISTRICTS:

Landscape Maintenance	10
Library Fund	1
Lighting Districts and Zones	20
Lighting Maintenance	17
Municipal Improvement	2
Municipal Maintenance	5
Municipal Water	8
Pedestrian Mall	1
Recreation and Park	3
Sewer	1
Vehicle Parking	10
Waterworks	<u>1</u>
Total	<u>79</u>

WATER DISTRICTS:

Metropolitan	1
Antelope Valley-East Kern Water Agency	1
Castaic Lake Water Agency	1
California Water Agency	1
Southern California Water Replenishment	1
County Water Districts and Zones	<u>10</u>
Total	<u>15</u>

TOTAL GOVERNMENT AGENCIES AND SPECIAL DISTRICTS 480

COUNTY EMPLOYEES:

1995	77,111	2000	81,305
1996	73,705	2001	84,878
1997	73,804	2002	86,351
1998	75,349	2003	84,485
1999	78,192	2004	83,354

Excludes temporary and seasonal employees.

