

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

Fiscal Year Ended June 30, 2006  
J. Tyler McCauley • Auditor/Controller

**COUNTY OF LOS ANGELES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**TABLE OF CONTENTS**

	Page
<b>I. INTRODUCTORY SECTION:</b>	
Auditor-Controller's Letter of Transmittal .....	i
Certificate of Achievement for Excellence in Financial Reporting .....	vii
Board of Supervisors and Principal County Officials .....	viii
Organization Chart .....	ix
<b>II. FINANCIAL SECTION:</b>	
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	21
Statement of Activities .....	22
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	24
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Assets .....	26
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds .....	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities .....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual on Budgetary Basis:	
General Fund .....	31
Fire Protection District .....	32
Flood Control District .....	33
Public Library .....	34
Regional Park and Open Space District .....	35
Statement of Net Assets - Proprietary Funds .....	36
Statement of Revenues, Expenses and Changes in Fund Net Assets -	
Proprietary Funds .....	38
Statement of Cash Flows - Proprietary Funds .....	40
Statement of Fiduciary Net Assets - Fiduciary Funds .....	44
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	45
Notes to the Basic Financial Statements .....	46
Required Supplementary Information (unaudited) -	
Schedule of Funding Progress - LACERA .....	99

**COUNTY OF LOS ANGELES  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 TABLE OF CONTENTS**

	Page
<b>Combining and Individual Fund Statements and Schedules:</b>	
<b>Major Governmental Fund - General Fund -</b>	
Schedule of Expenditures - Budget and Actual on Budgetary Basis.....	101
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds - Summary.....	103
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Summary .....	104
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue .....	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue.....	110
Schedules of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue - Budget and Actual on Budgetary Basis:	
Totals .....	113
Road .....	114
Other Streets, Highways, Roads, and Bridges .....	115
Street Lighting Districts .....	116
Garbage Disposal Districts.....	117
Sewer Maintenance Districts.....	118
Health Services Measure B.....	119
Health and Sanitation.....	120
Other Public Protection .....	121
Public Assistance .....	122
Recreation.....	123
Courthouse Temporary Construction .....	124
Criminal Justice Temporary Construction.....	125
Other Special Revenue .....	126
Combining Balance Sheet - Nonmajor Governmental Funds - Debt Service.....	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Debt Service .....	130
Schedules of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Debt Service - Budget and Actual on Budgetary Basis:	
Totals .....	132
Detention Facilities.....	133
Flood Control District.....	134
Regional Park and Open Space District.....	135
Combining Balance Sheet - Nonmajor Governmental Funds - Capital Projects .....	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Capital Projects.....	137
Combining Balance Sheet - Nonmajor Governmental Funds - Permanent Funds.....	138
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Permanent Funds .....	139

**COUNTY OF LOS ANGELES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**TABLE OF CONTENTS**

	Page
<b>Nonmajor Enterprise Funds:</b>	
Combining Statement of Net Assets - Nonmajor Enterprise Funds .....	141
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds .....	142
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	143
<b>Internal Service Funds:</b>	
Combining Statement of Net Assets - Internal Service Funds .....	145
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds.....	146
Combining Statement of Cash Flows - Internal Service Funds.....	147
<b>Fiduciary Funds:</b>	
Combining Statement of Fiduciary Net Assets - Fiduciary Funds - Investment Trust Funds .....	149
Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds - Investment Trust Funds .....	150
Combining Statement of Changes in Assets and Liabilities - Fiduciary Funds - Agency Funds.....	151
<b>Capital Assets Used in the Operation of Governmental Funds:</b>	
Schedule by Source .....	153
Schedule by Function.....	154
Schedule of Changes by Function .....	156

**COUNTY OF LOS ANGELES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**TABLE OF CONTENTS**

	Page
<b>III. STATISTICAL SECTION (Not covered by Independent Auditors' Report):</b>	
Statistical Section – Contents .....	157
<b>Schedules of Financial Trends Information</b>	
Net Assets by Category - Last Five Fiscal Years .....	159
Changes in Net Assets - Last Five Fiscal Years .....	160
Fund Balances, Governmental Funds - Last Five Fiscal Years.....	162
Bar Chart - Governmental Funds Expenditures and Revenues - Last Five Fiscal Years ..	164
Changes in Fund Balances, Governmental Funds - Last Five Fiscal Years.....	165
<b>Schedules of Revenue Capacity Information</b>	
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years.....	166
Direct and Overlapping Property Tax Rates - Tax Rate Area #4 - Last Ten Fiscal Years .	167
Principal Property Taxpayers - Current Year and Nine Years Ago.....	168
Property Tax Levies and Collections - Last Ten Fiscal Years .....	169
<b>Schedules of Debt Capacity Information</b>	
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years.....	170
Ratio of Net General Bonded Debt - Last Ten Fiscal Years .....	171
Estimated Direct and Overlapping Bonded Debt.....	172
Computation of Legal Debt Margin - Last Ten Fiscal Years .....	174
Pledged-Revenue Coverage - Last Five Fiscal Years.....	175
<b>Schedule of Demographic and Economic Information</b>	
Demographic and Economic Statistics - Last Ten Fiscal Years .....	176
Principal Employers – Current Year and Fours Year Ago .....	177
<b>Schedules of Operating Information</b>	
Full-Time Equivalent County Employees by Function\Program - Last Ten Fiscal Years...	178
Operating Indicators by Function/Program - Last Five Fiscal Years .....	179
Capital Asset Statistics by Function/Program - Last Five Fiscal Years .....	180

# **INTRODUCTORY SECTION**



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

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

J. TYLER McCAULEY  
AUDITOR-CONTROLLER

January 22, 2007

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, 2006. 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.

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, Management's Discussion and Analysis (MD&A), the Basic Financial Statements (including notes) and the Required Supplementary Information. The MD&A is a narrative introduction, overview, and analysis of the basic financial statements. 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.

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	Various Joint Powers Authorities
Commission (including the	Los Angeles County Employees Retirement Association
Housing Authority of the	Los Angeles County Capital Asset Leasing Corporation
County of Los Angeles)	Los Angeles County Securitization Corporation
First 5 LA	

Honorable Board of Supervisors  
Page 2

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 First 5 LA, 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 2006, its population is the largest of any county in the nation.

Los Angeles County was a general law county until 1913 when it became a charter county as a result of local election. The County is governed by a five member Board of Supervisors 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.



Honorable Board of Supervisors  
Page 3

Although the Plan was developed to assist new cities, the great majority of the cities in the County now contract for one or more services.

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

### **ECONOMIC OVERVIEW**

With a 2004 Gross Product estimated at \$408 billion, Los Angeles County's economy is larger than that of 42 states and all but 16 countries. The County serves as the central trade district for the western United States and controls nearly 75% of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center, and serves as the western headquarters for many national firms. The County's economy continued to expand at a solid pace in 2005, which is expected to continue through the end of 2006, but at a slower rate of growth.

Since 2003, the County has experienced a modest recovery in the job market with a third straight year of lower unemployment rates. In 2006, the County's economy is expected to show moderate job growth in non-farm employment of approximately 0.9% (or 37,900 jobs) from 2005 employment levels. The continued improvement in the job market is accompanied by \$32.3 billion in major construction projects that are currently underway, including the expansion of port facilities, construction of public schools, and the ongoing replacement of the County's LAC+USC Medical Center.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with continued job growth projected for most major sectors of the economy in 2006. The continuing increase in international trade has made the ports of Los Angeles and Long Beach the busiest and most productive in the nation. After showing strong gains in the total value of two-way trade from 2004 to 2005 of over 11%, Los Angeles continues to be the number one customs district in the nation for international trade. The residential housing market continued its strong performance in 2005, with median home prices increasing by over 18% from 2004.

### **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.

Honorable Board of Supervisors  
Page 4

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.

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 the 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.

As of June 30, 2006, LACTP investments had the following maturity ranges:

<u>Maturity Period</u>	<u>% of Total</u>
Six months or less	55%
Over six months, but less than or equal to one year	27%
Over 1 year	18%

## RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, 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.

## MAJOR INITIATIVES

The County's 2006-2007 budget was designed to build upon the previous year's budget that focused on funding public protection and health services needs. In addition, resources have also been concentrated on funding two critical areas, 1) children's programs and 2) homeless services that are provided by the County.

### PUBLIC PROTECTION

The 2006-2007 Budget continues the restoration of inmate beds that were reduced in past fiscal years due to budgetary constraints. The budget for the Sheriff's Department reflects funding of \$31.4 million to restore 953 inmate jail beds and adds 60 positions throughout the custody system. In addition, the Budget adds \$9.2 million in funding to complete the re-opening of the Century Regional Detention Facility as a women's only jail. Funds have also been designated in the General Fund to provide for future security enhancements to the custody system.

### CHILDREN'S SERVICES

The 2006-2007 Budget provided \$16.6 million and 466 positions in programs that will help improve permanence and safety for children and reduce social workers' caseloads for the Department of Children and Family Services. The specific programs funded are as follows:

<u>Program</u>	<u>Net Cost</u>	<u>Positions</u>
Concurrent Planning Redesign	\$8.7 million	229
Permanency Partners Expansion	\$2.4 million	94
Emergency Response Staff	\$2.2 million	55
Team Decision Making	\$2.0 million	49
Kinship Support	\$1.1 million	35
Mentoring Program	\$0.2 million	4

Honorable Board of Supervisors  
Page 6

## HOMELESS AND HOUSING PROGRAMS

In 2006-2007 a new General Fund budget unit was established for homeless and housing programs. The new budget unit will centralize County funding to finance a variety of services to be provided to the homeless population. The Final Budget for 2006-2007 included \$101 million of appropriations for this new budget unit.

## 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 2004-2005 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-four fiscal years.

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



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, 2005

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

**COUNTY OF LOS ANGELES  
BOARD OF SUPERVISORS AND PRINCIPAL COUNTY OFFICIALS  
AS OF JUNE 30, 2006**

**BOARD OF SUPERVISORS**

**Michael D. Antonovich, Mayor  
Fifth District**

**Gloria Molina  
First District**

**Zev Yaroslavsky  
Third District**

**Yvonne B. Burke  
Second District**

**Don Knabe  
Fourth District**

**Sachi A. Hamai  
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

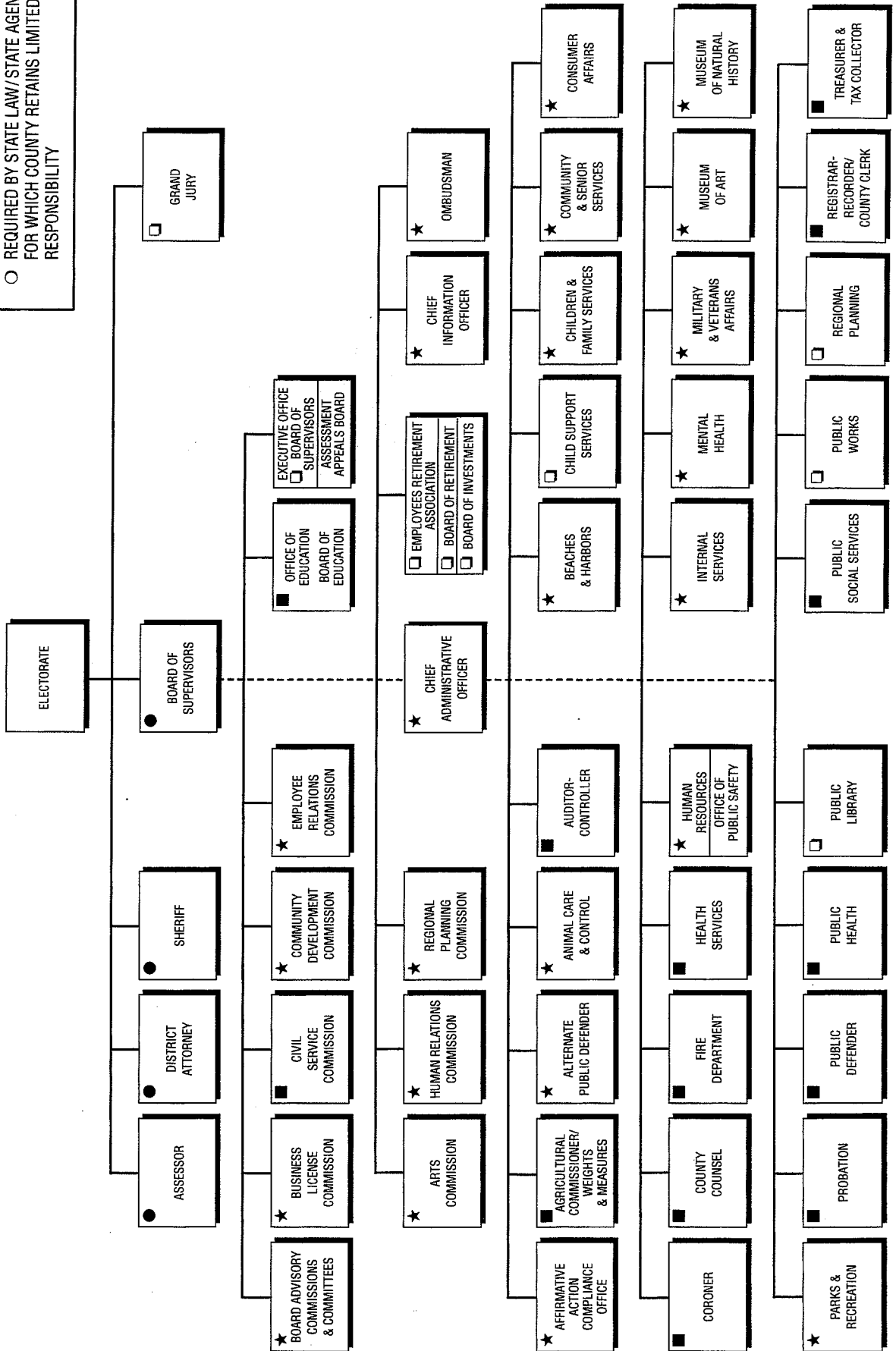
## LEGEND

### APPOINTIVE

- 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 (the County), as of and for the year ended June 30, 2006, 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 Community Development Commission (CDC), Los Angeles County Employees' Retirement Association (LACERA), and First 5 LA (previously the Children and Families First Commission), which represent the following percentages, respectively, of the assets, net assets or fund balance, and revenues of the following opinion units:

Opinion units	Assets	Net assets or fund balance	Revenues
Governmental activities	1%	1%	1%
Business-type activities	4%	8%	10%
Discretely presented component unit	100%	100%	100%
Aggregate remaining fund information	72%	74%	12%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, LACERA, and First 5 LA, are 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 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, 2006, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons 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 U.S. generally accepted accounting principles.

As discussed in notes 2 and 6 of the notes to the basic financial statements, the County adopted the remaining provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, effective July 1, 2005.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2007 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 99 are not a required part of the basic financial statements, but are supplementary information required by the U.S. generally accepted accounting principles. We 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

January 22, 2007

## **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, 2006. 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 \$15.654 billion. However, net assets are classified into three categories and the unrestricted component is negative \$1.285 billion. See further discussion on page 7.

During the current year, the County's net assets increased by a total of \$1.275 billion. Net assets related to governmental activities increased by \$881 million, while net assets related to business-type activities increased by \$394 million.

At the end of the current year, the County's General Fund reported a total fund balance of \$2.738 billion. The amount of unreserved fund balance was \$2.316 billion. Of the unreserved total, \$1.522 billion was designated.

The County's capital asset balances were \$16.647 billion at year-end and increased by \$140 million during the year. During the current year, the County implemented retroactive reporting of its infrastructure assets. Accordingly, \$11.999 billion of infrastructure assets, net of depreciation, have been recognized and recorded as adjustments to the beginning balances for the current year.

During the current year, the County's total long-term debt decreased by \$206 million. Bond maturities of \$851 million exceeded the \$645 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.

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

**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.

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. First 5 LA, previously known as 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.

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

**FUND FINANCIAL STATEMENTS-Continued**

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.
- **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 five Hospital Funds and Waterworks 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.

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

**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 \$15.654 billion at the close of the most recent fiscal year.

**Summary of Net Assets  
As of June 30, 2005 and 2006  
(in thousands)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
<b>Current and other assets</b>	\$ 7,056,499	\$ 5,927,652	\$ 957,836	\$ 1,167,043	\$ 8,014,335	\$ 7,094,695
<b>Capital assets</b>	<u>14,432,994</u>	<u>3,354,024</u>	<u>2,213,544</u>	<u>1,153,680</u>	<u>16,646,538</u>	<u>4,507,704</u>
<b>Total assets</b>	<u>21,489,493</u>	<u>9,281,676</u>	<u>3,171,380</u>	<u>2,320,723</u>	<u>24,660,873</u>	<u>11,602,399</u>
<b>Current and other liabilities</b>	1,244,728	1,073,978	199,773	180,493	1,444,501	1,254,471
<b>Long-term liabilities</b>	<u>6,139,202</u>	<u>6,070,908</u>	<u>1,423,405</u>	<u>1,897,117</u>	<u>7,562,607</u>	<u>7,968,025</u>
<b>Total liabilities</b>	<u>7,383,930</u>	<u>7,144,886</u>	<u>1,623,178</u>	<u>2,077,610</u>	<u>9,007,108</u>	<u>9,222,496</u>
<b>Net assets:</b>						
<b>Invested in capital assets, net of related debt</b>	13,567,513	2,556,556	1,827,225	793,517	15,394,738	3,350,073
<b>Restricted net assets</b>	1,378,439	1,152,845	165,427	74,173	1,543,866	1,227,018
<b>Unrestricted net assets (deficit)</b>	<u>(840,389)</u>	<u>(1,572,611)</u>	<u>(444,450)</u>	<u>(624,577)</u>	<u>(1,284,839)</u>	<u>(2,197,188)</u>
<b>Total net assets</b>	<u>14,105,563</u>	<u>2,136,790</u>	<u>1,548,202</u>	<u>243,113</u>	<u>15,653,765</u>	<u>2,379,903</u>
<b>Total liabilities and net assets</b>	<u>\$ 21,489,493</u>	<u>\$ 9,281,676</u>	<u>\$ 3,171,380</u>	<u>\$ 2,320,723</u>	<u>\$ 24,660,873</u>	<u>\$ 11,602,399</u>

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

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

Capital Assets, Net of Related Debt

The largest portion of the County's net assets (\$15.395 billion) represents its investment in capital assets (e.g., land, 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. In the current year, the County has implemented GASB 34 provisions that require the reporting of infrastructure assets acquired prior to July 1, 2001. As indicated in Note 6 to the basic financial statements, the County recognized \$11.999 billion of such infrastructure assets, net of depreciation.

Restricted Net Assets

The County's restricted net assets at year-end were \$1.544 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 \$1.285 billion. Both governmental and business-type activities reported deficits in this category of \$840 million and \$445 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, 2006, there were \$4.032 billion of liabilities recorded for all of the items noted above and for all activities. Of this amount, the County's budget had funded approximately \$232 million as of June 30, 2006, which consists of \$155 million related to governmental activities and \$77 million related to business-type activities. The \$155 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 \$77 million that has been provided for the business-type activities pertains to estimated third party payor liabilities for the County's hospitals.



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

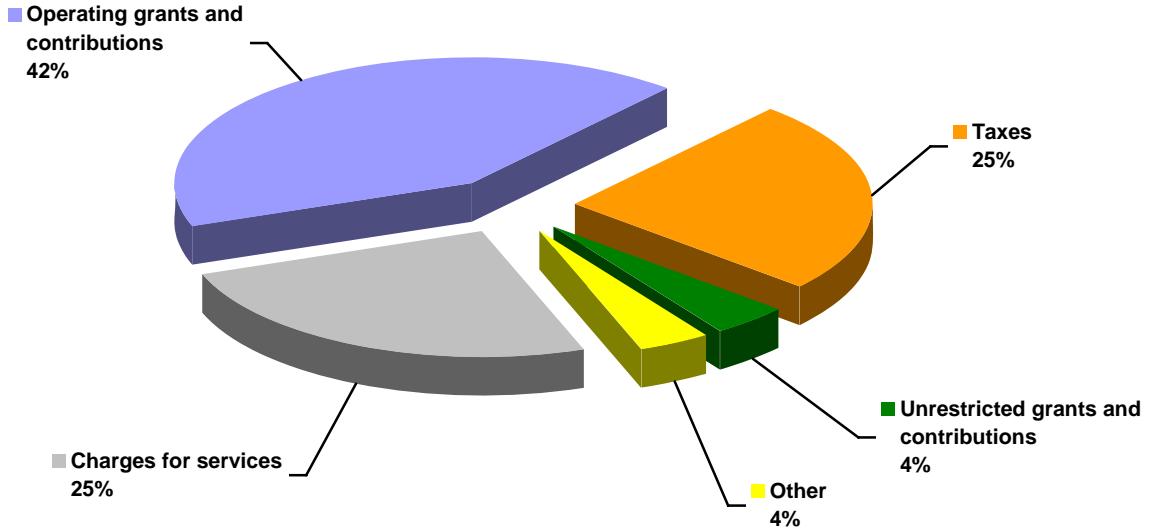
The following table indicates the changes in net assets for governmental and business-type activities:

**Summary of Changes in Net Assets  
For the Years Ended June 30, 2005 and 2006  
(in thousands)**

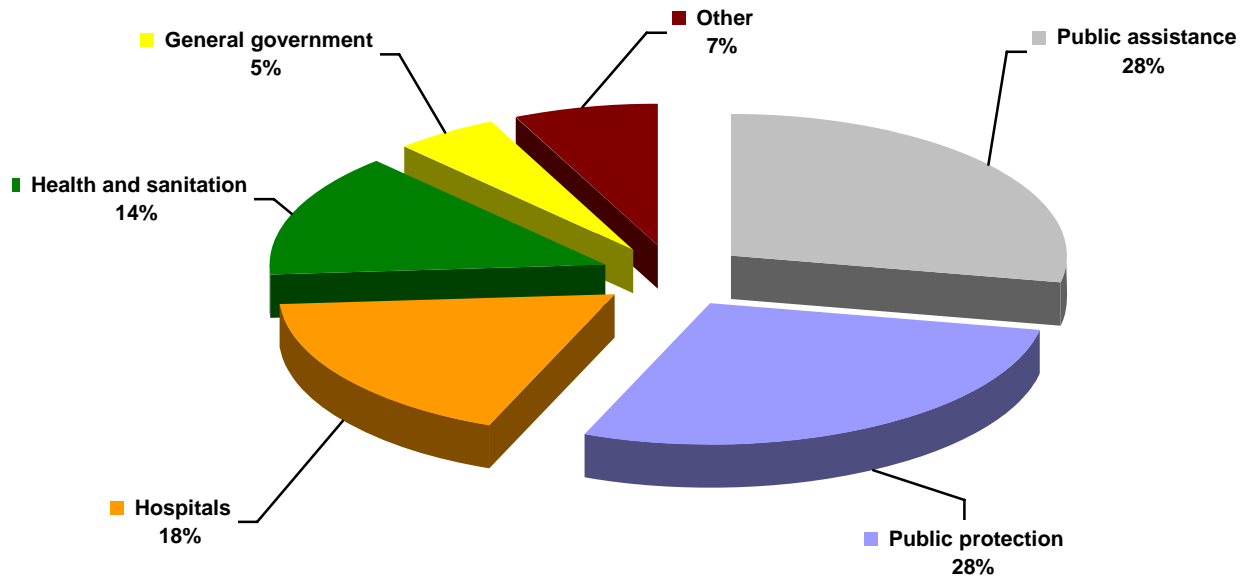
	Governmental		Business-type		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,337,634	\$ 2,087,578	\$ 2,004,419	\$ 2,458,921	\$ 4,342,053	\$ 4,546,499
Operating grants and contributions	6,801,256	6,551,225	309,526	262,636	7,110,782	6,813,861
Capital grants and contributions	64,258	44,072	74,821	138,723	139,079	182,795
<b>General revenues:</b>						
Taxes	4,292,919	3,804,859	743	701	4,293,662	3,805,560
Unrestricted grants and contributions	730,516	731,767	34	34	730,550	731,801
Investment earnings	244,005	137,382	9,703	6,416	253,708	143,798
Miscellaneous	171,049	130,904	58,804	54,103	229,853	185,007
<b>Total revenues</b>	<b>14,641,637</b>	<b>13,487,787</b>	<b>2,458,050</b>	<b>2,921,534</b>	<b>17,099,687</b>	<b>16,409,321</b>
<b>Expenses:</b>						
General government	795,290	666,778			795,290	666,778
Public protection	4,443,432	4,159,675			4,443,432	4,159,675
Public ways and facilities	360,980	249,065			360,980	249,065
Health and sanitation	2,151,515	1,941,315			2,151,515	1,941,315
Public assistance	4,465,520	4,398,391			4,465,520	4,398,391
Education	92,867	86,707			92,867	86,707
Recreation and cultural services	240,274	236,421			240,274	236,421
Interest on long-term debt	221,838	223,696			221,838	223,696
Hospitals			2,778,251	3,235,176	2,778,251	3,235,176
Aviation			5,236	5,747	5,236	5,747
Waterworks			67,563	43,444	67,563	43,444
Community Development Commission			202,298	217,560	202,298	217,560
<b>Total expenses</b>	<b>12,771,716</b>	<b>11,962,048</b>	<b>3,053,348</b>	<b>3,501,927</b>	<b>15,825,064</b>	<b>15,463,975</b>
<b>Excess (deficiency) before transfers and special item</b>	<b>1,869,921</b>	<b>1,525,739</b>	<b>(595,298)</b>	<b>(580,393)</b>	<b>1,274,623</b>	<b>945,346</b>
Transfers	(989,117)	(686,549)	989,117	686,549		
Special item		188,493				188,493
<b>Changes in net assets</b>	<b>880,804</b>	<b>1,027,683</b>	<b>393,819</b>	<b>106,156</b>	<b>1,274,623</b>	<b>1,133,839</b>
<b>Net assets – beginning, as restated</b>	<b>13,224,759</b>	<b>1,109,107</b>	<b>1,154,383</b>	<b>136,957</b>	<b>14,379,142</b>	<b>1,246,064</b>
<b>Net assets – ending</b>	<b>\$ 14,105,563</b>	<b>\$ 2,136,790</b>	<b>\$ 1,548,202</b>	<b>\$ 243,113</b>	<b>\$ 15,653,765</b>	<b>\$ 2,379,903</b>

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

REVENUES BY SOURCE – ALL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006



EXPENSES BY TYPE – ALL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006



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

The County's net assets increased by \$1.275 billion overall during the current fiscal year. The increases for governmental and business-type activities were \$881 million and \$394 million, respectively. Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Revenues from governmental activities grew by \$1.154 billion (8.6%) 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 \$488 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes and was bolstered by strength in the real estate market and continued upward trend in the County's assessed property values.
- Operating grants and contributions are the County's largest source of program revenues and grew by \$250 million. The growth in this revenue source was primarily associated with reimbursable activities in the health and sanitation area, which increased by \$113 million. There were also increases in the areas of public assistance and public protection, where revenues grew by \$61 million in each area.
- Program revenues recognized from charges for services increased by \$250 million. The increases were related to a newly established special revenue fund (Registrar-Recorder Improvement Fund) which recognized \$97 million of revenues in the current year. There were also revenue increases of \$91 million in this category that were associated with health related programs. Charges for services also increased for road and highway programs (\$26 million) and the remaining variance of \$36 million was attributable to various other programs.
- Current year investment earnings increased by \$107 million, or 77.6%. The yield from the County's Treasury Pool improved from 2.16% in the prior year to 3.95% in the current year.

Expenses related to governmental activities increased by \$810 million (6.8%) during the current year. Expenses were higher across all areas in the current year when compared with the prior year, except for interest on long-term debt, which declined by nearly \$2 million. The pattern of cost increases was generally reflective of overall inflationary increases in salaries, benefits, services and supplies. Although there was no significant program expansion in most areas during the current year, new funding was targeted for the area of public protection. Funding in this area was intended to restore services that were curtailed in previous years due to uncertainties with the State's financial condition. The passage of State Proposition 1A in November 2004 has enabled the County to develop a spending plan without the threat of the State's reliance on local property tax revenues during times of State fiscal crisis.

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

### Governmental Activities -Continued

Net transfers from Governmental Activities to Business-Type Activities increased by \$303 million in the current year. As discussed in Note 10 to the basic financial statements, the County utilized a component unit entity to sell rights to receive future tobacco settlement revenues by issuing Tobacco Bonds totaling \$320 million in the current year, of which \$32 million was used to establish a Debt Service Fund. Net proceeds of \$268 million were transferred from the County's Governmental Activities to Business-Type Activities and were used to redeem outstanding short-term debt related to the construction of the LAC+USC Medical Center. The remaining \$20 million of debt proceeds were used to augment capital improvement funds for health care related facilities.

### Business-type Activities

Revenues and expenses from business-type activities decreased in comparison to the prior year by \$463 million and \$449 million, respectively. As discussed in Note 13 to the basic financial statements, the Hospitals transitioned to a new reimbursement methodology in the current year. This change significantly reduced (by \$628 million) the amount of intergovernmental transfer expenses in the Hospitals and the corresponding revenues associated with such transfers. Accordingly, absent this factor, revenues and expenses were higher in the current year by \$165 million and \$179 million, respectively.

In the current year, Hospital salaries and employee benefits increased by \$56 million. This increase was largely due to negotiated salary increases and bonuses for nursing positions and increased funding for technology positions. Hospital expenses in the area of "other professional services" also increased by \$69 million.

### **Financial Analysis of the County's Funds**

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

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. 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 \$5.194 billion, an increase of \$1.031 billion in comparison with the prior year. Of the total fund balance, \$1.447 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional \$1.832 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining \$1.915 billion of the balances are unreserved and undesignated.

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

Governmental Funds-Continued

Revenues from all governmental funds for the current year were \$14.616 billion, an increase of \$1.198 billion (8.9%) from the previous year. Expenditures for all governmental funds in the current year were \$13.021 billion, an increase of \$793 million (6.5%) from the previous year. In addition, other financing uses exceeded other financing sources by \$563 million as compared to \$628 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 \$412 million (17.7%). At the end of the current fiscal year, the General Fund's total fund balance was \$2.738 billion. Of this amount, \$422 million was reserved and therefore unavailable for spending. Of the unreserved total of \$2.316 billion, \$1.522 billion has been designated (earmarked) and the remaining \$794 million is considered both unreserved and undesignated.

General Fund revenues during the current year were \$12.331 billion, an increase of \$834 million (7.3%) from the previous year. General Fund expenditures during the current year were \$11.069 billion, an increase of \$658 million (6.3%) from the previous year. Other financing sources/uses-net was negative \$850 million in the current year as compared to negative \$647 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by \$402 million, primarily from property taxes. The increase was attributable to ongoing growth in property values and their related tax levies. In both the current and prior years, the General Fund was required to forego \$103 million of property tax revenues due to a State-imposed property tax shift.
- Intergovernmental revenues increased by \$207 million. A large portion of this increase was concentrated in the areas of public social services (\$69 million) and mental health services (\$64 million), which each received additional federal and State revenues during the current year. The remaining increase in this revenue category (\$74 million) was recognized in several other areas, especially the Sheriff's Department, the Probation Department, and the Department of Children and Family Services.
- Investment income increased by 92%, as current year revenues were \$169 million in comparison with the prior year amount of \$88 million. As previously mentioned, the yield on investments during the current year was considerably higher than the prior year's yield.

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

Governmental Funds-Continued

- Current expenditures increased by \$614 million and there were increases in all functional areas. The most significant increase was in the area of public protection, where expenditures were higher by \$235 million. As previously mentioned, there were additional funds allocated to the public safety area and expenditures were notably higher in the Sheriff's Department (\$135 million) and Probation Department (\$54 million). Expenditures also increased in the areas of health and sanitation (\$160 million) and general government (\$117 million).

The Fire Protection District reported a year-end fund balance of \$152 million, which represented an increase of \$49 million from the previous year. This increase coincided with \$38 million and \$13 million year-to-year increases in revenues from taxes and charges for services, respectively.

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 five 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 \$588 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of \$146 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"), which provides funding for trauma and emergency services.

As discussed in Note 10 to the basic financial statements, the County issued Tobacco Bonds during the current year. The LAC+USC Medical Center recognized a "transfer in" of \$268 million from the General Fund in conjunction with the bond issuance. The purpose of the transfer was to facilitate the redemption of short-term debt (commercial paper) that had been issued to finance construction of the facilities that will replace the current medical center.

The average daily census for the County's Hospitals slightly declined from the previous year's average of 1,504 to the current year average of 1,493. There was continued focus on Martin Luther King/Drew Medical Center (MLK/Drew), where quality control issues were examined and contingency plans were undertaken in the event of regulatory sanctions. As discussed in Note 19 of the basic financial statements, the County was notified of federal sanctions and has developed a corrective action plan that is intended to address the sanctions and mitigate the potential annual loss of an estimated \$200 million of federal funds.

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

**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 15 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 \$161 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

**Budgetary Summary - Revenues/Financing Sources**

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

<u>Category</u>	Increase (Decrease) From Original <u>Budget</u>	Final Budget <u>Amount</u>	Actual <u>Amount</u>	Variance- Positive (Negative)
Taxes	\$ 324,660	\$ 3,250,530	\$ 3,255,426	\$ 4,896
Intergovernmental revenues	128,678	7,487,960	6,992,857	(495,103)
Charges for services	7,261	1,465,466	1,385,767	(79,699)
All other revenues	190,378	675,260	748,406	73,146
Other sources and transfers	(151,989)	487,140	101,789	(385,351)
<b>Total</b>	<b><u>\$ 498,988</u></b>	<b><u>\$13,366,356</u></b>	<b><u>\$12,484,245</u></b>	<b><u>\$(882,111)</u></b>

**Changes from Amounts Originally Budgeted**

During the year, net increases in budgeted revenues and other financing sources approximated \$499 million. The most significant increases occurred in the following areas:

- The budget for tax revenues was increased by \$325 million. During the fiscal year, the County increased budgeted tax revenues to finance \$314 million of designations and to increase capital project appropriations of \$11 million. The most significant designations were related to jail construction (\$167 million), programs for the homeless (\$60 million), and health services (\$47 million).

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

Changes from Amounts Originally Budgeted-Continued

- Estimated revenues from intergovernmental sources were increased by \$129 million. During the fiscal year, budgeted revenues were increased by \$38 million to more accurately reflect actual State realignment funds realized for social service programs. Estimated revenues from local governmental agencies were increased by \$21 million and were used to augment a designation and various appropriations. Estimated revenues from Homeland Security grant funds (\$13 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining \$57 million that was increased from the amounts originally budgeted from intergovernmental revenues.
- The increase of \$190 million related to "all other revenues" was mostly concentrated in two revenue categories, miscellaneous revenues and investment income. The budgeted amount of miscellaneous revenues was increased by \$102 million, of which \$94 million was attributable to tobacco settlement revenues. The County's policy is to budget tobacco settlement revenues after they have been received. Estimated revenues from investment income were increased by \$73 million as a result of higher than anticipated yield on cash and investments throughout the year.
- The amount budgeted for "other sources and transfers" was reduced during the year by \$152 million. The original amount budgeted for "transfers in" was reduced by \$212 million due to a change in the method of budgeting for the recovery of intergovernmental transfer payments that are made on behalf of the Hospital Funds. This amount was offset by a \$60 million increase in the amount of budgeted "transfers in" to reflect additional funding from other funds for mental health services (\$21 million) and various capital projects (\$39 million).

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$882 million, or 6.6%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers."

- Actual intergovernmental revenues were \$495 million lower than the amount budgeted. Social service programs accounted for approximately \$150 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. An additional \$163 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. Approximately \$52 million (mostly federal assistance) was associated with mental health services, due to lower than expected reimbursable costs. The remaining variance of \$130 million was related to a variety of other programs that received intergovernmental revenues.



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

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

- The actual amount of "other sources and transfers" was \$385 million lower than the amount budgeted. Of this amount, "transfers in" totaling \$218 million were assumed in the budget for the recovery of intergovernmental transfer payments that are made on behalf of the Hospital Funds. This amount was not realized due to a change in the method of budgeting and this variance was offset by a similar amount of unspent appropriations. The remaining variance of \$167 million was mostly related to capital improvements that did not incur expected costs. Accordingly, the "transfers in" were not realized.

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>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive</u>
General government	\$ (106,706)	\$ 1,019,171	\$ 739,456	\$ 279,715
Public protection	43,454	3,809,843	3,656,910	152,933
Health and sanitation	(223,764)	2,371,995	2,028,206	343,789
Public assistance	59,079	4,700,283	4,445,967	254,316
All other expenditures	119,674	1,088,204	334,617	753,587
Transfers out	97,916	690,506	677,821	12,685
Contingencies	89,993	89,993		89,993
Reserves/designations-net	419,342	504,971	440,050	64,921
Total	<u>\$ 498,988</u>	<u>\$ 14,274,966</u>	<u>\$ 12,323,027</u>	<u>\$1,951,939</u>

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately \$499 million. As discussed below, the most significant changes occurred in the following areas:

- Provisions for net reserves and designations were increased during the year by \$419 million. Of this amount, \$139 million was related to designations established for health services. New designations of \$188 million were established for jail construction and security enhancements at existing jails. There was also a net increase of \$60 million to the designation for programs for the homeless. Miscellaneous additions of approximately \$32 million were made to other designations.

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

Changes from Amounts Originally Budgeted-Continued

- Appropriations were increased for "all other expenditures" by approximately \$120 million, all of which was associated with capital outlay for critical needs throughout the County.
- Overall appropriations were reduced for the health and sanitation category by \$224 million. At the end of the fiscal year, the budget was realigned to reflect actual spending requirements in this area. The most significant change in this area was a \$212 million reduction of appropriations for intergovernmental transfer payments made on behalf of the Hospital Funds. The reduction coincided with a budgetary change which shifted the payment requirements from the General Fund to the Hospital Funds. Appropriations for various other General Fund health care programs were reduced by \$12 million.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$1.952 billion lower (approximately 13.7%) than the final total budget of \$14.275 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of \$754 million less than the budgeted amount. Nearly all (\$738 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.
- Overall expenditures for the health and sanitation category were \$344 million less than the budgeted amount. A significant portion (\$218 million) of this variance was related to unused appropriations associated with intergovernmental transfer payments made on behalf of the Hospital Funds. Appropriations related to mental health services exceeded actual expenditures by \$76 million, primarily due to less than anticipated costs for services and supplies. The remaining variance of \$50 million was associated with health services administration, managed care and other health related programs.
- Actual public assistance expenditures were \$254 million lower than the final budget. Most of this variance (\$203 million) was concentrated in programs operated by the Department of Public Social Services. Factors that led to this variance included lower than anticipated caseload volume and cost per caseload decreases for the CalWORKs program. There were lower than anticipated caseloads also associated with the General Relief program. Administrative costs for social service programs were also lower than budgeted due to staffing vacancies, hiring delays, and budgetary savings in information technology costs and contracted program services. The remaining variance of \$51 million was concentrated in other social service programs that were primarily focused on children and family services.

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

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

- The general government function reported actual expenditures that were \$280 million less than the amount budgeted. Of this amount, \$180 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 \$100 million was spread across virtually every department comprising general government and was mostly related to savings in the areas of salaries and services and supplies.

**Capital Assets**

The County's capital assets for its governmental and business type activities as of June 30, 2006 were \$16.647 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, and infrastructure. During the current year, the County fully implemented provisions of GASB 34 to recognize infrastructure assets that were acquired prior to July 1, 2001. As indicated in Note 6 to the basic financial statements, the recognition of retroactive infrastructure assets added \$11.999 billion of capital assets, net of depreciation, to the County's basic financial statements as of the beginning of the current year.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$140 million, 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, as restated</u>	<u>Increase (Decrease)</u>
Land and easements	\$ 7,080,469	\$ 7,067,799	\$ 12,670
Buildings and improvements	2,892,361	2,971,787	(79,426)
Infrastructure	5,299,612	5,388,498	(88,886)
Equipment	317,449	249,754	67,695
Construction-in-progress	<u>1,056,647</u>	<u>829,105</u>	<u>227,542</u>
Total	<u>\$16,646,538</u>	<u>\$16,506,943</u>	<u>\$ 139,595</u>

The County's most significant capital asset activity during the current year was the continuation of the rebuilding of the LAC+USC Medical Center. The overall project cost is estimated at \$830 million. During the year, \$164 million of costs were capitalized.

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

**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>	Increase (Decrease)
Bonds and Notes Payable	\$ 1,998,099	\$ 1,983,844	\$ 14,255
Pension Bonds Payable	<u>1,408,441</u>	<u>1,628,575</u>	<u>(220,134)</u>
Total	<u>\$ 3,406,540</u>	<u>\$ 3,612,419</u>	<u>\$(205,879)</u>

During the current year, the County's liabilities for long-term debt decreased by \$206 million, or 5.7%. Specific changes related to governmental and business-type activities are presented in Note 10 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- New debt of \$320 million was issued in exchange for the rights to receive future tobacco settlement revenues. A portion of the new debt proceeds were used to redeem \$268 million of short-term commercial paper that was previously issued to finance the ongoing construction of the new LAC+USC Medical Center.
- New debt of \$21 million was issued to finance the seismic retrofitting of the Los Angeles County Public Works Headquarters Building and \$38 million was issued to finance capital improvements associated with landfill related activities.
- New debt of \$29 million was issued to finance the acquisition of equipment. Equipment debt totaling \$11 million was redeemed during the year in accordance with maturity schedules.
- Pension bonds totaling \$313 million were redeemed during the year. This amount was offset by \$93 million related to the accretion of interest on outstanding bonds.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling \$500 million in tax and revenue anticipation notes which reached maturity on June 30, 2006, and by periodic borrowing from available trust funds.

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

**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	AA

**Economic Conditions and Outlook**

The Board of Supervisors adopted the County's 2006-2007 Budget on June 26, 2006. The Budget was adopted based on estimated fund balances that would be available at the end of 2005-2006. The Board updated the Budget on September 26, 2006 to reflect final 2005-2006 fund balances and other pertinent financial information. For the County's General Fund, the 2006-2007 Budget, as updated in September 2006, utilized \$1.07 billion of available fund balance, which exceeded the previously estimated fund balance of \$832 million. The additional fund balance of \$238 million was used to appropriate \$4 million to carryover lapsed appropriations and \$234 million was appropriated or designated for one-time needs which were predominately capital improvements.

The County's 2006-2007 Budget continued to focus on initiatives that began in the previous year, such as public protection and health services needs. Funding has also been provided to enhance critical children's programs and to augment the homeless services provided by the County. Overall, the County continues to maintain a conservative budgetary approach because a sharp slowdown in the resale housing market presents a risk as property taxes are a significant source of locally-generated revenues to the County.

**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, 2006 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	FIRST 5 LA
	ACTIVITIES	ACTIVITIES		
<b>ASSETS</b>				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	\$ 3,357,903	\$ 180,044	\$ 3,537,947	\$ 79,135
Other (Note 1)	1,216,272	44,803	1,261,075	
Total pooled cash and investments	4,574,175	224,847	4,799,022	79,135
Other investments (Note 5)	347,158	49,135	396,293	696,729
Taxes receivable	288,358	717	289,075	
Accounts receivable - net		576,881	576,881	
Interest receivable	39,788	1,420	41,208	6,399
Other receivables	1,435,771	24,290	1,460,061	40,872
Internal balances (Note 14)	68,765	(68,765)		
Inventories	99,508	25,836	125,344	
Restricted assets (Note 5)	4,463	54,503	58,966	
Net pension obligation (Note 7)	198,513	68,972	267,485	
Capital assets: (Notes 6 and 9)				
Capital assets, not being depreciated	7,178,367	958,749	8,137,116	2,039
Capital assets, net of accumulated depreciation	7,254,627	1,254,795	8,509,422	11,756
Total capital assets	14,432,994	2,213,544	16,646,538	13,795
<b>TOTAL ASSETS</b>	<b>21,489,493</b>	<b>3,171,380</b>	<b>24,660,873</b>	<b>836,930</b>
<b>LIABILITIES</b>				
Accounts payable	347,141	93,502	440,643	21,122
Accrued payroll	407,773	90,130	497,903	
Other payables	72,209	7,934	80,143	
Accrued interest payable	16,953	857	17,810	
Unearned revenue (Note 7)	103,662	7,350	111,012	191
Advances payable	296,990		296,990	
Noncurrent liabilities: (Notes 7, 9, 10, 13 and 17)				
Due within one year	798,672	191,147	989,819	55
Due in more than one year	5,340,530	1,232,258	6,572,788	166
<b>TOTAL LIABILITIES</b>	<b>7,383,930</b>	<b>1,623,178</b>	<b>9,007,108</b>	<b>21,534</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt (Notes 6 and 10)	13,567,513	1,827,225	15,394,738	13,795
Restricted for:				
Capital projects	203,666		203,666	
Debt service	5,112	117,799	122,911	
Expendable trust	2,200		2,200	
Nonexpendable trust	3,332		3,332	
Special purpose	1,164,129	47,628	1,211,757	801,601
Unrestricted (deficit)	(840,389)	(444,450)	(1,284,839)	
<b>TOTAL NET ASSETS</b>	<b>\$ 14,105,563</b>	<b>\$ 1,548,202</b>	<b>\$ 15,653,765</b>	<b>\$ 815,396</b>

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, 2006 (in thousands)

## PROGRAM REVENUE

FUNCTIONS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 795,290	\$ 500,233	\$ 44,018	\$ 53,032
Public protection	4,443,432	1,118,277	1,141,277	3,898
Public ways and facilities	360,980	55,602	177,707	6
Health and sanitation	2,151,515	469,450	1,404,846	2,607
Public assistance	4,465,520	23,955	4,030,695	
Education	92,867	4,137	1,729	
Recreation and cultural services	240,274	165,980	984	4,715
Interest on long-term debt	221,838			
Total governmental activities	<u>12,771,716</u>	<u>2,337,634</u>	<u>6,801,256</u>	<u>64,258</u>
Business-type activities:				
Hospitals	2,778,251	1,913,815	83,098	72,988
Aviation	5,236	2,857	699	1,833
Waterworks	67,563	77,101	193	
Community Development Commission	202,298	10,646	225,536	
Total business-type activities	<u>3,053,348</u>	<u>2,004,419</u>	<u>309,526</u>	<u>74,821</u>
Total primary government	<u>\$ 15,825,064</u>	<u>\$ 4,342,053</u>	<u>\$ 7,110,782</u>	<u>\$ 139,079</u>
<b>COMPONENT UNIT -</b>				
First 5 LA	<u>\$ 126,979</u>	<u>\$</u>	<u>\$ 149,467</u>	<u>\$</u>

## GENERAL REVENUES:

## Taxes:

Property taxes  
Sales and use taxes  
Utility users taxes  
Voter approved taxes  
Documentary transfer taxes  
Other taxes

Grants and contributions not restricted  
to special programs

Investment earnings

Miscellaneous

## TRANSFERS - NET

Total general revenues and transfers

## CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2005, as restated (Note 2)

NET ASSETS, JUNE 30, 2006

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	FIRST 5 LA
\$ (198,007)	\$	\$ (198,007)	
(2,179,980)		(2,179,980)	
(127,665)		(127,665)	
(274,612)		(274,612)	
(410,870)		(410,870)	
(87,001)		(87,001)	
(68,595)		(68,595)	
(221,838)		(221,838)	
<u>(3,568,568)</u>		<u>(3,568,568)</u>	
	(708,350)	(708,350)	
	153	153	
	9,731	9,731	
	33,884	33,884	
	<u>(664,582)</u>	<u>(664,582)</u>	
<u>(3,568,568)</u>	<u>(664,582)</u>	<u>(4,233,150)</u>	
			\$ <u>22,488</u>
3,774,145	743	3,774,888	
77,243		77,243	
60,630		60,630	
252,111		252,111	
87,497		87,497	
41,293		41,293	
730,516	34	730,550	
244,005	9,703	253,708	30,800
171,049	58,804	229,853	314
(989,117)	989,117		
<u>4,449,372</u>	<u>1,058,401</u>	<u>5,507,773</u>	<u>31,114</u>
880,804	393,819	1,274,623	53,602
13,224,759	1,154,383	14,379,142	761,794
<u>\$ 14,105,563</u>	<u>\$ 1,548,202</u>	<u>\$ 15,653,765</u>	<u>\$ 815,396</u>

FUNCTIONS

PRIMARY GOVERNMENT:

Governmental activities:

- General government
- Public protection
- Public ways and facilities
- Health and sanitation
- Public assistance
- Education
- Recreation and cultural services
- Interest on long-term debt
- Total governmental activities

Business-type activities:

- Hospitals
- Aviation
- Waterworks
- Community Development Commission
- Total business-type activities

Total primary government

COMPONENT UNIT -

Total - First 5 LA

GENERAL REVENUES:

Taxes:

- Property taxes
- Sales and use taxes
- Utility users taxes
- Voter approved taxes
- Documentary transfer taxes
- Other taxes

Grants and contributions not restricted  
to special programs

Investment earnings

Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2005, as restated (Note 2)

NET ASSETS, JUNE 30, 2006

COUNTY OF LOS ANGELES  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
<b>ASSETS:</b>				
Pooled cash and investments: (Notes 1 and 5)				
Operating (Note 1)	\$ 1,618,871	102,429	119,386	19,306
Other (Note 1)	887,145	52,280	17,661	5,752
Total pooled cash and investments	2,506,016	154,709	137,047	25,058
Other investments (Notes 4 and 5)	6,502			121
Taxes receivable	208,279	45,345	13,718	6,185
Interest receivable	28,841	493	778	157
Other receivables	1,256,843	24,880	10,419	264
Due from other funds (Note 14)	219,448	4,876	8,363	239
Advances to other funds (Note 14)	541,699		6,213	
Inventories	42,562	5,095		1,142
<b>TOTAL ASSETS</b>	<b>\$ 4,810,190</b>	<b>235,398</b>	<b>176,538</b>	<b>33,166</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 272,245	3,753	4,907	3,528
Accrued payroll	350,421	34,961		3,666
Other payables	67,912	1,471		217
Due to other funds (Note 14)	800,615	5,426	19,844	6,131
Unearned revenue (Note 7)	275,198	36,467	16,097	4,908
Advances payable	286,860			
Third party payor liability (Notes 10 and 13)	18,661	1,455		
<b>TOTAL LIABILITIES</b>	<b>2,071,912</b>	<b>83,533</b>	<b>40,848</b>	<b>18,450</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances	352,523	47,632	104,637	6,668
Inventories	42,562	5,095		1,142
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	26,970	25	15,211	15
Unreserved, designated for:				
Budget uncertainties	375,511	54,000		
Program expansion	497,370	10,000		1,708
Health services	459,346			
Capital projects	190,184		13,849	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	793,812			
Special revenue funds		35,113	1,993	5,183
Capital projects funds				
<b>TOTAL FUND BALANCES</b>	<b>2,738,278</b>	<b>151,865</b>	<b>135,690</b>	<b>14,716</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,810,190</b>	<b>235,398</b>	<b>176,538</b>	<b>33,166</b>

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS
\$ 245,059	1,409,945		\$ 3,514,996
6,409	45,781		1,015,028
251,468	1,455,726		4,530,024
	658,743	(325,710)	339,656
2,796	12,035		288,358
1,727	7,560		39,556
4,054	83,995		1,380,455
	313,667		546,593
	11,034		558,946
	43,187		91,986
<u>\$ 260,045</u>	<u>2,585,947</u>	<u>(325,710)</u>	<u>\$ 7,775,574</u>
\$ 2,011	62,887		\$ 349,331
	454		389,502
	788		70,388
7,090	210,918		1,050,024
4,855	68,156		405,681
	7,977		294,837
	1,775		21,891
<u>13,956</u>	<u>352,955</u>		<u>2,581,654</u>
79,624	175,914		766,998
	43,187		91,986
	2,117		2,117
	834,089	(325,710)	508,379
	3,332		3,332
	31,621		73,842
	37,344		466,855
35,422			544,500
	156,968		459,346
			204,033
			156,968
			793,812
131,043	619,524		792,856
	328,896		328,896
<u>246,089</u>	<u>2,232,992</u>	<u>(325,710)</u>	<u>5,193,920</u>
<u>\$ 260,045</u>	<u>2,585,947</u>	<u>(325,710)</u>	<u>\$ 7,775,574</u>

ASSETS:

Pooled cash and investments: (Notes 1 and 5)
Operating (Note 1)
Other (Note 1)
Total pooled cash and investments
Other investments (Notes 4 and 5)
Taxes receivable
Interest receivable
Other receivables
Due from other funds (Note 14)
Advances to other funds (Note 14)
Inventories
<b>TOTAL ASSETS</b>

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts payable
Accrued payroll
Other payables
Due to other funds (Note 14)
Unearned revenue (Note 7)
Advances payable
Third party payor liability (Notes 10 and 13)
<b>TOTAL LIABILITIES</b>

FUND BALANCES:

Reserved for:
Encumbrances
Inventories
Housing programs
Debt service
Endowments and annuities
Assets unavailable for appropriation
Unreserved, designated for:
Budget uncertainties
Program expansion
Health services
Capital projects
Special revenue funds - program expansion
Unreserved, undesignated, reported in:
General fund
Special revenue funds
Capital projects funds
<b>TOTAL FUND BALANCES</b>

**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, 2006 (in thousands)

Fund balances - total governmental funds (page 25) \$ 5,193,920

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 & Easements	\$	6,835,954	
Construction-in-progress		342,413	
Buildings and improvements - net		2,445,974	
Equipment - net		201,476	
Infrastructure - net		<u>4,531,347</u>	14,357,164

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

Unearned revenue - taxes	\$	236,116	
Long-term receivables		<u>122,408</u>	358,524

The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements. 185,205

Accrued interest payable is not recognized in governmental funds. (16,953)

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	\$	(1,790,787)	
Pension bonds payable		(975,193)	
Capital lease obligations		(123,363)	
Accrued vacation/sick leave		(596,092)	
Workers' compensation		(1,947,917)	
Litigation/self-insurance		(457,135)	
Third party payors		<u>(977)</u>	(5,891,464)

Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets. (80,833)

Net assets of governmental activities (page 21) \$ 14,105,563

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, 2006 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
<b>REVENUES:</b>				
Taxes	\$ 3,217,726	540,588	74,908	62,111
Licenses, permits and franchises	61,080	9,419	395	
Fines, forfeitures and penalties	232,762	3,009	1,184	531
Revenue from use of money and property:				
Investment income (Note 5)	169,255	1,574	4,298	646
Rents and concessions (Note 9)	56,412	73	6,762	16
Royalties	338		266	
Intergovernmental revenues:				
Federal	2,617,924	7,967	4,095	92
State	4,329,646	14,059	8,036	2,161
Other	77,635	20,473	2,609	840
Charges for services	1,357,380	143,569	113,296	2,368
Miscellaneous	211,059	619	869	847
<b>TOTAL REVENUES</b>	<b>12,331,217</b>	<b>741,350</b>	<b>216,718</b>	<b>69,612</b>
<b>EXPENDITURES:</b>				
Current:				
General government	751,214			
Public protection	3,473,835	668,249	191,937	
Public ways and facilities				
Health and sanitation	2,004,361			
Public assistance	4,333,920			
Education				92,105
Recreation and cultural services	197,749			
Debt service:				
Principal	203,274	10,077		2,238
Interest and other charges	52,742	1,412		314
Capital leases	29,624			
Capital outlay	22,533			
<b>TOTAL EXPENDITURES</b>	<b>11,069,252</b>	<b>679,738</b>	<b>191,937</b>	<b>94,657</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,261,965</b>	<b>61,612</b>	<b>24,781</b>	<b>(25,045)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (Note 14)	166,512		28	30,339
Transfers out (Note 14)	(1,041,458)	(13,046)	(20,024)	(1,016)
Issuance of debt (Note 10)			8,852	
Capital leases (Note 9)	22,533			
Sales of capital assets	1,997	110	757	13
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(850,416)</b>	<b>(12,936)</b>	<b>(10,387)</b>	<b>29,336</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>411,549</b>	<b>48,676</b>	<b>14,394</b>	<b>4,291</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>2,326,729</b>	<b>103,189</b>	<b>121,296</b>	<b>10,425</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 2,738,278</b>	<b>151,865</b>	<b>135,690</b>	<b>14,716</b>

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

REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS
\$	250,371		\$ 4,145,704
	6,110		77,004
1,202	71,274		309,962
10,391	74,183	(17,150)	243,197
	6,125		69,388
	11		615
	115,825		2,745,903
	296,590		4,650,492
	19,975		121,532
78,580	232,488		1,927,681
	110,666		324,060
90,173	1,183,618	(17,150)	14,615,538
	27,192		778,406
	79,625		4,413,646
	287,544		287,544
	125,147		2,129,508
	123,902		4,457,822
45,444	4,652		92,105
			247,845
	199,136	(23,980)	390,745
	88,712	(17,150)	126,030
			29,624
	45,184		67,717
45,444	981,094	(41,130)	13,020,992
44,729	202,524	23,980	1,594,546
(37,442)	319,613		516,492
	(391,150)		(1,504,136)
	380,571		389,423
	9,759		22,533
(37,442)	318,793		12,636
7,287	521,317	23,980	1,031,494
238,802	1,711,675	(349,690)	4,162,426
\$ 246,089	2,232,992	(325,710)	\$ 5,193,920

## REVENUES:

Taxes
Licenses, permits and franchises
Fines, forfeitures and penalties
Revenue from use of money and property:
Investment income (Note 5)
Rents and concessions (Note 9)
Royalties
Intergovernmental revenues:
Federal
State
Other
Charges for services
Miscellaneous
<b>TOTAL REVENUES</b>

## 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
<b>TOTAL EXPENDITURES</b>

EXCESS (DEFICIENCY) OF REVENUES OVER  
EXPENDITURES

## OTHER FINANCING SOURCES (USES):

Transfers in (Note 14)
Transfers out (Note 14)
Issuance of debt (Note 10)
Capital leases (Note 9)
Sales of capital assets
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>

## NET CHANGE IN FUND BALANCES

FUND BALANCE, JULY 1, 2005

FUND BALANCE, JUNE 30, 2006

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, 2006 (in thousands)

Net change in fund balances - total governmental funds (page 29)		\$ 1,031,494
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	\$ 272,525	
Less - current year depreciation expense	<u>(270,242)</u>	2,283
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance.		(32,439)
Revenue timing differences result in less revenue in government-wide statements.		(360,421)
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	\$ 215,589	
General obligation bonds	8,995	
Certificates of participation	137,720	
Assessment bonds	24,358	
Other long term notes and loans	<u>31,525</u>	418,187
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	\$ 90,023	
Change in litigation/self-insurance	(76,099)	
Change in accrued vacation/sick leave	(24,019)	
Change in third party payors	84	
Change in accrued interest payable	440	
Accretion of tobacco settlement bonds	(5,600)	
Accretion of pension bonds	<u>(65,011)</u>	(80,182)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(100,484)
The portion of internal service funds that is reported with governmental activities.		<u>2,366</u>
Change in net assets of governmental activities (page 23)		<u>\$ 880,804</u>



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, 2006 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 2,925,870	3,250,530	3,255,426	4,896
Licenses, permits and franchises	55,694	61,427	61,080	(347)
Fines, forfeitures and penalties	192,355	202,355	232,762	30,407
Revenue from use of money and property:				
Investment income	75,488	148,515	165,675	17,160
Rents and concessions	48,833	48,833	56,412	7,579
Royalties	200	200	338	138
Intergovernmental revenues:				
Federal	3,123,487	3,065,373	2,618,928	(446,445)
State	4,133,850	4,299,463	4,289,177	(10,286)
Other	101,945	123,124	84,752	(38,372)
Charges for services	1,458,205	1,465,466	1,385,767	(79,699)
Miscellaneous	112,312	213,930	232,139	18,209
<b>TOTAL REVENUES</b>	<b>12,228,239</b>	<b>12,879,216</b>	<b>12,382,456</b>	<b>(496,760)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,125,877	1,019,171	739,456	(279,715)
Public protection	3,766,389	3,809,843	3,656,910	(152,933)
Health and sanitation	2,595,759	2,371,995	2,028,206	(343,789)
Public assistance	4,641,204	4,700,283	4,445,967	(254,316)
Recreation and cultural services	221,324	220,704	204,961	(15,743)
Debt Service-				
Interest	13,077	13,077	13,077	
Capital Outlay	734,129	854,423	116,579	(737,844)
<b>TOTAL EXPENDITURES</b>	<b>13,097,759</b>	<b>12,989,496</b>	<b>11,205,156</b>	<b>(1,784,340)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(869,520)</b>	<b>(110,280)</b>	<b>1,177,300</b>	<b>1,287,580</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	604	604	1,997	1,393
Transfers in	638,525	486,536	99,792	(386,744)
Transfers out	(592,590)	(690,506)	(677,821)	12,685
Appropriation for contingencies		(89,993)		89,993
Changes in reserves and designations	(85,629)	(504,971)	(440,050)	64,921
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(39,090)</b>	<b>(798,330)</b>	<b>(1,016,082)</b>	<b>(217,752)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(908,610)</b>	<b>(908,610)</b>	<b>161,218</b>	<b>1,069,828</b>
<b>FUND BALANCE, JULY 1, 2005 (Note 15)</b>	<b>908,610</b>	<b>908,610</b>	<b>908,610</b>	
<b>FUND BALANCE, JUNE 30, 2006 (Note 15)</b>	<b>\$</b>		<b>1,069,828</b>	<b>1,069,828</b>

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, 2006 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 544,095	547,269	546,144	(1,125)
Licenses, permits and franchises	8,282	8,282	9,419	1,137
Fines, forfeitures and penalties	2,560	2,560	3,008	448
Revenue from use of money and property:				
Investment income	67	67	1,409	1,342
Rents and concessions	86	86	73	(13)
Intergovernmental revenues:				
Federal	12,821	12,821	7,967	(4,854)
State	14,213	14,213	14,059	(154)
Other	24,205	24,205	20,473	(3,732)
Charges for services	133,776	135,722	143,569	7,847
Miscellaneous	498	498	619	121
<b>TOTAL REVENUES</b>	<b>740,603</b>	<b>745,723</b>	<b>746,740</b>	<b>1,017</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Salaries and employee benefits	602,245	603,040	592,630	(10,410)
Services and supplies	93,643	121,090	89,615	(31,475)
Other charges	1,411	1,274	1,149	(125)
Capital assets	17,351	22,564	10,791	(11,773)
<b>TOTAL EXPENDITURES</b>	<b>714,650</b>	<b>747,968</b>	<b>694,185</b>	<b>(53,783)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>25,953</b>	<b>(2,245)</b>	<b>52,555</b>	<b>54,800</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	97	97	111	14
Transfers out	(12,351)	(12,376)	(12,376)	
Appropriation for contingencies	(3,648)	(3,175)		3,175
Changes in reserves and designations	(40,000)	(12,250)	(11,537)	713
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(55,902)</b>	<b>(27,704)</b>	<b>(23,802)</b>	<b>3,902</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(29,949)</b>	<b>(29,949)</b>	<b>28,753</b>	<b>58,702</b>
<b>FUND BALANCE, JULY 1, 2005 (Note 15)</b>	<b>29,949</b>	<b>29,949</b>	<b>29,949</b>	
<b>FUND BALANCE, JUNE 30, 2006 (Note 15)</b>	<b>\$</b>		<b>58,702</b>	<b>58,702</b>

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, 2006 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 68,714	76,786	75,850	(936)
Licenses, permits and franchises	800	800	394	(406)
Fines, forfeitures and penalties	1,600	1,600	1,184	(416)
Revenue from use of money and property:				
Investment income	2,000	2,000	4,298	2,298
Rents and concessions	6,125	6,125	6,762	637
Royalties	700	700	267	(433)
Intergovernmental revenues:				
Federal	13,945	13,945	4,095	(9,850)
State	9,279	9,279	8,036	(1,243)
Other	1,600	1,600	2,609	1,009
Charges for services	116,428	116,628	113,204	(3,424)
Miscellaneous	230	230	869	639
<b>TOTAL REVENUES</b>	<b>221,421</b>	<b>229,693</b>	<b>217,568</b>	<b>(12,125)</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Services and supplies	207,908	194,808	194,444	(364)
Other charges	20,523	20,523	19,369	(1,154)
Capital assets	29,855	30,135	15,961	(14,174)
<b>TOTAL EXPENDITURES</b>	<b>258,286</b>	<b>245,466</b>	<b>229,774</b>	<b>(15,692)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(36,865)</b>	<b>(15,773)</b>	<b>(12,206)</b>	<b>3,567</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	150	150	757	607
Transfers in	23,454	23,454	8,880	(14,574)
Transfers out	(1,382)	(1,382)	(1,026)	356
Appropriation for contingencies	(5,389)	(12,261)		12,261
Changes in reserves and designations	6,550	(7,670)	(2,245)	5,425
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>23,383</b>	<b>2,291</b>	<b>6,366</b>	<b>4,075</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(13,482)</b>	<b>(13,482)</b>	<b>(5,840)</b>	<b>7,642</b>
<b>FUND BALANCE, JULY 1, 2005 (Note 15)</b>	<b>13,482</b>	<b>13,482</b>	<b>13,482</b>	
<b>FUND BALANCE, JUNE 30, 2006 (Note 15)</b>	<b>\$</b>		<b>7,642</b>	<b>7,642</b>

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, 2006 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 61,262	63,038	62,680	(358)
Fines, forfeitures and penalties			531	531
Revenue from use of money and property:				
Investment income	80	80	615	535
Rents and concessions	40	40	16	(24)
Intergovernmental revenues:				
Federal	129	129	92	(37)
State	2,224	2,297	2,162	(135)
Other	1,189	1,189	840	(349)
Charges for services	2,527	2,527	2,368	(159)
Miscellaneous	1,260	1,530	846	(684)
<b>TOTAL REVENUES</b>	<b>68,711</b>	<b>70,830</b>	<b>70,150</b>	<b>(680)</b>
<b>EXPENDITURES:</b>				
Current-Education:				
Salaries and employee benefits	66,533	66,531	58,255	(8,276)
Services and supplies	45,035	45,884	36,771	(9,113)
Other charges	849	891	775	(116)
Capital assets	291	306	245	(61)
<b>TOTAL EXPENDITURES</b>	<b>112,708</b>	<b>113,612</b>	<b>96,046</b>	<b>(17,566)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(43,997)</b>	<b>(42,782)</b>	<b>(25,896)</b>	<b>16,886</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets			13	13
Transfers in	40,694	41,255	30,339	(10,916)
Transfers out	(500)	(500)	(500)	
Appropriation for contingencies		(1,776)		1,776
Changes in reserves and designations	(606)	(606)	(323)	283
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>39,588</b>	<b>38,373</b>	<b>29,529</b>	<b>(8,844)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,409)</b>	<b>(4,409)</b>	<b>3,633</b>	<b>8,042</b>
<b>FUND BALANCE, JULY 1, 2005 (Note 15)</b>	<b>4,409</b>	<b>4,409</b>	<b>4,409</b>	
<b>FUND BALANCE, JUNE 30, 2006 (Note 15)</b>	<b>\$</b>		<b>8,042</b>	<b>8,042</b>

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, 2006 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Fines, forfeitures and penalties	\$ 984	984	1,202	218
Revenue from use of money and property-				
Investment income	3,423	3,426	10,435	7,009
Charges for services	78,010	78,010	78,621	611
<b>TOTAL REVENUES</b>	<b>82,417</b>	<b>82,420</b>	<b>90,258</b>	<b>7,838</b>
<b>EXPENDITURES:</b>				
Current-Recreation and cultural services:				
Services and supplies	4,020	4,023	3,460	(563)
Other charges	160,475	160,475	31,772	(128,703)
<b>TOTAL EXPENDITURES</b>	<b>164,495</b>	<b>164,498</b>	<b>35,232</b>	<b>(129,266)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(82,078)</b>	<b>(82,078)</b>	<b>55,026</b>	<b>137,104</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	60,577	60,577	63,409	2,832
Transfers out	(107,824)	(107,824)	(100,851)	6,973
Appropriation for contingencies	(5,268)	(5,268)		5,268
Changes in reserves and designations	6,059	6,059	7,957	1,898
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(46,456)</b>	<b>(46,456)</b>	<b>(29,485)</b>	<b>16,971</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(128,534)</b>	<b>(128,534)</b>	<b>25,541</b>	<b>154,075</b>
<b>FUND BALANCE, JULY 1, 2005 (Note 15)</b>	<b>129,047</b>	<b>129,047</b>	<b>129,047</b>	
<b>FUND BALANCE, JUNE 30, 2006 (Note 15)</b>	<b>\$ 513</b>	<b>513</b>	<b>154,588</b>	<b>154,075</b>

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, 2006 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	Rancho Los Amigos Medical Center
<b>ASSETS</b>					
<b>Current assets:</b>					
Pooled cash and investments: (Notes 1 and 5)					
Operating (Note 1)	\$ 67	91	111,943	145	45
Other (Note 1)	9,153	8,858	15,924	6,047	2,313
Total pooled cash and investments	<u>9,220</u>	<u>8,949</u>	<u>127,867</u>	<u>6,192</u>	<u>2,358</u>
Other investments (Note 5)					
Taxes receivable					
Accounts receivable - net	91,906	76,079	213,616	115,538	69,502
Interest receivable	9	8	925	5	5
Other receivables	3,779	4,671	10,723	3,738	1,384
Due from other funds (Note 14)	113,365	145,311	375,296	93,063	15,347
Advances to other funds (Note 14)					
Inventories	3,440	4,546	12,484	4,410	956
Total current assets	<u>221,719</u>	<u>239,564</u>	<u>740,911</u>	<u>222,946</u>	<u>89,552</u>
<b>Noncurrent assets:</b>					
Restricted assets (Note 5)	3,793	6,820	39,774	160	589
Net pension obligation (Note 7)	10,900	9,457	28,622	12,147	7,846
<b>Capital assets: (Notes 6 and 9)</b>					
Land and easements	1,001	15,171	18,183	2,277	217
Buildings and improvements	77,672	152,940	164,111	195,357	187,179
Equipment	37,008	20,214	77,234	42,369	10,573
Infrastructure					
Construction in progress	16,169		682,313		6,550
Less accumulated depreciation	(78,357)	(93,237)	(192,805)	(131,702)	(94,933)
Total capital assets - net	<u>53,493</u>	<u>95,088</u>	<u>749,036</u>	<u>108,301</u>	<u>109,586</u>
Total noncurrent assets	<u>68,186</u>	<u>111,365</u>	<u>817,432</u>	<u>120,608</u>	<u>118,021</u>
<b>TOTAL ASSETS</b>	<u>289,905</u>	<u>350,929</u>	<u>1,558,343</u>	<u>343,554</u>	<u>207,573</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	10,899	7,239	47,905	18,201	2,173
Accrued payroll	18,360	14,433	36,747	14,295	6,295
Other payables	1,193	1,039	1,967	1,184	622
Accrued interest payable	100	97	123	293	244
Due to other funds (Note 14)	16,601	30,264	175,247	22,736	25,327
Advances from other funds (Note 14)	99,280	112,268	202,439	88,267	35,856
Unearned revenue (Note 7)	979	849	3,166	1,091	705
Current portion of long-term liabilities (Note 10)	27,574	33,875	66,299	38,761	17,233
Total current liabilities	<u>174,986</u>	<u>200,064</u>	<u>533,893</u>	<u>184,828</u>	<u>88,455</u>
<b>Noncurrent liabilities:</b>					
Accrued vacation and sick leave (Note 10)	22,134	15,573	39,037	15,284	7,861
Bonds and notes payable (Note 10)	13,241	10,025	18,015	47,949	44,414
Pension bonds payable (Notes 7 and 10)	49,644	43,069	130,353	55,323	35,735
Capital lease obligations (Notes 9 and 10)					397
Workers' compensation (Notes 10 and 17)	33,312	29,395	141,656	71,840	25,611
Litigation and self-insurance (Notes 10 and 17)	30,148	21,127	95,850	45,785	13,036
Third party payors (Notes 10 and 13)	43,434	89,147	11,615	13,929	250
Total noncurrent liabilities	<u>191,913</u>	<u>208,336</u>	<u>436,526</u>	<u>250,110</u>	<u>127,304</u>
<b>TOTAL LIABILITIES</b>	<u>366,899</u>	<u>408,400</u>	<u>970,419</u>	<u>434,938</u>	<u>215,759</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt (Notes 6 and 10)	40,703	82,946	502,686	59,586	64,342
<b>Restricted:</b>					
Debt service	3,693	6,723	39,651	(133)	345
Special purpose					
Unrestricted (Deficit)	(121,390)	(147,140)	45,587	(150,837)	(72,873)
<b>TOTAL NET ASSETS (DEFICIT) (Note 3)</b>	<u>\$ (76,994)</u>	<u>(57,471)</u>	<u>587,924</u>	<u>(91,384)</u>	<u>(8,186)</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ 63,328	3,128	\$ 178,747	\$ 38,270	ASSETS
2,475	1	44,771	7,210	Current assets:
65,803	3,129	223,518	45,480	Pooled cash and investments: (Notes 1 and 5)
	49,135	49,135	7,502	Operating (Note 1)
717		717		Other (Note 1)
		566,641		Total pooled cash and investments
389		1,341	311	Other investments (Note 5)
7,244	2,995	34,534	160	Taxes receivable
798	1	743,181	58,212	Accounts receivable - net
1,164		1,164		Interest receivable
		25,836	7,522	Other receivables
76,115	55,260	1,646,067	119,187	Due from other funds (Note 14)
				Advances to other funds (Note 14)
				Inventories
				Total current assets
		51,136	7,830	Noncurrent assets:
		68,972	13,308	Restricted assets (Note 5)
				Net pension obligation (Note 7)
				Capital assets: (Notes 6 and 9)
7,916	199,750	244,515		Land and easements
143,835	176,406	1,097,500	1,734	Buildings and improvements
225	2,382	190,005	202,926	Equipment
1,092,128	38,673	1,130,801		Infrastructure
7,491	1,711	714,234		Construction in progress
(411,472)	(180,468)	(1,182,974)	(109,367)	Less accumulated depreciation
840,123	238,454	2,194,081	95,293	Total capital assets - net
840,123	238,454	2,314,189	116,431	Total noncurrent assets
916,238	293,714	3,960,256	235,618	TOTAL ASSETS
				LIABILITIES
				Current liabilities:
4,201	2,330	92,948	5,445	Accounts payable
		90,130	18,271	Accrued payroll
	1,828	7,833	993	Other payables
		857	226	Accrued interest payable
4,757	203	275,135	22,827	Due to other funds (Note 14)
		538,110	22,000	Advances from other funds (Note 14)
140	420	7,350	1,354	Unearned revenue (Note 7)
15	1,146	184,903	36,934	Current portion of long-term liabilities (Note 10)
9,113	5,927	1,197,266	108,050	Total current liabilities
				Noncurrent liabilities:
	162	100,051	30,629	Accrued vacation and sick leave (Note 10)
121	5,202	138,967	29,265	Bonds and notes payable (Note 10)
		314,124	60,606	Pension bonds payable (Notes 7 and 10)
		397	181	Capital lease obligations (Notes 9 and 10)
		301,814	63,141	Workers' compensation (Notes 10 and 17)
		205,946	19,693	Litigation and self-insurance (Notes 10 and 17)
		158,375		Third party payors (Notes 10 and 13)
121	5,364	1,219,674	203,515	Total noncurrent liabilities
9,234	11,291	2,416,940	311,565	TOTAL LIABILITIES
				NET ASSETS
839,987	232,592	1,822,842	60,041	Invested in capital assets, net of related debt (Notes 6 and 10)
67,017		117,296	2,608	Restricted:
	47,628	47,628		Debt service
	2,203	(444,450)	(138,596)	Special purpose
				Unrestricted (Deficit)
\$ 907,004	282,423	1,543,316	\$ (75,947)	TOTAL NET ASSETS (DEFICIT) (Note 3)
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		4,886		NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 21)
		\$ 1,548,202		

COUNTY OF LOS ANGELES  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	Rancho Los Amigos Medical Center
<b>OPERATING REVENUES:</b>					
Net patient service revenues (Note 13)	\$ 387,240	243,496	797,140	344,441	\$ 157,155
Rentals					
Charges for services					
Other	16,108	12,590	56,441	13,020	9,322
<b>TOTAL OPERATING REVENUES</b>	<b>403,348</b>	<b>256,086</b>	<b>853,581</b>	<b>357,461</b>	<b>166,477</b>
<b>OPERATING EXPENSES:</b>					
Salaries and employee benefits	268,852	216,831	536,704	217,767	96,968
Services and supplies	76,683	74,300	166,743	51,043	17,491
Other professional services	88,142	87,747	255,684	149,006	26,359
Depreciation and amortization (Note 6)	2,206	2,656	2,091	3,094	2,335
Medical malpractice	3,098	662	3,764	7,307	197
Rent	4,377	3,740	10,584	4,152	2,138
Provision for bad debts	1,882	5,805	7,684	4,564	3,707
<b>TOTAL OPERATING EXPENSES</b>	<b>445,240</b>	<b>391,741</b>	<b>983,254</b>	<b>436,933</b>	<b>149,195</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(41,892)</b>	<b>(135,655)</b>	<b>(129,673)</b>	<b>(79,472)</b>	<b>17,282</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Taxes					
Interest income	410	471	5,202	412	242
Interest expense	(10,593)	(9,429)	(24,741)	(13,499)	(9,114)
Intergovernmental transfers expense (Note 13)	(52,068)	(33,558)	(126,792)	(63,827)	(10,527)
Intergovernmental revenues:					
State					
Federal					
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(62,251)</b>	<b>(42,516)</b>	<b>(146,331)</b>	<b>(76,914)</b>	<b>(19,399)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(104,143)</b>	<b>(178,171)</b>	<b>(276,004)</b>	<b>(156,386)</b>	<b>(2,117)</b>
Capital contributions			72,988		
Transfers in (Note 14)	105,343	217,107	656,415	227,498	18,490
Transfers out (Note 14)	(31)	(299)	(188,010)	(3)	(39,014)
<b>CHANGE IN NET ASSETS</b>	<b>1,169</b>	<b>38,637</b>	<b>265,389</b>	<b>71,109</b>	<b>(22,641)</b>
<b>TOTAL NET ASSETS (DEFICIT), JULY 1, 2005, as restated (Note 2)</b>	<b>(78,163)</b>	<b>(96,108)</b>	<b>322,535</b>	<b>(162,493)</b>	<b>14,455</b>
<b>TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006</b>	<b>\$ (76,994)</b>	<b>(57,471)</b>	<b>587,924</b>	<b>(91,384)</b>	<b>\$ (8,186)</b>

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



ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$		\$ 1,929,472	\$	OPERATING REVENUES:
	13,124	13,124	24,335	Net patient service revenues (Note 13)
77,074	378	77,452	354,152	Rentals
	1,057	108,538		Charges for services
				Other
77,074	14,559	2,128,586	378,487	TOTAL OPERATING REVENUES
		1,337,122	274,549	OPERATING EXPENSES:
41,124	202,522	629,906	53,004	Salaries and employee benefits
2,064	446	609,448	9,159	Services and supplies
24,360	4,195	40,937	29,426	Other professional services
		15,028		Depreciation and amortization (Note 6)
		24,991		Medical malpractice
		23,642		Rent
67,548	207,163	2,681,074	366,138	Provision for bad debts
9,526	(192,604)	(552,488)	12,349	TOTAL OPERATING EXPENSES
				OPERATING INCOME (LOSS)
743		743		NONOPERATING REVENUES (EXPENSES):
2,008	1,129	9,874	1,137	Taxes
(15)	(371)	(67,762)	(9,175)	Interest income
		(286,772)		Interest expense
34	44	78		Intergovernmental transfers expense (Note 13)
193	226,968	227,161	408	Intergovernmental revenues:
				State
				Federal
2,963	227,770	(116,678)	(7,630)	TOTAL NONOPERATING REVENUES (EXPENSES)
12,489	35,166	(669,166)	4,719	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
		72,988		Capital contributions
(356)	(6,226)	1,224,853	3,364	Transfers in (Note 14)
		(233,939)	(6,634)	Transfers out (Note 14)
12,133	28,940	394,736	1,449	CHANGE IN NET ASSETS
894,871	253,483		(77,396)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2005, as restated (Note 2)
\$ 907,004	282,423		\$ (75,947)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006
		(917)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		\$ 393,819		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, 2006 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	Rancho Los Amigos Medical Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from patient services	\$ 410,631	236,784	1,013,582	341,266	151,455
Rentals received					
Cash received from charges for services					
Other operating revenues	16,112	12,600	56,445	13,020	9,329
Cash received for services provided to other fund	10,165	13,513	20,414	13,659	353
Cash paid for salaries and employee benefits	(270,269)	(219,515)	(546,607)	(223,943)	(99,946)
Cash paid for services and supplies	(74,825)	(94,192)	(301,062)	(60,449)	10,845
Other operating expenses	(96,282)	(94,485)	(272,259)	(156,389)	(28,687)
Cash paid for services from other funds	(31,794)	(32,368)	(85,116)	(39,582)	(16,956)
Net cash provided by (required for) operating activities	<u>(36,262)</u>	<u>(177,663)</u>	<u>(114,603)</u>	<u>(112,418)</u>	<u>26,393</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Cash advances received from other funds	257,123	205,390	595,571	205,925	90,131
Cash advances paid/returned to other funds	(253,740)	(190,155)	(511,721)	(234,910)	(67,753)
Interest paid on pension bonds	(5,572)	(4,138)	(14,633)	(6,211)	(4,011)
Interest paid on advances	(4,045)	(3,890)	(8,791)	(4,471)	(1,231)
Intergovernmental transfers	(52,068)	(33,558)	(126,792)	(63,827)	(10,527)
Intergovernmental receipts					
Transfers in	105,343	217,107	656,415	227,498	18,490
Transfers out	(31)	(299)	(188,010)	(3)	(39,014)
Net cash provided by (required for) noncapital financing activities	<u>47,010</u>	<u>190,457</u>	<u>402,039</u>	<u>124,001</u>	<u>(13,915)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from taxes					
Capital contributions			72,988		
Proceeds from bonds and notes	2,500		90,000		
Interest paid on capital borrowing	(967)	(1,445)	(1,309)	(3,038)	(4,010)
Principal payments on bonds and notes	(2,655)	(9,963)	(276,143)	(6,500)	(8,170)
Principal payments on capital leases	(228)	(36)	(39)	(13)	(105)
Proceeds from refunding bonds	(123)		(116)	(340)	(517)
Acquisition and construction of capital assets	(7,197)	(1,489)	(166,261)	(2,653)	(179)
Net cash provided by (required for) capital and related financing activities	<u>(8,670)</u>	<u>(12,933)</u>	<u>(280,880)</u>	<u>(12,544)</u>	<u>(12,981)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>					
Interest income received	134	198	3,884	104	41
Net increase (decrease) in cash and cash equivalents	2,212	59	10,440	(857)	(462)
Cash and cash equivalents, July 1, 2005, as restated	10,801	15,710	157,201	7,209	3,409
Cash and cash equivalents, June 30, 2006	<u>\$ 13,013</u>	<u>15,769</u>	<u>167,641</u>	<u>6,352</u>	<u>2,947</u>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$		\$ 2,153,718	\$	
	12,764	12,764	27,647	
76,451	346	76,797	343,975	
	1,057	108,563		
		58,104		
	(230)	(1,360,510)	(277,021)	
(39,818)	(184,592)	(744,093)	(53,928)	
(2,064)	(446)	(650,612)	(9,159)	
		(205,816)		
<u>34,569</u>	<u>(171,101)</u>	<u>(551,085)</u>	<u>31,514</u>	
		1,354,140		
(5)		(1,258,284)		
		(34,565)	(6,803)	
		(22,428)		
		(286,772)		
227	227,012	227,239	408	
		1,224,853	3,364	
(356)	(6,226)	(233,939)	(6,634)	
<u>(134)</u>	<u>220,786</u>	<u>970,244</u>	<u>(9,665)</u>	
		1,179		
1,179		72,988		
		92,500	58,675	
(15)	(371)	(11,155)	(2,544)	
(45)	(609)	(304,085)	(55,545)	
		(421)	(161)	
		(1,096)		
(5,590)	(20,582)	(203,951)	(34,276)	
<u>(4,471)</u>	<u>(21,562)</u>	<u>(354,041)</u>	<u>(33,851)</u>	
		1,685		
	1,129	7,175	674	
31,649	29,252	72,293	(11,328)	
34,154	23,012	251,496	72,140	
<u>\$ 65,803</u>	<u>52,264</u>	<u>\$ 323,789</u>	<u>\$ 60,812</u>	
				CASH FLOWS FROM OPERATING ACTIVITIES:
				Cash received from patient services
				Rentals received
				Cash received from charges for services
				Other operating revenues
				Cash received for services provided to other funds
				Cash paid for salaries and employee benefits
				Cash paid for services and supplies
				Other operating expenses
				Cash paid for services from other funds
				Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
				Cash advances received from other funds
				Cash advances paid/returned to other funds
				Interest paid on pension bonds
				Interest paid on advances
				Intergovernmental transfers
				Intergovernmental receipts
				Transfers in
				Transfers out
				Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
				Proceeds from taxes
				Capital contributions
				Proceeds from bonds and notes
				Interest paid on capital borrowing
				Principal payments on bonds and notes
				Principal payments on capital leases
				Proceeds from refunding bonds
				Acquisition and construction of capital assets
				Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES -
				Interest income received
				Net increase (decrease) in cash and cash equivalents
				Cash and cash equivalents, July 1, 2005, as restated
				Cash and cash equivalents, June 30, 2006

Continued...

COUNTY OF LOS ANGELES  
STATEMENT OF CASH FLOWS - Continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	Rancho Los Amigos Medical Center
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>(LOSS) TO NET CASH PROVIDED BY</b>					
<b>(REQUIRED FOR) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (41,892)	(135,655)	(129,673)	(79,472)	17,282
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	2,206	2,656	2,091	3,094	2,335
Other charges - net	2,350	25	(1,928)	(1,084)	50
(Increase) decrease in:					
Accounts receivable - net	24,942	27,320	11,801	(1,667)	(20,523)
Interest receivable					
Other receivables	(396)	91	(1,869)	(116)	774
Due from other funds	57,293	(8,944)	341,781	33,418	38,999
Inventories	(167)	(715)	814	(473)	57
Net pension obligation	5,942	5,622	15,601	6,621	4,278
Increase (decrease) in:					
Accounts payable	2,622	765	12,057	4,506	(247)
Accrued payroll	1,184	895	1,286	(935)	(73)
Other payables	140	115	206	133	63
Accrued vacation and sick leave	734	468	999	(1,580)	(128)
Due to other funds	(33,971)	(51,699)	(229,243)	(51,810)	11,656
Unearned revenue			(906)		
Pension bonds payable	(8,971)	(9,624)	(23,555)	(9,995)	(6,459)
Workers' compensation liability	(4,288)	(3,702)	(10,934)	(5,069)	(1,304)
Litigation and self-insurance liability	2,411	580	3,136	8,598	523
Third party payor liability	(46,401)	(5,861)	(106,267)	(16,587)	(20,890)
<b>TOTAL ADJUSTMENTS</b>	<b>5,630</b>	<b>(42,008)</b>	<b>15,070</b>	<b>(32,946)</b>	<b>9,111</b>
<b>NET CASH PROVIDED BY (REQUIRED FOR)</b>					
<b>OPERATING ACTIVITIES</b>	<b>\$ (36,262)</b>	<b>(177,663)</b>	<b>(114,603)</b>	<b>(112,418)</b>	<b>26,393</b>
<b>RECONCILIATION OF CASH AND CASH</b>					
<b>EQUIVALENTS TO THE STATEMENT OF</b>					
<b>NET ASSETS:</b>					
Pooled cash and investments	\$ 9,220	8,949	127,867	6,192	2,358
Other investments					
Restricted assets	3,793	6,820	39,774	160	589
<b>TOTAL</b>	<b>\$ 13,013</b>	<b>15,769</b>	<b>167,641</b>	<b>6,352</b>	<b>2,947</b>

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Enterprise Funds	Total	Internal Service Funds	
9,526	(192,604)	\$ (552,488)	\$ 12,349	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:
24,360	4,195	40,937	29,426	Depreciation and amortization
16	18,356	17,785	225	Other charges - net
		41,873		(Increase) decrease in:
			(70)	Accounts receivable - net
(692)	(432)	(2,640)	1,573	Interest receivable
45	11	462,603	(8,282)	Other receivables
		(484)	(762)	Due from other funds
		38,064	7,253	Inventories
				Net pension obligation
911	(68)	20,546	1,245	Increase (decrease) in:
		2,357	67	Accounts payable
	(321)	336	112	Accrued payroll
	(230)	263	88	Other payables
379	(37)	(354,725)	(1,187)	Accrued vacation and sick leave
24	29	(853)	(86)	Due to other funds
		(58,604)	(10,952)	Unearned revenue
		(25,297)	(1,696)	Pension bonds payable
		15,248	2,211	Workers' compensation liability
		(196,006)		Litigation and self-insurance liability
				Third party payor liability
25,043	21,503	1,403	19,165	TOTAL ADJUSTMENTS
\$ 34,569	(171,101)	\$ (551,085)	\$ 31,514	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
\$ 65,803	3,129	\$ 223,518	\$ 45,480	Pooled cash and investments
	49,135	49,135	7,502	Other investments
		51,136	7,830	Restricted assets
\$ 65,803	52,264	\$ 323,789	\$ 60,812	TOTAL

COUNTY OF LOS ANGELES  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Pooled cash and investments (Note 5)	\$ 29,746	\$ 9,387,061	\$ 1,778,916
Other investments: (Note 5)		1,091,142	44,329
Stocks	18,883,133		
Bonds	8,978,511		
Short-term investments	1,412,210		
Real estate	3,553,426		
Mortgages	231,195		
Alternative assets	2,198,244		
Collateral on loaned securities	2,906,455		
Taxes receivable			200,704
Interest receivable	118,188	111,861	950
Other receivables	297,948		
<b>TOTAL ASSETS</b>	<b>38,609,056</b>	<b>10,590,064</b>	<b>\$ 2,024,899</b>
<b>LIABILITIES</b>			
Accounts payable	391,503		
Other payables (Note 5)	3,031,964		
Due to other governments			2,024,899
<b>TOTAL LIABILITIES</b>	<b>3,423,467</b>		<b>\$ 2,024,899</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and investment trust participants	<b>\$ 35,185,589</b>	<b>\$ 10,590,064</b>	

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, 2006 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Pension trust contributions:		
Employer	\$ 676,667	\$
Member	296,176	
Contributions to investment trust funds		38,178,595
Total contributions	972,843	38,178,595
<b>Investment earnings:</b>		
Interest	3,107,323	446,404
Net increase in the fair value of investments	1,078,066	
Securities lending income (Note 5)	162,282	
Total investment earnings	4,347,671	446,404
<b>Less - Investment expenses:</b>		
Expense from investing activities	102,415	
Expense from securities lending activities (Note 5)	152,846	
Total net investment expense	255,261	
Net investment earnings	4,092,410	446,404
Miscellaneous	3,877	
<b>TOTAL ADDITIONS</b>	<b>5,069,130</b>	<b>38,624,999</b>
<b>DEDUCTIONS:</b>		
Salaries and employee benefits	29,844	
Services and supplies	14,847	
Benefit payments	1,845,149	
Distribution from investment trust funds		38,261,864
Miscellaneous	19,806	
<b>TOTAL DEDUCTIONS</b>	<b>1,909,646</b>	<b>38,261,864</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,159,484</b>	<b>363,135</b>
<b>NET ASSETS HELD IN TRUST, JULY 1, 2005</b>	<b>32,026,105</b>	<b>10,226,929</b>
<b>NET ASSETS HELD IN TRUST, JUNE 30, 2006</b>	<b>\$ 35,185,589</b>	<b>\$ 10,590,064</b>

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)
	Los Angeles County Securitization Corporation (LACSC)

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.

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



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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Unit

First 5 LA (First 5), previously known as the Children and Families First 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 First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, two are heads of County Departments (Health Services 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.

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a 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.

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 assets are also reported as restricted 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. Of the \$1,164,129,000 "restricted for special purpose," \$451,619,000 is imposed by enabling legislation.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements-Continued

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.

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 five Hospital Funds and a Waterworks Enterprise Fund. The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. In conjunction with the retroactive reporting of infrastructure assets, the total assets of the Waterworks Enterprise Fund significantly increased and this Fund has been reclassified as a major fund for 2005-2006. The Waterworks Enterprise Fund provides water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. A description of each Enterprise Fund is provided below:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Harbor/UCLA Medical Center

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

LAC+USC Medical Center

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

M. L. King/Drew Medical Center

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

Rancho Los Amigos Medical Center

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

Waterworks Funds

The Waterworks Enterprise funds provide for the administration, maintenance, operation and improvement of district water systems.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds.

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 five Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the 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 13, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

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.

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 \$22.5 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, 2006. 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 15 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 2005-2006 gross assessed valuation of the County of Los Angeles was \$868 billion.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 11,067 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

Operating Pooled Cash and Investments

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

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2006 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 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are 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, \$43,187,000 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 and easements, 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 6.

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	15 to 100 years

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

Advances Payable

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

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. ACCOUNTING CHANGES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

As discussed below, the County implemented the following GASB Statements in the 2005-2006 fiscal year:

Governmental Accounting Standards Board Statement No. 42

GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," provides guidance on reducing the carrying value of a capital asset other than through the use of depreciation. Applying the GASB's note that "the provisions of this Statement need not be applied to immaterial items," GASB 42 did not have an impact on the County's financial statements for the year ended June 30, 2006.

Governmental Accounting Standards Board Statement No. 44

For the fiscal year ended June 30, 2006, the County implemented GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section." This Statement enhances and updates the statistical section that accompanies a local government's basic financial statements to reflect the significant changes that have taken place in the government. The statistical section is comprised of schedules presenting trend information about revenue source, outstanding debt, economics and demographics, and operating information. Implementation of GASB Statement No. 44 did not have an impact on the County's financial statements for the year ended June 30, 2006, but required additional disclosures in the statistical section of the Comprehensive Annual Financial Report.

Governmental Accounting Standards Board Statement No. 46

For the fiscal year ended June 30, 2006, the County implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation - an amendment of GASB Statement No. 34." This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the County - such as citizens, public interest groups, or the judiciary - can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on the County's financial statements for the year ended June 30, 2006, but required additional disclosure (see Note 1- "Government-wide Financial Statements" segment).

Governmental Accounting Standards Board Statement No. 47

GASB Statement No. 47, "Accounting for Termination Benefits," provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. GASB Statement No. 47 did not have an impact on the County's financial statements for the year ended June 30, 2006.

Governmental Accounting Standards Board Statement No. 48

For the year ended June 30, 2006, the County implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. Provisions of GASB 48 were applied in conjunction with the sale of future Tobacco Settlement revenues, as discussed in Note 10 ("Tobacco Settlement Asset Backed Bonds").

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

2. ACCOUNTING CHANGES AND RESTATEMENT OF FUND BALANCE/NET ASSETS-Continued

Restatement of Fund Balance/Net Assets

As required by GASB Statement 34, the County restated beginning balances to reflect the retroactive recognition of the remaining infrastructure assets and easements acquired prior to July 1, 2001. The effects of the changes are as follows (in thousands):

	Net Assets, July 1, 2005 as <u>previously reported</u>	Effect of Infrastructure <u>Assets</u>	Net Assets July 1, 2005 <u>as restated</u>
Government-wide:			
Governmental activities	\$ 2,136,790	\$11,087,969	\$13,224,759
Business-type activities	243,113	911,270	1,154,383
Proprietary funds:			
Major Enterprise funds-			
Waterworks	116,121	778,750	894,871
Non Major Enterprise funds-			
Aviation	32,025	132,520	164,545

3. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2006 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Harbor/UCLA Medical Center	\$ 76,994
Olive View/UCLA Medical Center	57,471
M. L. King/Drew Medical Center	91,384
Rancho Los Amigos Medical Center	8,186
Internal Service Fund-	
Public Works	89,495

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. Enterprise funds' deficits are further explained in Note 13.

4. 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:

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

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2006, the Fund Financial Statements reflect an investment asset (referred to as "Other Investments") held by the JPA of \$325,710,000 that has been recorded in the Nonmajor Governmental Funds. The Fund Financial Statements do not reflect a liability for the related Bonds Payable (\$325,710,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the 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 (\$325,710,000 for each) and Investment Earnings and Interest Expense (\$17,150,000 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 \$325,710,000 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 10 and are captioned "Assessment Bonds."

5. 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, 2006 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 4,530,024	\$ 339,656			\$ 4,869,680
Proprietary Funds	268,998	56,637	\$ 47,098	\$ 11,868	384,601
Fiduciary Funds (excluding Pension Trust Fund)	11,165,977	1,135,471			12,301,448
Pension Trust Fund	29,746	38,163,174			38,192,920
Component Unit	79,135	696,729			775,864
Total	<u>\$ 16,073,880</u>	<u>\$ 40,391,667</u>	<u>\$ 47,098</u>	<u>\$ 11,868</u>	<u>\$56,524,513</u>

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

5. CASH AND INVESTMENTS-Continued

Deposits-Custodial Credit Risk

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

At June 30, 2006, the carrying amount of the County's deposits was \$97,844,000 and the balance per various financial institutions was \$93,741,000. The County's deposits are not exposed to custodial credit risk since all its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2006, the carrying amount of Pension Trust Fund deposits was \$65,724,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled 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 State Statutes which are referred to as the "County Employees' Retirement Law of 1937." Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the 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. Detailed deposit and investment risk disclosures are included in Note H of LACERA's Report on Audited Financial Statements for the year ended June 30, 2006.

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

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-five percent (85%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the 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 pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2006 (in thousands) are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$ 9,007,312
Negotiable certificates of deposit	3,077,250
Commercial paper	4,383,275
Corporate and deposit notes	829,626
Municipal bonds	5,435
Repurchase agreements	20,377
Los Angeles County securities	10,000
Guaranteed investment contracts	610,220
Investment in money market funds	193,724
Investment in State and local agency investment funds	125,209
1st and 2nd mortgages	<u>1,067</u>
Total	<u>\$ 18,263,495</u>

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2006 (in thousands) and are as follows:

	<u>Fair Value</u>
Domestic and international equity	\$ 21,723,864
Fixed income	8,978,511
Real estate	3,553,426
Private equity	2,198,244
Short term investments	1,412,210
Mortgages	<u>231,195</u>
Total	<u>\$ 38,097,450</u>

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

5. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2006 totaling \$29,746,000. 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, 2006 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>Weighted Average Maturity (Years)</u>
U. S. Government securities	\$ 8,098,530	\$ 8,136,810	1.875% - 9.25%	07/07/06 - 06/26/11	1.33
Negotiable certificates of deposit	2,883,326	2,885,689	4.25% - 5.455%	07/05/06 - 08/06/07	0.17
Commercial paper	4,253,206	4,248,934	4.89% - 5.33%	07/03/06 - 09/07/06	0.05
Corporate and deposit notes	795,637	796,503	3.50% - 5.499%	07/06/06 - 04/20/09	0.52
Los Angeles County securities	10,000	10,000	5.658%	06/30/08	2.00
Other	5,101	5,153			0.50
Deposits	75,178	75,178			
	<u>\$ 16,120,978</u>	<u>\$ 16,158,267</u>			

A summary of other (non-pooled) investments, excluding the Pension Trust Fund, is as follows (in thousands):

	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate % Range</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
Local Agency Investment Fund	\$ 125,209	\$ 125,324			0.50
Commercial paper	130,069	129,993	4.98% - 5.34%	07/05/06 - 11/30/06	0.08
Corporate and deposit notes	33,989	34,000	5.06%	08/09/06	0.11
Mortgage trust deeds	1,067	1,067	4.5% - 5.5%	08/01/12 - 04/01/17	8.27
Municipal bonds	5,435	5,435	5%	09/02/21	15.19
Negotiable certificates of deposit	193,925	194,000	4.67% - 5.095%	08/09/06 - 09/14/06	0.11
Guaranteed investment contract	610,219	610,219	4.072% - 4.73%	07/31/06 - 06/30/09	0.79
U.S. agency securities	379,727	381,048	2.16% - 5.24%	07/07/06 - 08/25/10	0.63
U.S treasury securities	484,715	487,152	2.75% - 11.25%	07/15/06 - 05/15/16	0.96
U.S. treasury bills	44,330	44,330	4.53% - 4.93%	08/17/06 - 12/14/06	0.14
Repurchase agreements	20,377	20,377	4.652%	01/06/09	2.52
Money market mutual funds	188,634	188,634	4.25% - 4.83%	08/10/06	
Deposits	22,666	22,666			
	<u>\$ 2,240,362</u>	<u>\$ 2,244,245</u>			

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

5. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding asset investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to less than 18 months. Of the Pooled Cash and Investments and Other Investments at June 30, 2006, over 55% have a maturity of six months or less. Of the remainder, less than 18% have a maturity of more than one year.

As of June 30, 2006, variable-rate notes comprised 3.92% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain long-term debt proceeds issued by Los Angeles County entities, investment in the State's Local Area Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2006, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The County's investment policy establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A." At June 30, 2006, the County was invested in the Local Agency Investment Fund which is unrated as to credit quality.

At June 30, 2006, the County did not exceed the County investment policy limitations that state that no more than 5% of total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one money market mutual fund.

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

## 5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2006:

	<u>S &amp; P</u>	<u>Moody's</u>	<u>% of Portfolio</u>
<b>Pooled Cash and Investments:</b>			
Commercial paper	A-1	P-1	26.53%
Corporate and deposit notes	A-1	P-1	4.96%
Los Angeles County securities	AAA	Aaa	0.06%
Negotiable certificates of deposit	A-1	P-1	17.98%
U.S. agency securities	AAA	Aaa	39.76%
U.S. treasury securities	AAA	Aaa	10.68%
Other (Cal Trust medium-term account)	AAA	P-1	0.03%
			<u>100.00%</u>
<b>Other Investments:</b>			
Local agency investment fund	Not rated	Not rated	3.55%
Commercial paper	A-1+	P-1	5.68%
Corporate and deposit notes	A-1+	P-1	1.89%
Mortgage trust deeds	AAA	Aaa	0.06%
Municipal bonds	AAA	Aaa	0.30%
Negotiable certificates of deposit	A-1+	P-1	10.80%
Guaranteed investment contracts	A-1+	P-1	33.99%
U.S. agency securities	AAA	Aaa	16.73%
U.S. treasury securities	AAA	Aaa	27.00%
			<u>100.00%</u>

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, 2006 was 3.95%.

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, 2006 (in thousands):

**Statement of Net Assets**

Net assets held in trust for all pool participants	<u>\$ 16,120,978</u>
Equity of internal pool participants	\$ 6,630,134
Equity of external pool participants	<u>9,490,844</u>
Total equity	<u>\$ 16,120,978</u>

**Statement of Changes in Net Assets**

Net assets at July 1, 2005	\$ 15,381,506
Net change in investments by pool participants	739,472
Net assets at June 30, 2006	<u>\$ 16,120,978</u>

The unrealized loss on investments held in the Treasurer's Pool was \$37,289,000 as of June 30, 2006. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.



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

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

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

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

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.

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, 2006, there were approximately \$631,350,000 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. At June 30, 2006, forward currency contracts receivable and payable totaled \$28,749,000 and \$28,813,000, 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.

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

5. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

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, 2006, 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, 2006. Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records. A corresponding liability is recorded for the fair value of the cash collateral received.

As of June 30, 2006, the fair value of securities on loan was \$2.84 billion. The value of the cash collateral received for those securities was \$2.91 billion and the non cash collateral was \$2.20 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of \$2.9 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was \$9.44 million for the year ended June 30, 2006.

For the year ended June 30, 2006, 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, 2006 (in thousands):

	<u>County</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Deposits	\$ 97,844	\$ 65,724	\$ 163,568
Investments	<u>18,263,495</u>	<u>38,097,450</u>	<u>56,360,945</u>
	<u>\$ 18,361,339</u>	<u>\$ 38,163,174</u>	<u>\$ 56,524,513</u>

6. CAPITAL ASSETS

Pursuant to GASB 34, an extended period of deferral (fiscal year beginning July 1, 2005) was available before the requirement to record and depreciate infrastructure assets acquired prior to July 1, 2001 was effective. As of July 1, 2005, the County has recorded the remaining infrastructure assets acquired prior to July 1, 2001 and those assets that were either completed since July 1, 2001 or considered to be construction in progress at year-end. Such infrastructure assets are recorded in governmental and business-type activities in the accompanying government-wide and proprietary funds financial statements as of June 30, 2006. All capitalized infrastructure is subject to depreciation.



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

## 6. CAPITAL ASSETS-Continued

Capital assets activity for the year ended June 30, 2006 is as follows (in thousands):

	<u>Balance July 1, 2005 as previously reported</u>	<u>Adjustments Note 2</u>	<u>Balance July 1, 2005 as restated</u>
<b><u>Governmental Activities</u></b>			
Capital assets, not depreciated:			
Land	\$ 286,549	\$ 1,886,633	\$ 2,173,182
Easements		4,650,102	4,650,102
Construction in progress-buildings and improvements	85,963		85,963
Construction in progress-infrastructure	<u>61,392</u>	<u>134,477</u>	<u>195,869</u>
Subtotal	<u>433,904</u>	<u>6,671,212</u>	<u>7,105,116</u>
Capital assets, depreciated:			
Buildings and improvements	3,723,634		3,723,634
Equipment	801,005		801,005
Infrastructure	<u>208,427</u>	<u>6,589,340</u>	<u>6,797,767</u>
Subtotal	<u>4,733,066</u>	<u>6,589,340</u>	<u>11,322,406</u>
Less accumulated depreciation for:			
Buildings and improvements	(1,208,921)		(1,208,921)
Equipment	(581,586)		(581,586)
Infrastructure	<u>(22,439)</u>	<u>(2,172,583)</u>	<u>(2,195,022)</u>
Subtotal	<u>(1,812,946)</u>	<u>(2,172,583)</u>	<u>(3,985,529)</u>
Total capital assets, being depreciated, net	<u>2,920,120</u>	<u>4,416,757</u>	<u>7,336,877</u>
Governmental activities capital assets, net	<u>\$ 3,354,024</u>	<u>\$ 11,087,969</u>	<u>\$ 14,441,993</u>
<b><u>Business-type Activities</u></b>			
Capital assets, not depreciated:			
Land	\$ 117,373	\$ 99,380	\$ 216,753
Easements		27,762	27,762
Construction in progress-buildings and improvements	541,737	(904)	540,833
Construction in progress-infrastructure	<u>659,110</u>	<u>6,440</u>	<u>6,440</u>
Subtotal	<u>659,110</u>	<u>132,678</u>	<u>791,788</u>
Capital assets, being depreciated:			
Buildings and improvements	1,109,160	(13,511)	1,095,649
Equipment	221,585		221,585
Infrastructure	<u>1,330,745</u>	<u>1,126,258</u>	<u>1,126,258</u>
Subtotal	<u>1,330,745</u>	<u>1,112,747</u>	<u>2,443,492</u>
Less accumulated depreciation for:			
Buildings and improvements	(644,925)	6,350	(638,575)
Equipment	(191,250)		(191,250)
Infrastructure	<u>(836,175)</u>	<u>(340,505)</u>	<u>(340,505)</u>
Subtotal	<u>(836,175)</u>	<u>(334,155)</u>	<u>(1,170,330)</u>
Total capital assets, being depreciated, net	<u>494,570</u>	<u>778,592</u>	<u>1,273,162</u>
Business-type activities capital assets, net	<u>1,153,680</u>	<u>911,270</u>	<u>2,064,950</u>
Total Capital Assets, net	<u>\$ 4,507,704</u>	<u>\$ 11,999,239</u>	<u>\$ 16,506,943</u>

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

## 6. CAPITAL ASSETS-Continued

<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
\$ 24,286	\$ (21,632)	\$ 2,175,836
10,016		4,660,118
63,004	(2,423)	146,544
<u>97,306</u>	<u>(24,055)</u>	<u>195,869</u>
		<u>7,178,367</u>
8,470	(16,919)	3,715,185
162,338	(70,027)	893,316
79,604	(63,061)	6,814,310
<u>250,412</u>	<u>(150,007)</u>	<u>11,422,811</u>
(64,433)	5,272	(1,268,082)
(79,464)	43,911	(617,139)
<u>(146,935)</u>	<u>58,994</u>	<u>(2,282,963)</u>
<u>(290,832)</u>	<u>108,177</u>	<u>(4,168,184)</u>
<u>(40,420)</u>	<u>(41,830)</u>	<u>7,254,627</u>
<u>\$ 56,886</u>	<u>\$ (65,885)</u>	<u>\$ 14,432,994</u>
\$	\$	\$
		216,753
		27,762
167,065	(104)	707,794
<u>167,065</u>	<u>(104)</u>	<u>6,440</u>
		<u>958,749</u>
1,851		1,097,500
25,421	(21,230)	225,776
4,543		1,130,801
<u>31,815</u>	<u>(21,230)</u>	<u>2,454,077</u>
(13,667)		(652,242)
(14,075)	20,821	(184,504)
<u>(22,031)</u>		<u>(362,536)</u>
<u>(49,773)</u>	<u>20,821</u>	<u>(1,199,282)</u>
<u>(17,958)</u>	<u>(409)</u>	<u>1,254,795</u>
<u>149,107</u>	<u>(513)</u>	<u>2,213,544</u>
<u>\$ 205,993</u>	<u>\$ (66,398)</u>	<u>\$ 16,646,538</u>

Governmental Activities

## Capital assets, not depreciated:

Land  
Easements  
Construction in progress-buildings and improvements  
Construction in progress-infrastructure  
Subtotal

## Capital assets, depreciated:

Buildings and improvements  
Equipment  
infrastructure  
Subtotal

## Less accumulated depreciation for:

Buildings and improvements  
Equipment  
Infrastructure  
Subtotal

Total capital assets, being depreciated, net

Governmental activities capital assets, net

Business-type Activities

## Capital assets, not depreciated:

Land  
Easements  
Construction in progress-buildings and improvements  
Construction in progress-infrastructure  
Subtotal

## Capital assets, being depreciated:

Buildings and improvements  
Equipment  
Infrastructure  
Subtotal

## Less accumulated depreciation for:

Buildings and improvements  
Equipment  
Infrastructure  
Subtotal

Total capital assets, being depreciated, net

Business-type activities capital assets, net

Total Capital Assets, net

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

## 6. CAPITAL ASSETS-Continued

Depreciation Expense

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

## Governmental activities:

General government	\$ 13,017
Public protection	141,450
Public ways and facilities	86,939
Health and sanitation	8,045
Public assistance	6,240
Education	1,531
Recreation and cultural services	13,020
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>20,590</u>
Total depreciation expense, governmental activities	<u>\$ 290,832</u>

## Business-type activities:

Hospitals	\$ 12,382
Aviation	2,124
Waterworks	24,360
Community Development Commission	2,071
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>8,836</u>
Total depreciation expense, business-type activities	<u>\$ 49,773</u>

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2006 was as follows (in thousands):

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets, not depreciated:				
Land	\$ 2,039	\$	\$	\$ 2,039
Capital assets, depreciated:				
Buildings and improvements	15,800	873		16,673
Equipment	1,165	20		1,185
Subtotal	<u>16,965</u>	<u>893</u>		<u>17,858</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,417)	(229)		(5,646)
Equipment	(220)	(236)		(456)
Subtotal	<u>(5,637)</u>	<u>(465)</u>		<u>(6,102)</u>
Total capital assets being depreciated, net	<u>11,328</u>	<u>428</u>		<u>11,756</u>
Component unit capital assets, net	<u>\$ 13,367</u>	<u>\$ 428</u>	<u>\$</u>	<u>\$ 13,795</u>

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

7. 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 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 2005-2006:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
General Members	21.42%	14.53%	14.16%	14.25%	14.33%
Safety Members	28.21%	23.65%			

The rates were determined by the actuarial valuation performed as of June 30, 2004 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 2005-2006, the County did not pay LACERA the full amount of the ARC. LACERA applied \$179,368,000 in excess earnings reserves towards the County's required contribution.

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

7. 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 2005-2006 were as follows (in thousands):

Annual required contribution (ARC):		
County		\$ 855,392
Non County entities		139
Total ARC		<u>855,531</u>
Interest on net pension obligation		<u>(33,063)</u>
Annual pension cost		<u>822,468</u>
Contributions made:		
County		676,024
Other Contributions		504
Non County entities		<u>139</u>
Total contributions		<u>676,667</u>
Cost in excess of contributions		145,801
Net pension obligation (asset), July 1, 2005		<u>(413,286)</u>
Net pension obligation (asset), June 30, 2006		<u>\$ (267,485)</u>

Fiscal Year Ended	Trend Information (in thousands)		Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
June 30, 2004	\$ 468,967	84.2%	\$ (588,730)
June 30, 2005	703,254	75.1%	(413,286)
June 30, 2006	822,468	82.3%	(267,485)

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2004 using the entry age normal method. The valuation assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.01% to 9.98%, with both assumptions including a 3.5% inflation factor. The valuation also assumed post-retirement benefit increases of between 2% 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, 2005 valuation determined the funding ratio to be 85.8% and recognized an unfunded actuarial accrued liability (UAAL) of \$4.88 billion. The County contribution rate (effective for the 2006 - 2007 fiscal year) was, therefore, increased by 5.33% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) over the normal cost rate of 9.53%.

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.

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.



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

7. PENSION PLAN-Continued

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 unearned revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2006, the unamortized balance was \$24,032,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2006 was \$1,295,708,000. The bonds have interest rates varying from 6.92% 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 2005-2006 from 1.89% to 3.90%. The fixed rate certificates which remain outstanding have a rate of 6.875%. At June 30, 2006, the total outstanding principal (including accreted interest) for the refunding bonds and remaining fixed rate certificates was \$112,733,000 and has been included in the financial statements as pension bonds payable.

For the year ended June 30, 2006, the combined principal and interest payments for both the bonds and certificates were \$280,981,000 and \$75,902,000, respectively. For governmental activities, the total debt service was \$263,714,000. For business-type activities, the total debt service was \$93,169,000. At June 30, 2006, the total outstanding principal, including accreted interest of \$709,861,000 on both bonds and certificates, was \$1,408,441,000.

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>
2007	\$ 141,753	\$ 141,525	\$ 48,484	\$ 49,461
2008	115,664	167,121	40,423	58,406
2009	86,377	151,001	30,188	52,773
2010	86,851	178,557	30,354	62,403
2011	87,801	187,956	30,685	65,688
Total	<u>\$ 518,446</u>	<u>\$ 826,160</u>	<u>\$ 180,134</u>	<u>\$ 288,731</u>
Accretions	<u>526,818</u>		<u>183,043</u>	
Total Pension Bonds Payable	<u>\$1,045,264</u>		<u>\$ 363,177</u>	

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

7. PENSION PLAN-Continued

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, 2006, the swap's notional amount of \$70,500,000 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, 2006 was 3.87%.

"Credit risk" refers to the risk that the counterparty will not fulfill its obligations. As of June 30, 2006, the County was not exposed to credit risk because the swap transaction had a negative fair value of \$2,085,000. 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.

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	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ 70,500	\$ 2,728	\$ 1,840	\$ 75,068

8. POSTEMPLOYMENT 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 51,000 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.

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

8. POSTEMPLOYMENT BENEFITS-Continued

The cost of retiree health care is recognized when the County makes payments to LACERA. For the year ended June 30, 2006, the amounts of such payments were approximately \$196,902,000, for governmental activities, and \$44,098,000, for business-type activities. These amounts exclude \$66,156,000 of LACERA excess earnings reserves, which were utilized to offset a portion of the total funding requirements.

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits (OPEB), which are defined to include post retirement health care benefits.

GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," establishes financial reporting standards for OPEB in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (currently LACERA), requires an actuarial valuation to determine the funded status of benefits accrued, and must be implemented no later than the year ending June 30, 2007.

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," establishes financial reporting standards designed to measure, recognize, and display OPEB costs. GASB 45 is focused on the County's financial statements and related note disclosures. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The County's financial statements must comply with provisions of GASB 45 no later than the year ending June 30, 2008.

9. 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, 2006 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2007	\$ 73,856
2008	61,721
2009	51,282
2010	30,831
2011	19,893
2012-2016	57,734
2017-2021	14,017
2022-2026	31
Total	<u>\$ 309,365</u>

Rent expenditures related to operating leases were \$85,836,000 for the year ended June 30, 2006.

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

## 9. LEASES-Continued

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, 2006 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 28,633	\$ 314
2008	28,522	149
2009	24,122	145
2010	19,462	147
2011	13,352	
2012-2016	43,962	
2017-2021	29,895	
2022-2026	29,755	
2027-2031	29,755	
2032-2036	<u>1,367</u>	
Total	248,825	755
Less: Amount representing interest	<u>125,149</u>	<u>80</u>
Present value of future minimum lease payments	<u>\$ 123,676</u>	<u>\$ 675</u>

The following is a schedule of property under capital leases by major classes at June 30, 2006 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 5,710	
Buildings and improvements	125,406	\$ 1,200
Equipment	60,435	1,731
Accumulated depreciation	(54,790)	(2,088)
Total	<u>\$ 136,761</u>	<u>\$ 843</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 82 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 29 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 61 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

9. 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, 2006 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2007	\$ 36,030
2008	35,472
2009	35,047
2010	35,004
2011	34,933
Thereafter	1,247,807
Total	<u>\$ 1,424,293</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2006 (in thousands):

	<u>Governmental Activities</u>
Minimum rentals	\$ 36,506
Contingent rentals	19,127
Total	<u>\$ 55,633</u>

10. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 7), capital lease obligations (see Note 9) 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 Par Amount of Debt</u>	<u>Balance June 30, 2006</u>
Los Angeles County General Obligation Detention Facilities Bonds, 6.5% to 7.875%	\$ 96,000	\$ 8,395
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 2.5% to 8.5%	81,800	1,080
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	107,140
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	19,620
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3% to 6%	349,690	344,871
Community Development Commission Notes Payable, 2.31% to 7.91%	61,045	40,896

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

## 10. LONG-TERM OBLIGATIONS-Continued

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2006</u>
NPC Bond Anticipation Notes 5.658%	5,700	5,700
NPC Bonds 2.4% to 4.0%	35,255	19,257
Marina del Rey Loans Payable, 4.5% to 4.7%	23,000	21,341
Public Buildings Certificates of Participation, 2.8% to 7.75%	1,360,776	922,017
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds 5.25% to 6.65%	<u>319,827</u>	<u>325,427</u>
Total	<u>\$ 2,496,828</u>	<u>\$ 1,815,744</u>

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

	<u>Original Par Amount of Debt</u>	<u>Balance June 30, 2006</u>
NPC Bond Anticipation Notes, 5.658%	\$ 4,300	\$ 4,300
NPC Bonds 2.4% to 4.0%	26,595	14,528
Public Buildings Certificates of Participation, 2.8% to 7.0%	252,623	155,029
Commercial Paper, 3.61% to 3.62%	2,500	2,500
Waterworks District Bonds, 3.3% to 8.0%	280	136
Community Development Commission Mortgage Notes, 0.00% to 7.3%	<u>11,384</u>	<u>5,862</u>
Total	<u>\$ 297,682</u>	<u>\$ 182,355</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>
2007	\$ 9,105	\$ 704	\$ 15	\$ 12
2008	370	9	17	11
2009			18	9
2010			19	7
2011			21	5
2012-2016			<u>46</u>	<u>5</u>
Total	<u>\$ 9,475</u>	<u>\$ 713</u>	<u>\$ 136</u>	<u>\$ 49</u>

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

10. 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 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the 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>
2007	\$ 21,475	\$ 16,021
2008	22,630	14,835
2009	23,670	13,644
2010	24,835	12,441
2011	26,075	11,185
2012-2016	151,445	34,194
2017-2021	55,580	5,909
Total	<u>\$ 325,710</u>	<u>\$ 108,229</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>
2007	\$ 85,067	\$ 48,338	\$ 26,873	\$ 9,333
2008	86,599	45,415	26,350	8,118
2009	85,880	42,216	14,572	7,154
2010	82,189	39,285	13,196	6,422
2011	72,898	36,482	12,586	5,823
2012-2016	290,916	144,199	63,028	20,159
2017-2021	101,205	125,201	4,043	1,642
2022-2026	111,765	34,097		
2027-2031	66,820	14,079		
2032-2036	23,795	1,775		
Total	<u>\$ 1,007,134</u>	<u>\$ 531,087</u>	<u>\$160,648</u>	<u>\$ 58,651</u>

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

10. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds

The County entered into a Joint Powers Agreement with the LACSC under which the County relinquishes to the LACSC its future tobacco settlement revenues (TSRs) for the next 41 years. The County received from the TSRs a lump sum payment of \$319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2041. The residual certificate represents the County's ownership interest in excess TSRs to be received by the LACSC during the term of the sales agreement. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, is estimated to be \$1,437,932,000. Residuals are expected to be approximately \$433,035,000. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was \$309,230,000.

On February 8, 2006, the California County Tobacco Securitization Agency issued \$319,827,000 bonds on behalf of the LACSC, a blended component unit of the County of Los Angeles. The LACSC borrowed from the California County Tobacco Securitization Agency (CCTSA) the proceeds of Series 2006 Tobacco Settlement Asset-Backed bonds issued by the CCTSA. Loan repayments will be funded by future tobacco settlement revenues. The proceeds were used to redeem \$267,600,000 of tax exempt commercial paper notes. Additionally, \$20,235,000 was set aside for capital projects in the nonmajor governmental capital projects fund (the Accumulative Capital Outlay fund), and \$31,992,000 was set aside for the nonmajor governmental debt service fund (the LA County Securitization Corporation). However, in the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County nor the LACSC has any liability to make up any such shortfall.

Principal and interest requirements for the Tobacco Settlement Asset-Backed bonds, which do not begin until 2011, are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$	\$ 21,197
2012-2016		105,987
2017-2021	60,280	105,987
2022-2026		85,680
2027-2031	46,370	75,859
2032-2036	62,196	69,311
2037-2041	53,157	49,287
2042-2046	97,824	24,260
Total	<u>\$ 319,827</u>	<u>\$ 537,568</u>
Accretions	<u>5,600</u>	
Total Tobacco Settlement Asset-Backed Bonds	<u>\$ 325,427</u>	



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

10. 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>
2007	\$ 16,900	\$ 2,502	\$ 3,160	\$ 200
2008	7,692	2,405	5,010	151
2009	2,096	2,300	830	99
2010	1,926	2,196	355	45
2011	2,038	2,093	350	13
2012-2016	12,714	8,397		
2017-2021	12,792	4,812	968	
2022-2026	7,614	1,798		
2027-2031	4,165	378		
Indeterminate maturity			1,989	
Total	<u>\$ 67,937</u>	<u>\$ 26,881</u>	<u>\$ 12,662</u>	<u>\$ 508</u>

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

10. 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	\$ 9,475	713	\$ 136	49
Assessment Bonds	325,710	108,229		
Certificates of Participation	1,007,134	531,087	160,648	58,651
Tobacco Settlement Asset- Backed Bonds	319,827	537,568		
Notes, Loans, and Commercial Paper	67,937	26,881	12,662	508
Subtotal	<u>1,730,083</u>	<u>1,204,478</u>	<u>12,662</u>	<u>59,208</u>
Add: Accreted Interest Unamortized Bond Premiums	73,191 36,346		8,909	
Less: Unamortized Loss on Advance Refunding of Debt	<u>(23,876)</u>			
Total Bonds and Notes Payable	<u>\$ 1,815,744</u>		<u>\$ 182,355</u>	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refundings.

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, 2006, the amount of outstanding bonds and certificates of participation considered defeased was \$666,100,000. All of this amount was related to governmental activities.

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

10. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2006 (in thousands):

	<u>Balance July 1, 2005</u>	<u>Additions/ Accretions</u>	<u>Transfers/ Maturities</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds and notes payable	\$ 1,592,593	\$ 434,213	\$ 211,062	\$ 1,815,744	\$ 136,720
Pension bonds payable (Note 7)	1,206,794	69,632	231,162	1,045,264	141,185
Capital lease obligations (Note 9)	130,928	22,533	29,785	123,676	16,704
Accrued vacation and sick leave	606,563	70,627	46,520	630,670	46,602
Workers' compensation liability (Note 17)	2,110,126	164,162	255,881	2,018,407	310,671
Litigation and self-insurance liability (Note 17)	403,287	131,163	51,353	483,097	124,899
Third party payor liability	<u>20,617</u>	<u>5,363</u>	<u>3,636</u>	<u>22,344</u>	<u>21,891</u>
<b>Total governmental activities</b>	<b><u>\$6,070,908</u></b>	<b><u>\$ 897,693</u></b>	<b><u>\$ 829,399</u></b>	<b><u>\$ 6,139,202</u></b>	<b><u>\$ 798,672</u></b>
<b>Business-type activities:</b>					
Bonds and notes payable	\$ 391,251	\$ 117,736	\$ 326,632	\$ 182,355	\$ 30,804
Pension bonds payable (Note 7)	421,781	23,254	81,858	363,177	49,053
Capital lease obligations (Note 9)	1,097		422	675	279
Accrued vacation and sick leave	110,104	9,595	9,332	110,367	10,316
Workers' compensation liability (Note 17)	377,592	14,635	39,932	352,295	50,481
Litigation and self-insurance liability (Note 17)	224,075	39,675	24,427	239,323	33,377
Third party payor liability (Note 13)	<u>371,217</u>	<u>19,248</u>	<u>215,252</u>	<u>175,213</u>	<u>16,837</u>
<b>Total business-type activities</b>	<b><u>\$ 1,897,117</u></b>	<b><u>\$ 224,143</u></b>	<b><u>\$ 697,855</u></b>	<b><u>\$ 1,423,405</u></b>	<b><u>\$ 191,147</u></b>

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 2005-2006 thereby decreasing liabilities for Bonds and Notes Payable by \$5,046,000 for governmental activities. Liabilities for Pension Bonds Payable were increased for governmental and business-type activities by \$69,632,000 and \$23,254,000, respectively, for interest accretions. Note 17 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

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

11. SHORT-TERM DEBT

On July 1, 2005, the County issued \$500,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 2.54%. 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 2005. The notes matured and were redeemed on June 30, 2006.

12. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2006, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$91,519,000 and limited obligation improvement bonds totaling \$16,912,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County, and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund. 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 \$1,317,463,000. The amount of bonds outstanding as of June 30, 2006 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.

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

12. CONDUIT DEBT OBLIGATIONS-Continued

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, 2006, the amount of industrial development and other conduit bonds outstanding was \$15,940,000.

13. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Hospital / Uninsured Care Demonstration Project

The Medicaid Demonstration Project, which was a sub-state waiver included the Supplemental Project Pool (SPP) program and the Federally Reimbursable Ambulatory Care Service Costs. This sub-state waiver was terminated on June 30, 2005. A new Statewide Project, the California's Medi-Cal Hospital / Uninsured Care Demonstration Project ("Demonstration"), was implemented on July 1, 2005. This Demonstration project and the associated changes to various State Plan Amendments either modified and/or replaced the Medi-Cal Fee For Services, SB 855, and SB 1255 payment funding systems.

The Demonstration Project was negotiated between the State of California's Department of Health Services (SDHS) and the federal Centers for Medicare and Medicaid Services (CMS) last year, and covers the period from July 1, 2005 to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. The five-year Demonstration applies to payments Statewide (which includes 23 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients).

The Medicaid Demonstration restructures inpatient hospital fee-for-service (FFS) payments and Disproportionate Share Hospital (DSH) payments, as well as the financing method by which the State draws down federal matching funds. Under the old system, public hospitals negotiated and received inpatient FFS contract per diem payments and supplemental contract payments (SB 1255) under the Medi-Cal Selective Provider Contract Program, and received DSH funds pursuant to a statutory formula (SB 855). The nonfederal share of the inpatient FFS per diems was funded with State general funds, while the nonfederal share of the supplemental contract payments and DSH payments was provided in the form of intergovernmental transfers of funds (IGT) made by the public entities that operated public hospitals.

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

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

Under the Demonstration, payments for the public hospitals are comprised of: 1) FFS cost-based reimbursement for inpatient hospital services (exclusive of physician component); 2) DSH payments; and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP), which is capped Statewide at \$586 million for FY 2005-06. The nonfederal share of these three types of payments will be provided by the public hospitals rather than the State, primarily through certified public expenditures (CPE) whereby the hospital would expend its local funding for services to draw down the federal financial participation (FFP), currently provided at a 50% match. For the inpatient hospital cost-based reimbursement, each hospital will provide its own CPE and receive all of the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the federal match. It is therefore possible for one hospital to receive the federal match that results from another hospital's CPE. In this situation, the first hospital is referred to as a "recipient" hospital, while the second is referred to as a "donor" hospital. A recipient hospital is required to "retain" the FFP amounts resulting from donated CPEs.

The Demonstration restricts the amount of IGTs that may be used for DSH payments. A hospital's IGT may be used to draw federal DSH funding, but only with respect to DSH payments made to that hospital, and the gross amount of such IGT funded payments (nonfederal plus federal match) may not exceed 75% of the hospital's uncompensated care costs to ensure compliance with the OBRA 1993 hospital-specific DSH limit. The gross IGT funded DSH payment must be "retained" by the hospital.

The County of Los Angeles provides funding for the State's share of the Demonstration Project by transferring funds to the State. 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 each hospital Enterprise Fund and the matching federal funds are utilized by the State to provide supplemental funding to these funds for Health Care Expenditures.

The County recognizes the supplemental funding received for each hospital as net patient services revenue as reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The IGT payments are reflected as non-operating expenses by each Hospital in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2006, the cost of the IGTs and the related revenues recognized are as follows (in thousands):

<u>Program</u>	<u>Intergovernmental Transfers Expense</u>	<u>Revenues</u>
Medicaid Demonstration	\$ 286,772	\$ 721,857

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

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Payments

The Demonstration prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum "baseline" level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The baseline for the 2005-06 fiscal year is established at each hospital's total net Medi-Cal inpatient payments for 2004-05. The State DHS estimates the aggregate baseline funding for the 23 Statewide designated public hospitals to be \$2.092 billion. The FY 2005-06 baseline for Los Angeles County hospitals is as follows (in thousands):

<u>Hospital Name</u>	<u>Baseline Amount</u>
LAC+USC Medical Center	\$ 326,306,000
Harbor/UCLA Medical Center	150,965,000
M.L. King/Drew Medical Center	146,859,000
Rancho Los Amigos Medical Center	70,182,000
Olive View /UCLA Medical Center	<u>93,612,000</u>
Total	<u>\$ 787,924,000</u>

The three funding components that will be utilized to meet each hospital's baseline level are as follows:

- 1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP which is paid to the hospital represents approximately half of the facility-specific costs or CPE. The hospital's amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost-computations that will be adjusted on an interim and final basis.
- 2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, including undocumented immigrants, as well as shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and the cost of care delivered. The non-federal share of these funds will be a combination of CPEs for these services and IGTs and as such are subject to interim and final cost settlement. There is an annual fixed allotment of federal DSH Funds. The waiver allocates almost all of these funds to public hospitals. (The State DHS estimates the aggregate value of federal DSH funds for the Statewide designated public hospitals to be \$1.025 billion as of June 30, 2006.)
- 3) SNCP Distributions: These Federal payments are made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The non-federal share of these funds will be based on CPEs for these services and as such are subject to interim and final cost settlement.

Stabilization Payments

Payments to private and non-designated public DSH hospitals that exceed the aggregate baseline are considered stabilization funds and are included in the allocation of stabilization among all waiver hospitals based on State law. Stabilization is distributed to the Designated Public Hospitals from the SNCP. The non-federal share of these funds will be based on CPEs for services and as such are subject to interim and final cost settlement.

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

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Stabilization Payments-Continued

SB 1100 requires the Department of Health Services (DHS) to finalize the calculation of stabilization funding for each hospital and pay that amount by April 1 following the project year. This determination will be based on cost estimates and specified adjustments. Under State law the stabilization determined through this process shall not be modified for any reason other than mathematical errors or mathematical omissions on the part of the State of California.

Reported CPEs Subject to Audit

All certified public expenditures (CPEs) reported by each hospital will be subject to State and Federal audit and final reconciliation. If at the end of the final reconciliation process it is determined that a hospital's claimed CPEs resulted in an overpayment of federal funds to the State, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

Medi-Cal and Medicare Programs

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 was scheduled to expire on June 30, 2005. A new State Plan Amendment to extend CBRC to be effective on July 1, 2005 is pending with the federal government. 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 a fee schedule or other rates. Revenues from Medi-Cal and Medicare programs represent approximately 78% and 9% respectively, of net patient care revenue for the year ended June 30, 2006.

Medi-Cal field audits have been completed for FY 2002-03 at all hospitals and health centers. Audit reports have been issued except for Martin Luther King, Jr./Drew Medical Center, Harbor-UCLA Medical Center, and Rancho Los Amigos National Rehabilitation Center; however, the State is expected to issue the outstanding audit reports during fiscal year 2006-07. FY 2003-04 Medi-Cal audits are in progress.

The Medicare audits have been completed for FYs 1998-99 through 2000-01 at all hospitals. The notices of program reimbursement have been received for all hospitals. For FY 2001-02, Medicare audits have been completed for Rancho Los Amigos National Rehabilitation Center (Rancho) and Olive View/UCLA Medical Center (OV/UCLA). The notices of program reimbursement have been received for these hospitals. Audits for Harbor/UCLA Medical Center (H/UCLA) and Martin Luther King, Jr./Drew Medical Center (MLK/D) are currently in progress. The audit for LAC+USC Medical Center (LAC+USC) has not been scheduled for FY 2001-02. For FY 2002-03, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. The audits for MLK/D and Rancho are currently in progress. The audits for LAC+USC and H/UCLA have not been scheduled for FY 2002-03. The audits for FYs 2003-04 and beyond have not been scheduled.

The Hospitals have various outstanding appeals pertaining to Medi-Cal and Medicare audit settlements. The Medi-Cal FY 2000-01 informal level appeals have been resolved and \$4.86 million has been paid to the County as a result of the resolution of those appeals. 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 be in the County's favor but will not have a material effect on its financial condition.



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

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

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 Los Angeles County hospitals did not exceed their OBRA '93 limits. The OIG Audit found that the DSH payments to four of the County's 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.

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.

The State has complied with the CMS requirement to submit a State Plan Amendment ("SPA") regarding bad debt and CMS has accepted the SPA. Beginning with FY 2005-06, the State's regulatory reporting data and the required cost exclusions are no longer in effect. The DSH State Plan provisions were substantially amended to implement the terms and conditions of the new Section 1115 Medi-Cal Hospital/Uninsured Care Demonstration. These State Plan Amendments were approved by CMS. Because the new State Plan provisions require the hospital-specific OBRA 1993 limits to be based on and reconciled to the Medi-Cal cost reports, the issues raised in the Audit Report will not occur in the future. It is therefore California Department of Health Service's position that all conditions of the February 2003 agreement with CMS have been satisfied. The County believes that this issue has been satisfactorily resolved. During 2005-06, \$193 million of previously established liabilities for this matter have been removed from the Statement of Net Assets.

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, 2006 was \$16.3 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.

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

13. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through 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, 2006, based on established rates, is as follows (in thousands):

Charges forgone	\$1,408,581
Less: Federal and State subventions	<u>16,337</u>
Net charges forgone	<u>\$1,392,244</u>

Litigation Regarding Reduction in Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. The lawsuits challenged the closure of Rancho Los Amigos National Rehabilitation Center as well as the reduction of the 100 beds at LAC+USC Medical Center. On August 9, 2005, the Board of Supervisors approved a negotiated settlement with the plaintiffs. The Federal District Court approved the Rancho settlement on December 19, 2005, and the LAC+USC settlement on March 10, 2006. These settlement agreements allow for the phased reduction of beds at LAC+USC contingent upon meeting established milestone reductions in patients' average length of stay. Specifically, DHS was able to reduce 25 beds immediately, with additional decreases tied to achieving and maintaining milestone reductions for prescribed periods of time. The settlement also calls for DHS to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for a three-year period through March 9, 2009, while the County simultaneously seeks an entity to take-over hospital operations.

14. 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, 2006.

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

## 14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2006 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 5,257
	Flood Control District	5,751
	Public Library	5,624
	Regional Park and Open Space District	7,089
	Internal Service Funds	7,129
	Waterworks Enterprise	326
	Harbor UCLA Medical Center	12,534
	Olive View UCLA Medical Center	13,699
	LAC+USC Medical Center	34,640
	M.L. King/Drew Medical Center	19,297
	Rancho Los Amigos Medical Center	5,882
	Nonmajor Enterprise Funds	90
	Nonmajor Governmental Funds	<u>102,130</u>
	<u>219,448</u>	
Fire Protection District	General Fund	3,607
	Flood Control District	20
	Internal Service Funds	1
	LAC+USC Medical Center	1
	Nonmajor Governmental Funds	<u>1,247</u>
	<u>4,876</u>	
Flood Control District	General Fund	1
	Internal Service Funds	8,012
	Nonmajor Governmental Funds	<u>350</u>
	<u>8,363</u>	
Public Library	General Fund	34
	Nonmajor Governmental Funds	<u>205</u>
	<u>239</u>	
Internal Service Funds	General Fund	10,271
	Fire Protection District	23
	Flood Control District	13,953
	Public Library	7
	Regional Park and Open Space District	1
	Waterworks Enterprise	4,431
	Harbor UCLA Medical Center	1
	LAC+USC Medical Center	5
M. L. King/Drew Medical Center	7	

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

## 14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Funds-Continued	Rancho Los Amigos Medical Center	34
	Nonmajor Enterprise Funds	105
	Nonmajor Governmental Funds	<u>29,374</u>
		<u>58,212</u>
Waterworks Enterprise	General Fund	196
	Internal Service Funds	<u>602</u>
		<u>798</u>
Harbor UCLA Medical Center	General Fund	51,171
	Fire Protection District	51
	Olive View UCLA Medical Center	12,622
	LAC+USC Medical Center	34,478
	M.L. King/Drew Medical Center	157
	Rancho Los Amigos Medical Center	27
	Nonmajor Governmental Funds	<u>14,859</u>
	<u>113,365</u>	
Olive View UCLA Medical Center	General Fund	47,887
	Harbor UCLA Medical Center	29
	LAC+USC Medical Center	88,597
	Rancho Los Amigos Medical Center	15
	Nonmajor Governmental Funds	<u>8,783</u>
	<u>145,311</u>	
LAC+USC Medical Center	General Fund	318,622
	Fire Protection District	6
	Harbor UCLA Medical Center	4,019
	Olive View UCLA Medical Center	3,644
	M.L. King/Drew Medical Center	3,101
	Rancho Los Amigos Medical Center	19,347
	Nonmajor Governmental Funds	<u>26,557</u>
	<u>375,296</u>	
M. L. King/Drew Medical Center	General Fund	53,967
	Fire Protection District	88
	Harbor UCLA Medical Center	17
	LAC+USC Medical Center	17,522
	Rancho Los Amigos Medical Center	22
	Nonmajor Governmental Funds	<u>21,447</u>
	<u>93,063</u>	
Rancho Los Amigos Medical Center	General Fund	15,168
	Harbor UCLA Medical Center	1
	LAC+USC Medical Center	4
	M.L. King/Drew Medical Center	<u>174</u>
	<u>15,347</u>	

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

## 14. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>1</u>
Nonmajor Governmental Funds	General Fund	299,691
	Fire Protection District	1
	Flood Control District	120
	Public Library	500
	Internal Service Funds	7,082
	Olive View UCLA Medical Center	299
	Nonmajor Enterprise Funds	8
	Nonmajor Governmental Funds	<u>5,966</u>
		<u>313,667</u>
Total Interfund Receivables/Payables		<u>\$ 1,347,986</u>

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the five 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, 2006 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Public Library	\$ 29,888
	Internal Service Funds	159
	Harbor UCLA Medical Center	61,671
	Olive View UCLA Medical Center	82,863
	LAC+USC Medical Center	559,088
	M.L. King/Drew Medical Center	133,135
	Rancho Los Amigos Medical Center	18,490
	Nonmajor Governmental Funds	<u>156,164</u>
		<u>1,041,458</u>
Fire Protection District	General Fund	25
	Nonmajor Governmental Funds	<u>13,021</u>
		<u>13,046</u>
Flood Control District	Internal Service Funds	841
	Nonmajor Governmental Funds	<u>19,183</u>
		<u>20,024</u>

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

## 14. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Public Library	Nonmajor Governmental Funds	<u>1,016</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>37,442</u>
Internal Service Funds	General Fund	6,367
	Nonmajor Governmental Funds	<u>267</u>
		<u>6,634</u>
Waterworks Enterprise	General Fund	176
	Internal Service Funds	<u>180</u>
		<u>356</u>
Harbor UCLA Medical Center	Nonmajor Governmental Funds	<u>31</u>
Olive View UCLA Medical Center	Nonmajor Governmental Funds	<u>299</u>
LAC+USC Medical Center	Harbor UCLA Medical Center	12,742
	Olive View UCLA Medical Center	113,174
	M.L. King/Drew Medical Center	62,065
	Nonmajor Governmental Funds	<u>29</u>
		<u>188,010</u>
M. L. King/Drew Medical Center	Nonmajor Governmental Funds	<u>3</u>
Rancho Los Amigos Medical Center	LAC+USC Medical Center	39,013
	Nonmajor Governmental Funds	<u>1</u>
		<u>39,014</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	<u>6,226</u>
Nonmajor Governmental Funds	General Fund	159,944
	Flood Control District	28
	Public Library	451
	Internal Service Funds	2,184
	Harbor UCLA Medical Center	30,930
	Olive View UCLA Medical Center	21,070
	LAC+USC Medical Center	58,314
	M.L. King/Drew Medical Center	32,298
	Nonmajor Governmental Funds	<u>85,931</u>
		<u>391,150</u>
Total Interfund Transfers		<u>\$1,744,709</u>

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

14. INTERFUND TRANSACTIONS-Continued

Short-term Advances

Advances from/to other funds at June 30, 2006 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 3,589
	Harbor UCLA Medical Center	99,280
	Olive View UCLA Medical Center	112,268
	LAC+USC Medical Center	202,439
	M.L. King/Drew Medical Center	88,267
	Rancho Los Amigos Medical Center	<u>35,856</u>
		<u>541,699</u>
Flood Control District	Internal Service Funds	<u>6,213</u>
Waterworks Enterprise Funds	Internal Service Funds	<u>1,164</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>11,034</u>
Total Short-term Advances		<u>\$ 560,110</u>

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.

15. 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:

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

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

- 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 Tobacco Settlement Asset-Backed bonds, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds are recognized as revenues. Under the modified accrual basis, the proceeds are recorded as a sale of future revenues and are being recognized over the duration of the sale agreement, in accordance with GASB Statement No. 48. This matter is also discussed in Note 10, under the caption, "Tobacco Settlement Asset-Backed Bonds."
- 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 7.
- 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

15. 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):

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>
Fund balance - budgetary basis	\$1,069,828	\$ 58,702	\$ 7,642	\$ 8,042	\$ 154,588
Reserves and designations	<u>1,956,552</u>	<u>116,752</u>	<u>133,697</u>	<u>9,533</u>	<u>92,911</u>
Subtotal	<u>3,026,380</u>	<u>175,454</u>	<u>141,339</u>	<u>17,575</u>	<u>247,499</u>
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	116,404	(559)		50	
Reversal of accrued vacation and sick leave benefits	38,435				
Deferral of unearned investment income	(15,694)	(774)		(172)	
Deferral of sale of tobacco settlement revenue	(283,392)				
Change in revenue accruals	<u>(143,855)</u>	<u>(22,256)</u>	<u>(5,649)</u>	<u>(2,737)</u>	<u>(1,410)</u>
Subtotal	<u>(288,102)</u>	<u>(23,589)</u>	<u>(5,649)</u>	<u>(2,859)</u>	<u>(1,410)</u>
Fund balance - GAAP basis	<u>\$2,738,278</u>	<u>\$151,865</u>	<u>\$135,690</u>	<u>\$14,716</u>	<u>\$ 246,089</u>

16. COMMITMENTS

Construction Commitments

At June 30, 2006, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately \$151,247,501 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, 2006, LACERA had outstanding capital commitments to various investment managers, approximating \$2,550,000,000. Subsequent to June 30, 2006, LACERA funded \$138,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2006, the County had open trade commitments with various brokers to purchase investments approximating \$238,005,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2006 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 1, 2006, the County had purchased such investments.

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

17. 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 2004-2005 or 2005-2006.

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, 2006 were approximately \$2.371 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2006. Approximately \$248,532,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2006, the County's best estimate of these liabilities is \$3.093 billion. Changes in the reported liability since July 1, 2004 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>2004-2005</u>				
Workers' Compensation	\$ 2,556,601	\$ 244,726	\$(313,609)	\$ 2,487,718
Other	<u>606,793</u>	<u>77,285</u>	<u>(56,716)</u>	<u>627,362</u>
Total 2004-2005	<u>\$ 3,163,394</u>	<u>\$ 322,011</u>	<u>\$(370,325)</u>	<u>\$ 3,115,080</u>
<u>2005-2006</u>				
Workers' Compensation	\$ 2,487,718	\$ 178,797	\$(295,813)	\$ 2,370,702
Other	<u>627,362</u>	<u>170,838</u>	<u>(75,780)</u>	<u>722,420</u>
Total 2005-2006	<u>\$ 3,115,080</u>	<u>\$ 349,635</u>	<u>\$(371,593)</u>	<u>\$ 3,093,122</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$229.5 million are possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

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

17. RISK MANAGEMENT-Continued

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 benefits to be applied in determining pension compensation.

The most significant of these items resulted in a series of Court decisions. The Board authorized an agreement with all parties to the litigation in December 2004. The settlement established the County's actuarial liability for this matter at \$176.9 million, amortized over thirty years.

The second matter pertained to the effect of certain employee benefits (commonly known as "flexible benefits") on final pension compensation. In March 2004, the Board authorized an appeal to the trial court's holding that cash actually received in lieu of purchasing such benefits should be included as pensionable earnings. On July 29, 2005, the Court of Appeals affirmed the trial court's decision. The County's liability is \$18 million, amortized over thirty years.

The third issue pertained to a group of employees classified as temporary or recurrent. This group also sought enhanced pension benefits. The Board approved a settlement in May 2005. Should all affected employees take advantage of the settlement, the maximum potential liability is \$36 million (\$1.2 million per year for thirty years).

18. 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, 2006, a portion (\$218.9 million) of the General Fund's designation for budgetary uncertainties pertained to such collections.

19. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 3, 2006, the County issued \$500,000,000 in 2005-06 TRANS which will mature on June 29, 2007. The TRANS are collateralized by taxes and other revenues attributable to the 2006-07 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 3.5%.

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

19. SUBSEQUENT EVENTS -Continued

Capital Asset Leasing Corporation Bond Anticipation Notes

On both August 29, 2006 and November 8, 2006, the Corporation issued a \$5,000,000 Bond Anticipation Note each with an initial interest rate of 5.658%. The rate is adjustable on January 2 and July 1 of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2009. Proceeds of the notes are being used to purchase equipment. The notes are to be repaid from the proceeds of lease revenue bonds.

Public Works Financing Authority-2006 Master Refunding, Series A and Series B

On December 13, 2006, the Authority issued \$217,585,000 in lease revenue refunding Series A bonds, maturing from 2007 to 2016, with yields ranging from 3.4% to 3.69%. Proceeds from the sale of the Series A bonds, together with monies on hand, were used to provide for the current refunding of all of the Authority's outstanding 1996 and 1997 Master Refunding Project Lease Revenue Refunding Bonds.

Also on December 13, 2006, the Authority issued \$103,410,000 in lease revenue refunding Series B, bonds maturing from 2007 to 2033, with yields ranging from 3.4% to 4.1%. Proceeds from the sale of the Series B bonds, together with monies on hand, were used to refund all of the outstanding Antelope Valley Courthouse Project Series 2000A bonds.

MetroCare Implementation Plan

On September 22, 2006, the Centers for Medicare and Medicaid Services (CMS) notified the County that it would discontinue funding to the M.L. King/Drew (MLK/D) Medical Center after November 30, 2006. The County issued an implementation plan to CMS on November 13, 2006 to substantially restructure the service system at MLK/D. CMS has granted the County an extension to continue funding MLK/D through March 31, 2007. The MetroCare Implementation Plan specifically recommends the transformation of the current MLK/D to Harbor-MLK Medical Center. Harbor-MLK Medical Center will be a non-teaching facility that will provide general adult medical, surgical, and gynecologic care using 114 beds and with an expected census of 100 patients when the transition is completed.

The County estimates that discontinued federal funding would result in an annualized loss of approximately \$200 million of revenues to MLK/D. This amount is nearly half of this facility's annual operating expenses. Given such a loss, the current services and service levels at MLK/D would not be sustainable. The County's corrective action plan is designed to establish a service model that is acceptable to CMS and provide needed care to those served by this facility. The County is aggressively working with CMS to obtain approval of the MetroCare Implementation Plan in order to remain eligible for federal funding at this facility.

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded/ (Overfunded) AAL [UAAL/(OAAL)] (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL/(OAAL) as a Percentage of Covered Payroll ((b-a)/c)</u>
06/30/03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%
06/30/04	27,089,440	32,700,505	5,611,065	82.8%	4,919,531	114.1%
06/30/05	29,497,485	34,375,949	4,878,464	85.8%	4,982,084	97.9%



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, 2006 (in thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>GENERAL GOVERNMENT:</b>				
Salaries and employee benefits	\$ 720,892	664,798	593,599	(71,199)
Services and supplies	798,151	717,253	489,530	(227,723)
Other charges	75,530	105,019	78,408	(26,611)
Capital assets	14,554	16,030	11,579	(4,451)
Intrafund transfers	(483,250)	(483,929)	(433,660)	50,269
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,125,877</b>	<b>1,019,171</b>	<b>739,456</b>	<b>(279,715)</b>
<b>PUBLIC PROTECTION:</b>				
Salaries and employee benefits	2,695,238	2,739,045	2,695,501	(43,544)
Services and supplies	780,917	781,860	677,719	(104,141)
Other charges	350,811	347,859	323,383	(24,476)
Capital assets	31,730	38,859	35,077	(3,782)
Intrafund transfers	(92,307)	(97,780)	(74,770)	23,010
<b>TOTAL PUBLIC PROTECTION</b>	<b>3,766,389</b>	<b>3,809,843</b>	<b>3,656,910</b>	<b>(152,933)</b>
<b>HEALTH AND SANITATION:</b>				
Salaries and employee benefits	710,901	710,883	672,774	(38,109)
Services and supplies	1,528,448	1,525,303	1,423,898	(101,405)
Other charges	486,791	269,592	46,486	(223,106)
Capital assets	10,820	13,435	12,110	(1,325)
Intrafund transfers	(141,201)	(147,218)	(127,062)	20,156
<b>TOTAL HEALTH AND SANITATION</b>	<b>2,595,759</b>	<b>2,371,995</b>	<b>2,028,206</b>	<b>(343,789)</b>
<b>PUBLIC ASSISTANCE:</b>				
Salaries and employee benefits	1,371,718	1,379,902	1,299,211	(80,691)
Services and supplies	772,251	792,474	753,913	(38,561)
Other charges	2,546,515	2,571,987	2,437,072	(134,915)
Capital assets	1,993	7,193	5,450	(1,743)
Intrafund transfers	(51,273)	(51,273)	(49,679)	1,594
<b>TOTAL PUBLIC ASSISTANCE</b>	<b>4,641,204</b>	<b>4,700,283</b>	<b>4,445,967</b>	<b>(254,316)</b>
<b>RECREATION AND CULTURAL SERVICES:</b>				
Salaries and employee benefits	111,168	104,359	93,261	(11,098)
Services and supplies	91,011	97,390	95,671	(1,719)
Other charges	12,363	12,363	11,746	(617)
Capital assets	8,596	8,596	5,375	(3,221)
Intrafund transfers	(1,814)	(2,004)	(1,092)	912
<b>TOTAL RECREATION AND CULTURAL SERVICES</b>	<b>221,324</b>	<b>220,704</b>	<b>204,961</b>	<b>(15,743)</b>
<b>DEBT SERVICE-</b>				
Interest	13,077	13,077	13,077	
<b>CAPITAL OUTLAY</b>	<b>734,129</b>	<b>854,423</b>	<b>116,579</b>	<b>(737,844)</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 13,097,759</b>	<b>12,989,496</b>	<b>11,205,156</b>	<b>(1,784,340)</b>





**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, Mental Health Services Act-Proposition 63, 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, mental health services, 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, State income tax, penalties assessed for hazardous waste violations, and sanitation services.

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, DNA Identification Fund, 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, Tesoro Adobe Park, San Gabriel Canyon, and Ford Theater were established to provide for maintenance and improvements to County parks and 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.

COUNTY OF LOS ANGELES  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR SPECIAL REVENUE FUNDS

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.

The Registrar-Recorder Improvement Funds: Modernization and Improvement, Micrographics, and Vitals and Health Statistics funds were established to temporarily account for monies ultimately to be used for the improvement of Registrar-Recorder automated information systems. Revenues are derived principally from recording and filing fees.

The Other Special Revenue Funds: Information Technology and the Accumulative Capital Outlay (ACO) were set up for the replacement of motor vehicles, printing, information technology, communications equipment, and helicopters. Asset Development Implementation fund was established to provide short to intermediate financing for County asset development activities. 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. Civic Art Special fund was established to promote civic art projects. 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.

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-Public Works Financing Authority and Public Buildings receive their funds primarily from the General Fund in the form of operating transfers. The Los Angeles County Securitization Corporation receive their funds primarily from the collection of the County's future tobacco settlement payments and to borrow money secured by the County's Tobacco Assets.

Joint Powers Authorities

Public Works Financing Authority  
Los Angeles County Securitization Corporation

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  
2005 Master Refunding Project - Series A

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.

Gap Loan Fund has been established to record the County's proceeds from sale of "Gap Loan" receivables that are restricted for capital spending purposes.

Continued...

COUNTY OF LOS ANGELES  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR PERMANENT FUNDS

Permanent Funds 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, 2006 (in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Pooled cash and investments:					
Operating	\$ 1,026,173	68,978	312,249	2,545	\$ 1,409,945
Other	41,277	1,283	3,212	9	45,781
Total pooled cash and investments	<u>1,067,450</u>	<u>70,261</u>	<u>315,461</u>	<u>2,554</u>	<u>1,455,726</u>
Other investments	107,068	479,654	71,257	764	658,743
Taxes receivable	10,564	1,471			12,035
Interest receivable	5,117	672	1,744	27	7,560
Other receivables	83,843		152		83,995
Due from other funds	21,846	283,392	8,429		313,667
Advances to other funds	11,034				11,034
Inventories	43,187				43,187
<b>TOTAL ASSETS</b>	<u>\$ 1,350,109</u>	<u>835,450</u>	<u>397,043</u>	<u>3,345</u>	<u>\$ 2,585,947</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 58,323		4,564		\$ 62,887
Accrued payroll	454				454
Other payables	676	112			788
Due to other funds	189,186	17	21,702	13	210,918
Unearned revenue	66,924	1,232			68,156
Advances payable	7,977				7,977
Third party payor liability	1,775				1,775
<b>TOTAL LIABILITIES</b>	<u>325,315</u>	<u>1,361</u>	<u>26,266</u>	<u>13</u>	<u>352,955</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	143,301		32,613		175,914
Inventories	43,187				43,187
Housing programs	2,117				2,117
Debt service		834,089			834,089
Endowments & annuities				3,332	3,332
Assets unavailable for appropriation	22,353		9,268		31,621
Unreserved, designated for:					
Budget uncertainties	37,344				37,344
Program expansion	156,968				156,968
Unreserved, undesignated, reported in:					
Special revenue funds	619,524				619,524
Capital projects funds			328,896		328,896
<b>TOTAL FUND BALANCES</b>	<u>1,024,794</u>	<u>834,089</u>	<u>370,777</u>	<u>3,332</u>	<u>2,232,992</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,350,109</u>	<u>835,450</u>	<u>397,043</u>	<u>3,345</u>	<u>\$ 2,585,947</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - SUMMARY  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes	\$ 241,535	8,836			\$ 250,371
Licenses, permits and franchises	6,110				6,110
Fines, forfeitures and penalties	71,235	39			71,274
Revenue from use of money/property:					
Investment income	36,834	25,110	12,163	76	74,183
Rents and concessions	6,125				6,125
Royalties	11				11
Intergovernmental revenues:					
Federal	115,825				115,825
State	296,525	65			296,590
Other	19,975				19,975
Charges for services	225,995		6,493		232,488
Miscellaneous	81,995	27,092	1,579		110,666
<b>TOTAL REVENUES</b>	<b>1,102,165</b>	<b>61,142</b>	<b>20,235</b>	<b>76</b>	<b>1,183,618</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	27,109			83	27,192
Public protection	79,625				79,625
Public ways and facilities	287,544				287,544
Health and sanitation	125,147				125,147
Public assistance	123,902				123,902
Recreation and cultural services	4,652				4,652
<b>Debt service:</b>					
Principal	1,401	197,735			199,136
Interest and other charges	765	87,947			88,712
Capital outlay			45,184		45,184
<b>TOTAL EXPENDITURES</b>	<b>650,145</b>	<b>285,682</b>	<b>45,184</b>	<b>83</b>	<b>981,094</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>452,020</b>	<b>(224,540)</b>	<b>(24,949)</b>	<b>(7)</b>	<b>202,524</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	38,971	155,223	125,419		319,613
Transfers out	(293,527)	(85,439)	(12,184)		(391,150)
Issuance of debt		379,662	909		380,571
Sales of capital assets	9,638		121		9,759
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(244,918)</b>	<b>449,446</b>	<b>114,265</b>		<b>318,793</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>207,102</b>	<b>224,906</b>	<b>89,316</b>	<b>(7)</b>	<b>521,317</b>
FUND BALANCE, JULY 1, 2005	817,692	609,183	281,461	3,339	1,711,675
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 1,024,794</b>	<b>834,089</b>	<b>370,777</b>	<b>3,332</b>	<b>\$ 2,232,992</b>



COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 JUNE 30, 2006 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting	Garbage Disposal	Sewer Maintenance
	Roads	Other	Districts	Districts	Districts
<b>ASSETS</b>					
Pooled cash and investments:					
Operating	\$ 51,315	130,441	41,342	12,314	7,288
Other	11,604	875	1,449	988	1,687
Total pooled cash and investments	<u>62,919</u>	<u>131,316</u>	<u>42,791</u>	<u>13,302</u>	<u>8,975</u>
Taxes receivable		422	1,608	1,125	871
Interest receivable	440	791	259	88	68
Other receivables	34,123	8,512	17	601	622
Due from other funds	9,882	777	38		1,996
Advances to other funds	8,649	765	222		1,066
<b>TOTAL ASSETS</b>	<u>\$ 116,013</u>	<u>142,583</u>	<u>44,935</u>	<u>15,116</u>	<u>13,598</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 5,907	5,561	1,834	235	75
Other payables					297
Due to other funds	29,946	3,958	309	77	3,632
Unearned revenue	10,674	1,556	1,244	1,210	936
Advances payable	7,969				
Third party payor liability	1,063			712	
<b>TOTAL LIABILITIES</b>	<u>55,559</u>	<u>11,075</u>	<u>3,387</u>	<u>2,234</u>	<u>4,940</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	51,423	38,894	23	1,279	1,083
Assets unavailable for appropriation	3,018	15,120			1,652
Unreserved, designated for:					
Budget uncertainties					
Program expansion		7,845	4,361	4,921	779
Unreserved, undesignated	6,013	69,649	37,164	6,682	5,144
<b>TOTAL FUND BALANCES</b>	<u>60,454</u>	<u>131,508</u>	<u>41,548</u>	<u>12,882</u>	<u>8,658</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 116,013</u>	<u>142,583</u>	<u>44,935</u>	<u>15,116</u>	<u>13,598</u>

Health Services Measure B	Health and Sanitation	Other Public Protection	Public Assistance	Recreation	
\$ 104,680	94,365	188,859	5,679	6,177	ASSETS
13,850	1,661	1,845	465	935	Pooled cash and investments:
118,530	96,026	190,704	6,144	7,112	Operating
6,492	46				Other
668	582	1,059		4	Total pooled cash and investments
	22,163	126	597	187	Taxes receivable
	134	51		94	Interest receivable
	332				Other receivables
\$ 125,690	119,283	191,940	6,741	7,397	Due from other funds
					Advances to other funds
					TOTAL ASSETS
					LIABILITIES AND FUND BALANCES
\$ 5,018	19,423	1,645	622	270	LIABILITIES:
					Accounts payable
76,988	8,767	19,476	272	223	Other payables
4,093	691				Due to other funds
					Unearned revenue
				8	Advances payable
					Third party payor liability
86,099	28,881	21,121	894	501	TOTAL LIABILITIES
					FUND BALANCES:
16,405	5,516	17,430	1,197	102	Reserved for:
		300			Encumbrances
	37,344				Assets unavailable for appropriation
	881	11,613	233		Unreserved, designated for:
23,186	46,661	141,476	4,417	6,794	Budget uncertainties
39,591	90,402	170,819	5,847	6,896	Program expansion
					Unreserved, undesignated
					TOTAL FUND BALANCES
\$ 125,690	119,283	191,940	6,741	7,397	TOTAL LIABILITIES AND FUND BALANCES

Continued...

COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET - Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 JUNE 30, 2006 (in thousands)

	Community Development Commission	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Registrar Recorder Improvement	Other Special Revenue	Total
<b>ASSETS</b>						
Pooled cash and investments:						
Operating	\$ 68,362	84,031	37,946	90,274	103,100	\$ 1,026,173
Other		2,080	2,173	182	1,483	41,277
Total pooled cash and investments	68,362	86,111	40,119	90,456	104,583	1,067,450
Other investments	107,068					107,068
Taxes receivable						10,564
Interest receivable		545	266		347	5,117
Other receivables	16,670				225	83,843
Due from other funds	1,993		8		6,873	21,846
Advances to other funds						11,034
Inventories	43,187					43,187
<b>TOTAL ASSETS</b>	<b>\$ 237,280</b>	<b>86,656</b>	<b>40,393</b>	<b>90,456</b>	<b>112,028</b>	<b>\$ 1,350,109</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 16,910				823	\$ 58,323
Accrued payroll					454	454
Other payables	379					676
Due to other funds	1,796	5	3,450	30,856	9,431	189,186
Unearned revenue	46,520					66,924
Advances payable						7,977
Third party payor liability						1,775
<b>TOTAL LIABILITIES</b>	<b>65,605</b>	<b>5</b>	<b>3,450</b>	<b>30,856</b>	<b>10,708</b>	<b>325,315</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Encumbrances			520		9,429	143,301
Inventories	43,187					43,187
Housing programs	2,117					2,117
Assets unavailable for appropriation	2,263					22,353
Unreserved, designated for:						
Budget uncertainties						37,344
Program expansion	124,108				2,227	156,968
Unreserved, undesignated		86,651	36,423	59,600	89,664	619,524
<b>TOTAL FUND BALANCES</b>	<b>171,675</b>	<b>86,651</b>	<b>36,943</b>	<b>59,600</b>	<b>101,320</b>	<b>1,024,794</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 237,280</b>	<b>86,656</b>	<b>40,393</b>	<b>90,456</b>	<b>112,028</b>	<b>\$ 1,350,109</b>



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, 2006 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting Districts	Garbage Disposal Districts	Sewer Maintenance Districts
	Roads	Other			
<b>REVENUES:</b>					
Taxes	\$ 3,498	36,688	14,251	2,569	
Licenses, permits and franchises	2,520				
Fines, forfeitures and penalties	1	25	122	218	192
Revenue from use of money/property:					
Investment income	2,927	4,339	1,577	513	456
Rents and concessions	10	171			
Intergovernmental revenues:					
Federal	20,857	2,776	1		
State	153,616	506	160	38	
Other	1,067	16,910	309		23
Charges for services	13,178	35,090	4,632	13,935	22,289
Miscellaneous	386	2	176		3
<b>TOTAL REVENUES</b>	<b>198,060</b>	<b>96,507</b>	<b>21,228</b>	<b>17,273</b>	<b>22,963</b>
<b>EXPENDITURES:</b>					
Current:					
General government					
Public protection					
Public ways and facilities	196,586	70,987	19,971		
Health and sanitation				16,909	20,865
Public assistance					
Recreation and cultural services					
<b>TOTAL EXPENDITURES</b>	<b>196,586</b>	<b>70,987</b>	<b>19,971</b>	<b>16,909</b>	<b>20,865</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,474</b>	<b>25,520</b>	<b>1,257</b>	<b>364</b>	<b>2,098</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	2,909	500	88		
Transfers out	(1,584)	(27)			(1,965)
Sales of capital assets	104				19
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,429</b>	<b>473</b>	<b>88</b>		<b>(1,946)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,903</b>	<b>25,993</b>	<b>1,345</b>	<b>364</b>	<b>152</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>57,551</b>	<b>105,515</b>	<b>40,203</b>	<b>12,518</b>	<b>8,506</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 60,454</b>	<b>131,508</b>	<b>41,548</b>	<b>12,882</b>	<b>8,658</b>



Health Services Measure B	Health and Sanitation	Other Public Protection	Public Assistance	Recreation
\$ 181,860				
623	15,453	8,436	1,099	26
3,396	2,477	5,999	8	63
		220		517
	126,497	15,458		
	995	671		
	18,264	13,111	2,884	1,190
		53,722	3,327	3,858
<u>185,879</u>	<u>163,686</u>	<u>97,625</u>	<u>9,258</u>	<u>5,667</u>
		50,155		
42,507	44,866		4,963	
				4,652
<u>42,507</u>	<u>44,866</u>	<u>50,155</u>	<u>4,963</u>	<u>4,652</u>
<u>143,372</u>	<u>118,820</u>	<u>47,470</u>	<u>4,295</u>	<u>1,015</u>
		3,842		78
(146,248)	(55,408)	(15,933)	(1,757)	(17)
		88		
<u>(146,248)</u>	<u>(55,408)</u>	<u>(12,003)</u>	<u>(1,757)</u>	<u>61</u>
(2,876)	63,412	35,467	2,538	1,076
<u>42,467</u>	<u>26,990</u>	<u>135,352</u>	<u>3,309</u>	<u>5,820</u>
<u>\$ 39,591</u>	<u>90,402</u>	<u>170,819</u>	<u>5,847</u>	<u>6,896</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 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 BALANCE, JULY 1, 2005

FUND BALANCE, JUNE 30, 2006

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, 2006 (in thousands)

	Community Development Commission	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Registrar Recorder Improvement	Other Special Revenue	Total
<b>REVENUES:</b>						
Taxes	\$ 2,669					\$ 241,535
Licenses, permits and franchises					2,457	6,110
Fines, forfeitures and penalties		20,422	23,790			71,235
Revenue from use of money/property:						
Investment income	7,292	3,595	1,534		2,658	36,834
Rents and concessions	975	119			4,113	6,125
Royalties					11	11
Intergovernmental revenues:						
Federal	92,191					115,825
State					250	296,525
Other						19,975
Charges for services				97,317	4,105	225,995
Miscellaneous	20,514		7			81,995
<b>TOTAL REVENUES</b>	<b>123,641</b>	<b>24,136</b>	<b>25,331</b>	<b>97,317</b>	<b>13,594</b>	<b>1,102,165</b>
<b>EXPENDITURES:</b>						
Current:						
General government					27,109	27,109
Public protection		12,720	16,750			79,625
Public ways and facilities						287,544
Health and sanitation						125,147
Public assistance	118,939					123,902
Recreation and cultural services						4,652
Debt service:						
Principal	1,401					1,401
Interest and other charges	765					765
<b>TOTAL EXPENDITURES</b>	<b>121,105</b>	<b>12,720</b>	<b>16,750</b>		<b>27,109</b>	<b>650,145</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,536</b>	<b>11,416</b>	<b>8,581</b>	<b>97,317</b>	<b>(13,515)</b>	<b>452,020</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	6,493	189	38		24,834	38,971
Transfers out	(303)	(17,685)	(4,438)	(37,717)	(10,445)	(293,527)
Sales of capital assets					9,427	9,638
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,190</b>	<b>(17,496)</b>	<b>(4,400)</b>	<b>(37,717)</b>	<b>23,816</b>	<b>(244,918)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>8,726</b>	<b>(6,080)</b>	<b>4,181</b>	<b>59,600</b>	<b>10,301</b>	<b>207,102</b>
FUND BALANCE, JULY 1, 2005	162,949	92,731	32,762		91,019	817,692
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 171,675</b>	<b>86,651</b>	<b>36,943</b>	<b>59,600</b>	<b>101,320</b>	<b>\$ 1,024,794</b>

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, 2006 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 231,774	231,774	239,308	7,534
Licenses, permits and franchises	5,315	5,315	6,110	795
Fines, forfeitures and penalties	68,575	68,575	71,235	2,660
Revenue from use of money and property:				
Investment income	8,981	12,991	29,684	16,693
Rents and concessions	5,259	5,259	5,151	(108)
Royalties			11	11
Intergovernmental revenues:				
Federal	68,302	68,302	23,633	(44,669)
State	464,726	292,870	296,526	3,656
Other	25,199	25,279	19,974	(5,305)
Charges for services	138,647	153,974	128,732	(25,242)
Miscellaneous	50,413	41,200	61,483	20,283
<b>TOTAL REVENUES</b>	<b>1,067,191</b>	<b>905,539</b>	<b>881,847</b>	<b>(23,692)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	69,939	69,891	24,520	(45,371)
Public protection	295,669	293,121	96,349	(196,772)
Public ways and facilities	452,260	471,231	311,741	(159,490)
Health and sanitation	135,520	158,313	140,952	(17,361)
Public assistance	9,204	8,633	6,469	(2,164)
Recreation and cultural services	15,284	15,362	4,748	(10,614)
<b>TOTAL EXPENDITURES</b>	<b>977,876</b>	<b>1,016,551</b>	<b>584,779</b>	<b>(431,772)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>89,315</b>	<b>(111,012)</b>	<b>297,068</b>	<b>408,080</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	2,621	2,621	9,619	6,998
Transfers in	33,866	43,325	37,254	(6,071)
Transfers out	(297,438)	(328,484)	(238,403)	90,081
Appropriation for contingencies	(32,777)	(50,191)		50,191
Changes in reserves and designations	(259,505)	(20,177)	(4,738)	15,439
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(553,233)</b>	<b>(352,906)</b>	<b>(196,268)</b>	<b>156,638</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(463,918)</b>	<b>(463,918)</b>	<b>100,800</b>	<b>564,718</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>463,930</b>	<b>463,930</b>	<b>463,930</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 12</b>	<b>12</b>	<b>564,730</b>	<b>564,718</b>

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, 2006 (in thousands)

	ROAD			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 3,500	3,500	3,498	(2)
Licenses, permits and franchises	2,198	2,198	2,520	322
Fines, forfeitures and penalties				
Revenue from use of money and property:				
Investment income	1,100	1,137	2,932	1,795
Rents and concessions	30	30	11	(19)
Intergovernmental revenues:				
Federal	64,467	64,467	20,857	(43,610)
State	152,088	152,248	153,616	1,368
Other	1,654	1,654	1,067	(587)
Charges for services	45,180	45,180	13,178	(32,002)
Miscellaneous	255	255	387	132
<b>TOTAL REVENUES</b>	<b>270,472</b>	<b>270,669</b>	<b>198,066</b>	<b>(72,603)</b>
<b>EXPENDITURES:</b>				
Current-Public ways and facilities:				
Services and supplies	286,559	287,901	211,529	(76,372)
Other charges	2,020	3,929	3,928	(1)
Capital assets	1,179	997	7	(990)
<b>TOTAL EXPENDITURES</b>	<b>289,758</b>	<b>292,827</b>	<b>215,464</b>	<b>(77,363)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(19,286)</b>	<b>(22,158)</b>	<b>(17,398)</b>	<b>4,760</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	70	70	104	34
Transfers in	4,500	7,409	2,909	(4,500)
Transfers out	(2,204)	(2,204)	(1,584)	620
Appropriation for contingencies		(37)		37
Changes in reserves and designations			5,181	5,181
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>2,366</b>	<b>5,238</b>	<b>6,610</b>	<b>1,372</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(16,920)</b>	<b>(16,920)</b>	<b>(10,788)</b>	<b>6,132</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>16,920</b>	<b>16,920</b>	<b>16,920</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>6,132</b>	<b>6,132</b>

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, 2006 (in thousands)

	OTHER STREETS, HIGHWAYS, ROADS, AND BRIDGES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 33,540	33,540	36,751	3,211
Licenses, permits and franchises				
Fines, forfeitures and penalties	35	35	25	(10)
Revenue from use of money and property:				
Investment income	1,166	1,166	4,398	3,232
Rents and concessions	170	170	171	1
Intergovernmental revenues:				
Federal	3,835	3,835	2,776	(1,059)
State	599	499	507	8
Other	21,795	21,795	16,909	(4,886)
Charges for services	21,168	36,495	35,090	(1,405)
Miscellaneous			3	3
<b>TOTAL REVENUES</b>	<b>82,308</b>	<b>97,535</b>	<b>96,630</b>	<b>(905)</b>
EXPENDITURES:				
Current-Public ways and facilities:				
Services and supplies	110,288	126,102	76,289	(49,813)
Other charges	1,555	1,555		(1,555)
Capital assets	2,165	2,165	29	(2,136)
<b>TOTAL EXPENDITURES</b>	<b>114,008</b>	<b>129,822</b>	<b>76,318</b>	<b>(53,504)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(31,700)</b>	<b>(32,287)</b>	<b>20,312</b>	<b>52,599</b>
OTHER FINANCING SOURCES (USES):				
Transfers in		500	500	
Transfers out	(4,515)	(4,528)	(27)	4,501
Appropriation for contingencies	(6,032)	(6,032)		6,032
Changes in reserves and designations	(3,761)	(3,661)	3,356	7,017
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(14,308)</b>	<b>(13,721)</b>	<b>3,829</b>	<b>17,550</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(46,008)</b>	<b>(46,008)</b>	<b>24,141</b>	<b>70,149</b>
FUND BALANCE, JULY 1, 2005	46,008	46,008	46,008	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>70,149</b>	<b>70,149</b>

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, 2006 (in thousands)

	STREET LIGHTING DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 11,744	11,744	14,451	2,707
Fines, forfeitures and penalties	90	90	123	33
Revenue from use of money and property-				
Investment income	398	398	1,576	1,178
Intergovernmental revenues:				
State	146	146	160	14
Other	404	404	309	(95)
Charges for services	4,407	4,407	4,631	224
Miscellaneous			176	176
<b>TOTAL REVENUES</b>	<b>17,189</b>	<b>17,189</b>	<b>21,426</b>	<b>4,237</b>
<b>EXPENDITURES:</b>				
Current-Public ways and facilities- Services and supplies	48,494	48,582	19,959	(28,623)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(31,305)</b>	<b>(31,393)</b>	<b>1,467</b>	<b>32,860</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,778	4,866	4,845	(21)
Transfers out	(4,778)	(4,778)	(4,757)	21
Appropriation for contingencies	(5,090)	(5,090)		5,090
Changes in reserves and designations	(4,335)	(4,335)	(4,311)	24
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(9,425)</b>	<b>(9,337)</b>	<b>(4,223)</b>	<b>5,114</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(40,730)</b>	<b>(40,730)</b>	<b>(2,756)</b>	<b>37,974</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>40,730</b>	<b>40,730</b>	<b>40,730</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>			<b>\$ 37,974</b>	<b>37,974</b>

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, 2006 (in thousands)

	GARBAGE DISPOSAL DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 2,138	2,138	2,615	477
Fines, forfeitures and penalties	174	174	218	44
Revenue from use of money and property-				
Investment income	178	178	505	327
Intergovernmental revenues- State	37	37	39	2
Charges for services	12,398	12,398	14,024	1,626
<b>TOTAL REVENUES</b>	<b>14,925</b>	<b>14,925</b>	<b>17,401</b>	<b>2,476</b>
<b>EXPENDITURES:</b>				
Current-Health and sanitation:				
Services and supplies	18,900	19,227	17,242	(1,985)
Other charges	300	300	300	
<b>TOTAL EXPENDITURES</b>	<b>19,200</b>	<b>19,527</b>	<b>17,542</b>	<b>(1,985)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(4,275)</b>	<b>(4,602)</b>	<b>(141)</b>	<b>4,461</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Appropriation for contingencies	(2,845)	(2,745)		2,745
Changes in reserves and designations	2,325	2,552	2,553	1
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(520)</b>	<b>(193)</b>	<b>2,553</b>	<b>2,746</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,795)</b>	<b>(4,795)</b>	<b>2,412</b>	<b>7,207</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>4,795</b>	<b>4,795</b>	<b>4,795</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>7,207</b>	<b>7,207</b>

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, 2006 (in thousands)

	SEWER MAINTENANCE DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Fines, forfeitures and penalties	\$ 199	199	192	(7)
Revenue from use of money and property-				
Investment income	145	145	454	309
Intergovernmental revenues:				
Other			23	23
Charges for services	21,967	21,967	22,253	286
Miscellaneous	49	49	3	(46)
<b>TOTAL REVENUES</b>	<b>22,360</b>	<b>22,360</b>	<b>22,925</b>	<b>565</b>
<b>EXPENDITURES:</b>				
Current-Health and sanitation:				
Services and supplies	27,009	26,694	21,497	(5,197)
Other charges	298	298	293	(5)
Capital assets	50	50		(50)
<b>TOTAL EXPENDITURES</b>	<b>27,357</b>	<b>27,042</b>	<b>21,790</b>	<b>(5,252)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,997)</b>	<b>(4,682)</b>	<b>1,135</b>	<b>5,817</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			19	19
Transfers out	(1,845)	(2,160)	(1,964)	196
Appropriation for contingencies	(566)	(566)		566
Changes in reserves and designations	60	60	374	314
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(2,351)</b>	<b>(2,666)</b>	<b>(1,571)</b>	<b>1,095</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,348)</b>	<b>(7,348)</b>	<b>(436)</b>	<b>6,912</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>7,348</b>	<b>7,348</b>	<b>7,348</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>6,912</b>	<b>6,912</b>

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, 2006 (in thousands)

	HEALTH SERVICES MEASURE B			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 180,852	180,852	181,993	1,141
Fines, forfeitures and penalties			623	623
Revenue from use of money and property-				
Investment income	835	4,505	3,375	(1,130)
<b>TOTAL REVENUES</b>	<b>181,687</b>	<b>185,357</b>	<b>185,991</b>	<b>634</b>
EXPENDITURES:				
Current-Health and sanitation-				
Services and supplies	39,598	33,502	28,147	(5,355)
Other Charges		26,989	26,979	(10)
<b>TOTAL EXPENDITURES</b>	<b>39,598</b>	<b>60,491</b>	<b>55,126</b>	<b>(5,365)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>142,089</b>	<b>124,866</b>	<b>130,865</b>	<b>5,999</b>
OTHER FINANCING SOURCES (USES):				
Transfers out	(146,816)	(146,468)	(146,248)	220
Appropriation for contingencies		(17,552)		17,552
Changes in reserves and designations	(18,690)	15,737	16,968	1,231
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(165,506)</b>	<b>(148,283)</b>	<b>(129,280)</b>	<b>19,003</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(23,417)</b>	<b>(23,417)</b>	<b>1,585</b>	<b>25,002</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>23,417</b>	<b>23,417</b>	<b>23,417</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>			<b>\$ 25,002</b>	<b>25,002</b>

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, 2006 (in thousands)

	HEALTH AND SANITATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 15,460	15,460	15,453	(7)
Revenue from use of money and property-				
Investment income	1,020	1,323	2,593	1,270
Intergovernmental revenues:				
State	295,705	123,789	126,496	2,707
Other	1,346	1,426	995	(431)
Charges for services	14,893	14,893	18,266	3,373
Miscellaneous	40	40		(40)
TOTAL REVENUES	328,464	156,931	163,803	6,872
EXPENDITURES:				
Current-Health and sanitation:				
Services and supplies	48,981	50,869	46,490	(4,379)
Capital assets	384	384	4	(380)
TOTAL EXPENDITURES	49,365	51,253	46,494	(4,759)
EXCESS OF REVENUES OVER EXPENDITURES	279,099	105,678	117,309	11,631
OTHER FINANCING SOURCES (USES):				
Transfers out	(65,696)	(87,636)	(55,407)	32,229
Appropriation for contingencies	(2,979)	(2,979)		2,979
Changes in reserves and designations	(221,989)	(26,628)	(26,569)	59
OTHER FINANCING SOURCES (USES) - NET	(290,664)	(117,243)	(81,976)	35,267
NET CHANGE IN FUND BALANCE	(11,565)	(11,565)	35,333	46,898
FUND BALANCE, JULY 1, 2005	11,565	11,565	11,565	
FUND BALANCE, JUNE 30, 2006	\$		46,898	46,898

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, 2006 (in thousands)

	OTHER PUBLIC PROTECTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Licenses, permits and franchises	\$ 27	27	8	(19)
Fines, forfeitures and penalties	8,424	8,424	8,436	12
Revenue from use of money and property:				
Investment income	1,047	1,047	6,073	5,026
Rents and concessions			220	220
Intergovernmental revenues:				
State	16,151	16,151	15,458	(693)
Other			671	671
Charges for services	10,250	10,250	13,111	2,861
Miscellaneous	28,695	28,695	53,722	25,027
<b>TOTAL REVENUES</b>	<b>64,594</b>	<b>64,594</b>	<b>97,699</b>	<b>33,105</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Services and supplies	89,871	84,513	39,556	(44,957)
Other charges	3,632	5,125	5,073	(52)
Capital assets	36,801	38,118	3,980	(34,138)
<b>TOTAL EXPENDITURES</b>	<b>130,304</b>	<b>127,756</b>	<b>48,609</b>	<b>(79,147)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(65,710)</b>	<b>(63,162)</b>	<b>49,090</b>	<b>112,252</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	51	51	88	37
Transfers in	3,632	3,632	3,842	210
Transfers out	(27,224)	(29,847)	(12,355)	17,492
Appropriation for contingencies	(10,992)	(10,917)		10,917
Changes in reserves and designations	(3,750)	(3,750)	(2,745)	1,005
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(38,283)</b>	<b>(40,831)</b>	<b>(11,170)</b>	<b>29,661</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(103,993)</b>	<b>(103,993)</b>	<b>37,920</b>	<b>141,913</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>103,993</b>	<b>103,993</b>	<b>103,993</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>141,913</b>	<b>141,913</b>

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, 2006 (in thousands)

	PUBLIC ASSISTANCE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Licenses, permits and franchises	\$ 1,354	1,354	1,099	(255)
Fines, forfeitures and penalties	1,615	1,615	1,940	325
Revenue from use of money and property-				
Investment income	27	27	11	(16)
Charges for services	2,765	2,765	2,884	119
Miscellaneous	3,065	3,065	3,327	262
<b>TOTAL REVENUES</b>	<b>8,826</b>	<b>8,826</b>	<b>9,261</b>	<b>435</b>
<b>EXPENDITURES:</b>				
Current-Public assistance- Services and supplies	9,204	8,633	6,469	(2,164)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(378)</b>	<b>193</b>	<b>2,792</b>	<b>2,599</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(2,049)	(2,620)	(1,757)	863
Appropriation for contingencies	(597)	(597)		597
Changes in reserves and designations	(147)	(147)	224	371
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(2,793)</b>	<b>(3,364)</b>	<b>(1,533)</b>	<b>1,831</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,171)</b>	<b>(3,171)</b>	<b>1,259</b>	<b>4,430</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>3,171</b>	<b>3,171</b>	<b>3,171</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>4,430</b>	<b>4,430</b>

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, 2006 (in thousands)

	RECREATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Licenses, permits and franchises	\$		26	26
Fines, forfeitures and penalties	6	6	13	7
Revenue from use of money and property:				
Investment income	30	30	65	35
Rents and concessions	1,039	1,039	517	(522)
Charges for services	80	80	1,190	1,110
Miscellaneous	18,309	9,096	3,858	(5,238)
<b>TOTAL REVENUES</b>	<b>19,464</b>	<b>10,251</b>	<b>5,669</b>	<b>(4,582)</b>
<b>EXPENDITURES:</b>				
Current-Recreation and cultural services:				
Services and supplies	14,159	14,237	4,552	(9,685)
Other charges	1,125	1,125	196	(929)
<b>TOTAL EXPENDITURES</b>	<b>15,284</b>	<b>15,362</b>	<b>4,748</b>	<b>(10,614)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,180</b>	<b>(5,111)</b>	<b>921</b>	<b>6,032</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	27	105	78	(27)
Transfers out	(17)	(17)	(17)	
Appropriation for contingencies	(699)	(699)		699
Changes in reserves and designations	(8,769)	444	548	104
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(9,458)</b>	<b>(167)</b>	<b>609</b>	<b>776</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,278)</b>	<b>(5,278)</b>	<b>1,530</b>	<b>6,808</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>5,278</b>	<b>5,278</b>	<b>5,278</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>6,808</b>	<b>6,808</b>

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, 2006 (in thousands)

	COURTHOUSE TEMPORARY CONSTRUCTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Fines, forfeitures and penalties	\$ 19,600	19,600	20,422	822
Revenue from use of money and property:				
Investment income	1,500	1,500	3,574	2,074
Rents and concessions	150	150	119	(31)
<b>TOTAL REVENUES</b>	<b>21,250</b>	<b>21,250</b>	<b>24,115</b>	<b>2,865</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Services and supplies	84,393	84,393	1,455	(82,938)
Other charges	29,993	29,993	28,950	(1,043)
<b>TOTAL EXPENDITURES</b>	<b>114,386</b>	<b>114,386</b>	<b>30,405</b>	<b>(83,981)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(93,136)</b>	<b>(93,136)</b>	<b>(6,290)</b>	<b>86,846</b>
<b>OTHER FINANCING SOURCES (USES)-</b>				
Transfer in	189	189	189	
<b>NET CHANGE IN FUND BALANCE</b>	<b>(92,947)</b>	<b>(92,947)</b>	<b>(6,101)</b>	<b>86,846</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>92,947</b>	<b>92,947</b>	<b>92,947</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>86,846</b>	<b>86,846</b>

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, 2006 (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	23,790	968
Revenue from use of money and property-				
Investment income	800	800	1,539	739
Miscellaneous			7	7
<b>TOTAL REVENUES</b>	<b>23,622</b>	<b>23,622</b>	<b>25,336</b>	<b>1,714</b>
EXPENDITURES:				
Current-Public protection:				
Services and supplies	30,605	30,605	11,358	(19,247)
Other charges	19,954	19,954	5,977	(13,977)
Capital assets	420	420		(420)
<b>TOTAL EXPENDITURES</b>	<b>50,979</b>	<b>50,979</b>	<b>17,335</b>	<b>(33,644)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(27,357)</b>	<b>(27,357)</b>	<b>8,001</b>	<b>35,358</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	45	45	38	(7)
Transfers out	(5,002)	(5,002)	(3,842)	1,160
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(4,957)</b>	<b>(4,957)</b>	<b>(3,804)</b>	<b>1,153</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(32,314)</b>	<b>(32,314)</b>	<b>4,197</b>	<b>36,511</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>32,314</b>	<b>32,314</b>	<b>32,314</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>36,511</b>	<b>36,511</b>

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, 2006 (in thousands)

	OTHER SPECIAL REVENUE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Licenses, permits and franchises	\$ 1,736	1,736	2,457	721
Fines, forfeitures and penalties	150	150		(150)
Revenue from use of money and property:				
Investment income	735	735	2,589	1,854
Rents and concessions	3,870	3,870	4,113	243
Royalties			11	11
Intergovernmental revenues- State			250	250
Charges for services	5,539	5,539	4,105	(1,434)
<b>TOTAL REVENUES</b>	<b>12,030</b>	<b>12,030</b>	<b>13,525</b>	<b>1,495</b>
<b>EXPENDITURES:</b>				
Current-General government:				
Salaries and employee benefits	5,500	5,500	5,444	(56)
Services and supplies	55,276	55,169	16,164	(39,005)
Other charges	4,128	4,128	998	(3,130)
Capital assets	5,035	5,094	1,914	(3,180)
<b>TOTAL EXPENDITURES</b>	<b>69,939</b>	<b>69,891</b>	<b>24,520</b>	<b>(45,371)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(57,909)</b>	<b>(57,861)</b>	<b>(10,995)</b>	<b>46,866</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	2,500	2,500	9,427	6,927
Transfers in	20,695	26,579	24,834	(1,745)
Transfers out	(37,292)	(43,224)	(10,445)	32,779
Appropriation for contingencies	(2,977)	(2,977)		2,977
Changes in reserves and designations	(449)	(449)	(317)	132
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(17,523)</b>	<b>(17,571)</b>	<b>23,499</b>	<b>41,070</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(75,432)</b>	<b>(75,432)</b>	<b>12,504</b>	<b>87,936</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>75,444</b>	<b>75,444</b>	<b>75,444</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 12</b>	<b>12</b>	<b>87,948</b>	<b>87,936</b>





COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 JUNE 30, 2006 (in thousands)

	Detention Facilities	Flood Control District	Regional Park and Open Space District	Marina Del Rey
<b>ASSETS</b>				
Pooled cash and investments:				
Operating	\$ 2,387	703	65,888	
Other	1,120	43	120	
Total pooled cash and investments	<u>3,507</u>	<u>746</u>	<u>66,008</u>	
Other investments				
Taxes receivable	782	689		
Interest receivable	42	6	156	
Due from other funds				
<b>TOTAL ASSETS</b>	<u>\$ 4,331</u>	<u>1,441</u>	<u>66,164</u>	
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Other payables	\$			
Due to other funds		17		
Unearned revenue	644	588		
<b>TOTAL LIABILITIES</b>	<u>644</u>	<u>605</u>		
<b>FUND BALANCES - reserved for debt service</b>	<u>3,687</u>	<u>836</u>	<u>66,164</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,331</u>	<u>1,441</u>	<u>66,164</u>	

Joint Powers Authorities	Public Buildings	LA County Securitization Corporation	Total	
				<b>ASSETS</b>
				Pooled cash and investments:
\$			\$ 68,978	Operating
			1,283	Other
			70,261	Total pooled cash and investments
<u>325,710</u>	<u>124,860</u>	<u>29,084</u>	<u>479,654</u>	Other investments
	468		1,471	Taxes receivable
		283,392	672	Interest receivable
			283,392	Due from other funds
<u>\$ 325,710</u>	<u>125,328</u>	<u>312,476</u>	<u>\$ 835,450</u>	<b>TOTAL ASSETS</b>
				<b>LIABILITIES AND FUND BALANCES</b>
				<b>LIABILITIES:</b>
\$	112		\$ 112	Other payables
			17	Due to other funds
			1,232	Unearned revenue
	<u>112</u>		<u>1,361</u>	<b>TOTAL LIABILITIES</b>
<u>325,710</u>	<u>125,216</u>	<u>312,476</u>	<u>834,089</u>	<b>FUND BALANCES - reserved for debt service</b>
<u>\$ 325,710</u>	<u>125,328</u>	<u>312,476</u>	<u>\$ 835,450</u>	<b>TOTAL LIABILITIES AND FUND BALANCES</b>

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, 2006 (in thousands)

	Detention Facilities	Flood Control District	Regional Park and Open Space District	Marina Del Rey
<b>REVENUES:</b>				
Taxes	\$ 8,347	489		
Fines, forfeitures and penalties	27	12		
Revenue from use of money/property - Investment income	242	91	1,293	73
Intergovernmental revenues- State	65			
Miscellaneous		1,190		
<b>TOTAL REVENUE</b>	<b>8,681</b>	<b>1,782</b>	<b>1,293</b>	<b>73</b>
<b>EXPENDITURES - Debt service:</b>				
Principal	7,810	14,580	23,980	66,828
Interest and other charges	1,283	5,798	17,151	1,986
<b>TOTAL EXPENDITURES</b>	<b>9,093</b>	<b>20,378</b>	<b>41,131</b>	<b>68,814</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(412)</b>	<b>(18,596)</b>	<b>(39,838)</b>	<b>(68,741)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		18,998	37,442	
Transfers out		(21,709)		
Issuance of debt		20,540		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>17,829</b>	<b>37,442</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(412)</b>	<b>(767)</b>	<b>(2,396)</b>	<b>(68,741)</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>4,099</b>	<b>1,603</b>	<b>68,560</b>	<b>68,741</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 3,687</b>	<b>836</b>	<b>66,164</b>	

Joint Powers Authorities	Public Buildings	LA County Securitization Corporation	Total	
\$			\$	REVENUES:
			8,836	Taxes
			39	Fines, forfeitures and penalties
17,150	5,880	381	25,110	Revenue from use of money/property -
				Investment income
			65	Intergovernmental revenues-
	1,742	24,160	27,092	State
17,150	7,622	24,541	61,142	Miscellaneous
				TOTAL REVENUES
23,980	60,557		197,735	EXPENDITURES - Debt service:
17,150	41,690	2,889	87,947	Principal
41,130	102,247	2,889	285,682	Interest and other charges
				TOTAL EXPENDITURES
(23,980)	(94,625)	21,652	(224,540)	EXCESS (DEFICIENCY) OF REVENUES
				OVER EXPENDITURES
	98,783		155,223	OTHER FINANCING SOURCES (USES):
	(34,727)	(29,003)	(85,439)	Transfers in
	39,295	319,827	379,662	Transfers out
	103,351	290,824	449,446	Issuance of debt
				TOTAL OTHER FINANCING SOURCES (USES)
(23,980)	8,726	312,476	224,906	NET CHANGE IN FUND BALANCES
349,690	116,490		609,183	FUND BALANCE, JULY 1, 2005
\$ 325,710	125,216	312,476	\$ 834,089	FUND BALANCE, JUNE 30, 2006

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, 2006 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 6,209	6,226	8,880	2,654
Fines, forfeitures and penalties	7	7	39	32
Revenue from use of money and property-				
Investment income	376	376	1,529	1,153
Intergovernmental revenues-				
State	62	62	65	3
<b>TOTAL REVENUES</b>	<b>6,654</b>	<b>6,671</b>	<b>10,513</b>	<b>3,842</b>
EXPENDITURES:				
Debt service:				
Principal	32,975	32,975	32,975	
Interest	18,540	18,543	18,538	(5)
<b>TOTAL EXPENDITURES</b>	<b>51,515</b>	<b>51,518</b>	<b>51,513</b>	<b>(5)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(44,861)</b>	<b>(44,847)</b>	<b>(41,000)</b>	<b>3,847</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	47,247	47,247	41,820	(5,427)
Transfers out		(5,498)	(4,404)	1,094
Appropriation for contingencies	(4,861)	(4,861)		4,861
Changes in reserves and designations	(26,945)	(21,461)	(21,459)	2
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>15,441</b>	<b>15,427</b>	<b>15,957</b>	<b>530</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(29,420)</b>	<b>(29,420)</b>	<b>(25,043)</b>	<b>4,377</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>29,420</b>	<b>29,420</b>	<b>29,420</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>4,377</b>	<b>4,377</b>

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, 2006 (in thousands)

	DETENTION FACILITIES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 5,842	5,842	8,407	2,565
Fines, forfeitures and penalties			27	27
Revenue from use of money and property-				
Investment income	95	95	240	145
Intergovernmental revenues-				
State	62	62	65	3
TOTAL REVENUES	5,999	5,999	8,739	2,740
EXPENDITURES:				
Debt service:				
Principal	7,810	7,810	7,810	
Interest	1,285	1,285	1,283	(2)
TOTAL EXPENDITURES	9,095	9,095	9,093	(2)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,096)	(3,096)	(354)	2,742
OTHER FINANCING SOURCES (USES):				
Appropriation for contingencies	(448)	(448)		448
Changes in reserves and designations	260	260	260	
OTHER FINANCING SOURCES (USES) - NET	(188)	(188)	260	448
NET CHANGE IN FUND BALANCE	(3,284)	(3,284)	(94)	3,190
FUND BALANCE, JULY 1, 2005	3,284	3,284	3,284	
FUND BALANCE, JUNE 30, 2006	\$		3,190	3,190

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, 2006 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 367	384	473	89
Fines, forfeitures and penalties	7	7	12	5
Revenue from use of money and property- Investment income	2	2	48	46
<b>TOTAL REVENUES</b>	<b>376</b>	<b>393</b>	<b>533</b>	<b>140</b>
EXPENDITURES:				
Debt service:				
Principal	1,185	1,185	1,185	
Interest	104	107	104	(3)
<b>TOTAL EXPENDITURES</b>	<b>1,289</b>	<b>1,292</b>	<b>1,289</b>	<b>(3)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(913)</b>	<b>(899)</b>	<b>(756)</b>	<b>143</b>
OTHER FINANCING SOURCES (USES):				
Transfers out		(28)	(27)	1
Appropriation for contingencies	(19)	(19)		19
Changes in reserves and designations	105	119	119	
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>86</b>	<b>72</b>	<b>92</b>	<b>20</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(827)</b>	<b>(827)</b>	<b>(664)</b>	<b>163</b>
FUND BALANCE, JULY 1, 2005	827	827	827	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>163</b>	<b>163</b>

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, 2006 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Revenue from use of money and property-				
Investment income	\$ 279	279	1,241	962
<b>TOTAL REVENUES</b>	<b>279</b>	<b>279</b>	<b>1,241</b>	<b>962</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	23,980	23,980	23,980	
Interest	17,151	17,151	17,151	
<b>TOTAL EXPENDITURES</b>	<b>41,131</b>	<b>41,131</b>	<b>41,131</b>	
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(40,852)</b>	<b>(40,852)</b>	<b>(39,890)</b>	<b>962</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	47,247	47,247	41,820	(5,427)
Transfers out		(5,470)	(4,377)	1,093
Appropriation for contingencies	(4,394)	(4,394)		4,394
Changes in reserves and designations	(27,310)	(21,840)	(21,838)	2
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>15,543</b>	<b>15,543</b>	<b>15,605</b>	<b>62</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(25,309)</b>	<b>(25,309)</b>	<b>(24,285)</b>	<b>1,024</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>25,309</b>	<b>25,309</b>	<b>25,309</b>	
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$</b>		<b>1,024</b>	<b>1,024</b>

Continued...

COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 JUNE 30, 2006 (in thousands)

	Accumulative Capital Outlay	Flood Control District	Improvement Districts	Public Buildings	Gap Loan	Total
<b>ASSETS</b>						
Pooled cash and investments:						
Operating	\$ 115,332	99	684		196,134	\$ 312,249
Other	2,443		3		766	3,212
Total pooled cash and investments	117,775	99	687		196,900	315,461
Other investments		16,833		54,424		71,257
Interest receivable	399		6	151	1,188	1,744
Other receivables	152					152
Due from other funds	8,429					8,429
<b>TOTAL ASSETS</b>	<b>\$ 126,755</b>	<b>16,932</b>	<b>693</b>	<b>54,575</b>	<b>198,088</b>	<b>\$ 397,043</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 4,346			38	180	\$ 4,564
Due to other funds	9,835		43		11,824	21,702
<b>TOTAL LIABILITIES</b>	<b>14,181</b>		<b>43</b>	<b>38</b>	<b>12,004</b>	<b>26,266</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Encumbrances	29,337			3,276		32,613
Assets unavailable for appropriation	9,268					9,268
Unreserved-Undesignated	73,969	16,932	650	51,261	186,084	328,896
<b>TOTAL FUND BALANCES</b>	<b>112,574</b>	<b>16,932</b>	<b>650</b>	<b>54,537</b>	<b>186,084</b>	<b>370,777</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 126,755</b>	<b>16,932</b>	<b>693</b>	<b>54,575</b>	<b>198,088</b>	<b>\$ 397,043</b>

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, 2006 (in thousands)

	Accumulative Capital Outlay	Flood Control District	Improvement Districts	Public Buildings	Gap Loan	Total
<b>REVENUES:</b>						
Revenue from use of money and property -						
Investment income	\$ 2,219	572	45	2,000	7,327	\$ 12,163
Charges for services	6,493					6,493
Miscellaneous	1,365				214	1,579
<b>TOTAL REVENUES</b>	<b>10,077</b>	<b>572</b>	<b>45</b>	<b>2,000</b>	<b>7,541</b>	<b>20,235</b>
<b>EXPENDITURES - Capital outlay</b>	<b>15,675</b>	<b>5,437</b>	<b>314</b>	<b>23,758</b>		<b>45,184</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,598)</b>	<b>(4,865)</b>	<b>(269)</b>	<b>(21,758)</b>	<b>7,541</b>	<b>(24,949)</b>
<b>OTHER FINANCING SOURCES (USES) :</b>						
Transfers in	69,011	21,681		34,727		125,419
Transfers out	(91)			(270)	(11,823)	(12,184)
Issuance of debt			909			909
Sales of capital assets	121					121
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>69,041</b>	<b>21,681</b>	<b>909</b>	<b>34,457</b>	<b>(11,823)</b>	<b>114,265</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>63,443</b>	<b>16,816</b>	<b>640</b>	<b>12,699</b>	<b>(4,282)</b>	<b>89,316</b>
<b>FUND BALANCE, JULY 1, 2005</b>	<b>49,131</b>	<b>116</b>	<b>10</b>	<b>41,838</b>	<b>190,366</b>	<b>281,461</b>
<b>FUND BALANCE, JUNE 30, 2006</b>	<b>\$ 112,574</b>	<b>16,932</b>	<b>650</b>	<b>54,537</b>	<b>186,084</b>	<b>\$ 370,777</b>

COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS  
 JUNE 30, 2006 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
<b>ASSETS</b>			
Pooled cash and investments:			
Operating	\$ 304	2,241	\$ 2,545
Other	1	8	9
Total pooled cash and investments	<u>305</u>	<u>2,249</u>	<u>2,554</u>
Other investments	764		764
Interest receivable	<u>16</u>	<u>11</u>	<u>27</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,085</u></b>	<b><u>2,260</u></b>	<b><u>\$ 3,345</u></b>
<b>LIABILITIES - Due to other funds</b>	<b>\$</b>	<b>13</b>	<b>\$ 13</b>
<b>FUND BALANCES - Reserved for annuities and endowments</b>	<b><u>1,085</u></b>	<b><u>2,247</u></b>	<b><u>3,332</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,085</u></b>	<b><u>2,260</u></b>	<b><u>\$ 3,345</u></b>

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, 2006 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
REVENUES:			
Revenue from use of money and property -			
Investment income	<u>\$ 3</u>	<u>73</u>	<u>\$ 76</u>
EXPENDITURES - General government	<u>66</u>	<u>17</u>	<u>83</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63)	56	(7)
FUND BALANCE, JULY 1, 2005	<u>1,148</u>	<u>2,191</u>	<u>3,339</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 1,085</u>	<u>2,247</u>	<u>\$ 3,332</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 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, 2006 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments:			
Operating	\$ 3,128		\$ 3,128
Other	1		1
Total pooled cash and investments	<u>3,129</u>		<u>3,129</u>
Other investments		49,135	49,135
Other receivables	507	2,488	2,995
Due from other funds	1		1
Total current assets	<u>3,637</u>	<u>51,623</u>	<u>55,260</u>
Noncurrent assets:			
Capital assets:			
Land and easements	134,656	65,094	199,750
Buildings and improvements	34,437	141,969	176,406
Equipment	1,347	1,035	2,382
Infrastructure	38,673		38,673
Construction in progress	1,655	56	1,711
Less accumulated depreciation	<u>(48,248)</u>	<u>(132,220)</u>	<u>(180,468)</u>
Total capital assets - net	<u>162,520</u>	<u>75,934</u>	<u>238,454</u>
Total noncurrent assets	<u>162,520</u>	<u>75,934</u>	<u>238,454</u>
<b>TOTAL ASSETS</b>	<u>166,157</u>	<u>127,557</u>	<u>293,714</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	121	2,209	2,330
Other payables	1,110	718	1,828
Due to other funds	203		203
Unearned revenue		420	420
Current portion of long-term liabilities		1,146	1,146
Total current liabilities	<u>1,434</u>	<u>4,493</u>	<u>5,927</u>
Noncurrent liabilities:			
Accrued vacation and sick leave		162	162
Bonds and notes payable		5,202	5,202
Total noncurrent liabilities		<u>5,364</u>	<u>5,364</u>
<b>TOTAL LIABILITIES</b>	<u>1,434</u>	<u>9,857</u>	<u>11,291</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	162,520	70,072	232,592
Restricted-			
Special purpose		47,628	47,628
Unrestricted	2,203		2,203
<b>TOTAL NET ASSETS</b>	<u>\$ 164,723</u>	<u>117,700</u>	<u>\$ 282,423</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, 2006 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Rentals	\$ 2,478	10,646	\$ 13,124
Charges for services	378		378
Other		1,057	1,057
<b>TOTAL OPERATING REVENUES</b>	<u>2,856</u>	<u>11,703</u>	<u>14,559</u>
<b>OPERATING EXPENSES:</b>			
Services and supplies	2,666	199,856	202,522
Other professional services	446		446
Depreciation and amortization	2,124	2,071	4,195
<b>TOTAL OPERATING EXPENSES</b>	<u>5,236</u>	<u>201,927</u>	<u>207,163</u>
<b>OPERATING LOSS</b>	<u>(2,380)</u>	<u>(190,224)</u>	<u>(192,604)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Taxes			
Interest income	25	1,104	1,129
Interest expense		(371)	(371)
Intergovernmental revenues:			
State	44		44
Federal	2,489	224,479	226,968
<b>TOTAL NONOPERATING REVENUES</b>	<u>2,558</u>	<u>225,212</u>	<u>227,770</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>178</u>	<u>34,988</u>	<u>35,166</u>
Transfers out		(6,226)	(6,226)
<b>CHANGE IN NET ASSETS</b>	178	28,762	28,940
<b>TOTAL NET ASSETS, JULY 1, 2005, as restated</b>	<u>164,545</u>	<u>88,938</u>	<u>253,483</u>
<b>TOTAL NET ASSETS, JUNE 30, 2006</b>	<u>\$ 164,723</u>	<u>117,700</u>	<u>\$ 282,423</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Rentals received	\$ 2,478	10,286	\$ 12,764
Cash received from charges for services	346		346
Other operating revenues		1,057	1,057
Cash paid for salaries and employee benefits		(230)	(230)
Cash paid for services and supplies	15,621	(200,213)	(184,592)
Other operating expenses	(446)		(446)
Net cash provided by (required for) operating activities	<u>17,999</u>	<u>(189,100)</u>	<u>(171,101)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental receipts	2,533	224,479	227,012
Transfers out		(6,226)	(6,226)
Net cash provided by noncapital financing activities	<u>2,533</u>	<u>218,253</u>	<u>220,786</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest paid on capital borrowing		(371)	(371)
Principal payments on bonds		(609)	(609)
Acquisition and construction of capital assets	(20,526)	(56)	(20,582)
Net cash required for capital and related financing activities	<u>(20,526)</u>	<u>(1,036)</u>	<u>(21,562)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>			
Interest income received	<u>25</u>	<u>1,104</u>	<u>1,129</u>
Net increase in cash and cash equivalents	31	29,221	29,252
Cash and cash equivalents, July 1, 2005, as restated	<u>3,098</u>	<u>19,914</u>	<u>23,012</u>
Cash and cash equivalents, June 30, 2006	<u>\$ 3,129</u>	<u>49,135</u>	<u>\$ 52,264</u>

Continued...

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS - Continued  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (2,380)	(190,224)	\$ (192,604)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:			
Depreciation and amortization	2,124	2,071	4,195
Other charges - net	18,356		18,356
(Increase) decrease in:			
Other receivables	(43)	(389)	(432)
Due from other funds	11		11
Increase (decrease) in:			
Accounts payable	43	(111)	(68)
Other payables	(75)	(246)	(321)
Accrued vacation and sick leave		(230)	(230)
Due to other funds	(37)		(37)
Unearned revenue		29	29
<b>TOTAL ADJUSTMENTS</b>	<b>20,379</b>	<b>1,124</b>	<b>21,503</b>
<b>NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES</b>	<b>\$ 17,999</b>	<b>(189,100)</b>	<b>\$ (171,101)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>			
Pooled cash and investments	\$ 3,129		\$ 3,129
Other investments		49,135	49,135
<b>TOTAL</b>	<b>\$ 3,129</b>	<b>49,135</b>	<b>\$ 52,264</b>

# 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, 2006 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments:				
Operating	\$ 35,259	3,011		\$ 38,270
Other	7,137	73		7,210
Total pooled cash and investments	<u>42,396</u>	<u>3,084</u>		<u>45,480</u>
Other investments			7,502	7,502
Interest receivable	147	164		311
Other receivables	119		41	160
Due from other funds	57,899	313		58,212
Inventories	7,514		8	7,522
Total current assets	<u>108,075</u>	<u>3,561</u>	<u>7,551</u>	<u>119,187</u>
Noncurrent assets:				
Restricted assets		7,830		7,830
Net pension obligation	13,308			13,308
Capital assets:				
Buildings and improvements	1,734			1,734
Equipment	114,931	83,191	4,804	202,926
Less accumulated depreciation	<u>(67,564)</u>	<u>(37,927)</u>	<u>(3,876)</u>	<u>(109,367)</u>
Total capital assets - net	<u>49,101</u>	<u>45,264</u>	<u>928</u>	<u>95,293</u>
Total noncurrent assets	<u>62,409</u>	<u>53,094</u>	<u>928</u>	<u>116,431</u>
<b>TOTAL ASSETS</b>	<u>170,484</u>	<u>56,655</u>	<u>8,479</u>	<u>235,618</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	3,655	1,286	504	5,445
Accrued payroll	18,271			18,271
Other payables	993			993
Accrued interest payable		226		226
Due to other funds	22,630		197	22,827
Advances from other funds	22,000			22,000
Unearned revenue	1,347		7	1,354
Current portion of long-term liabilities	21,375	14,520	1,039	36,934
Total current liabilities	<u>90,271</u>	<u>16,032</u>	<u>1,747</u>	<u>108,050</u>
Noncurrent liabilities:				
Accrued vacation and sick leave	30,404		225	30,629
Bonds and notes payable		29,265		29,265
Pension bonds payable	60,606			60,606
Capital lease obligations			181	181
Workers' compensation liability	60,346		2,795	63,141
Litigation and self-insurance liability	18,352		1,341	19,693
Total noncurrent liabilities	<u>169,708</u>	<u>29,265</u>	<u>4,542</u>	<u>203,515</u>
<b>TOTAL LIABILITIES</b>	<u>259,979</u>	<u>45,297</u>	<u>6,289</u>	<u>311,565</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	49,101	10,192	748	60,041
Restricted		1,166	1,442	2,608
Unrestricted (Deficit)	(138,596)			(138,596)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ (89,495)</u>	<u>11,358</u>	<u>2,190</u>	<u>\$ (75,947)</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>OPERATING REVENUES:</b>				
Rentals	\$	24,335		\$ 24,335
Charges for services	341,218		12,934	354,152
<b>TOTAL OPERATING REVENUES</b>	<b>341,218</b>	<b>24,335</b>	<b>12,934</b>	<b>378,487</b>
<b>OPERATING EXPENSES:</b>				
Salaries and employee benefits	274,549			274,549
Services and supplies	40,170	155	12,679	53,004
Other professional services	9,159			9,159
Depreciation and amortization	8,346	20,549	531	29,426
<b>TOTAL OPERATING EXPENSES</b>	<b>332,224</b>	<b>20,704</b>	<b>13,210</b>	<b>366,138</b>
<b>OPERATING INCOME (LOSS)</b>	<b>8,994</b>	<b>3,631</b>	<b>(276)</b>	<b>12,349</b>
<b>NONOPERATING REVENUES (EXPENSES) :</b>				
Interest income	358	772	7	1,137
Interest expense	(6,803)	(2,343)	(29)	(9,175)
Intergovernmental revenues - Federal			408	408
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(6,445)</b>	<b>(1,571)</b>	<b>386</b>	<b>(7,630)</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>2,549</b>	<b>2,060</b>	<b>110</b>	<b>4,719</b>
Transfers in	3,061		303	3,364
Transfers out		(6,367)	(267)	(6,634)
<b>CHANGE IN NET ASSETS</b>	<b>5,610</b>	<b>(4,307)</b>	<b>146</b>	<b>1,449</b>
<b>TOTAL NET ASSETS (DEFICIT), JULY 1, 2005</b>	<b>(95,105)</b>	<b>15,665</b>	<b>2,044</b>	<b>(77,396)</b>
<b>TOTAL NET ASSETS (DEFICIT), JUNE 30, 2006</b>	<b>\$ (89,495)</b>	<b>11,358</b>	<b>2,190</b>	<b>\$ (75,947)</b>



COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Rentals received	\$	27,647		\$ 27,647
Cash received from charges for services	331,038		12,937	343,975
Cash paid for salaries and employee benefits	(277,521)		500	(277,021)
Cash paid for services and supplies	(40,418)	(155)	(13,355)	(53,928)
Other operating expenses	(9,159)			(9,159)
Net cash provided by operating activities	3,940	27,492	82	31,514
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interest paid on pension bonds	(6,803)			(6,803)
Intergovernmental receipts			408	408
Transfers in	3,061		303	3,364
Transfers out		(6,367)	(267)	(6,634)
Net cash provided by (required for) noncapital financing activities	(3,742)	(6,367)	444	(9,665)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds and notes		58,675		58,675
Interest paid on capital borrowing		(2,515)	(29)	(2,544)
Principal payments on bonds and notes		(55,545)		(55,545)
Principal payments on capital leases			(161)	(161)
Acquisition and construction of capital assets	(9,330)	(24,946)		(34,276)
Net cash required for capital and related financing activities	(9,330)	(24,331)	(190)	(33,851)
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>				
Interest income received	23	651		674
Net increase (decrease) in cash and cash equivalents	(9,109)	(2,555)	336	(11,328)
Cash and cash equivalents July 1, 2005	51,505	13,469	7,166	72,140
Cash and cash equivalents June 30, 2006	\$ 42,396	10,914	7,502	\$ 60,812

Continued...

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS - Continued  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 8,994	3,631	(276)	\$ 12,349
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	8,346	20,549	531	29,426
Other charges - net	225			225
(Increase) decrease in:				
Interest receivable	(70)			(70)
Other receivables	(46)	1,589	30	1,573
Due from other funds	(10,005)	1,723		(8,282)
Inventories	(787)		25	(762)
Net pension obligation	7,253			7,253
Increase (decrease) in:				
Accounts payable	1,501		(256)	1,245
Accrued payroll	67			67
Other payables	112			112
Accrued vacation and sick leave	533		(445)	88
Due to other funds	(1,187)			(1,187)
Unearned revenue	(59)		(27)	(86)
Pension bonds payable	(10,952)			(10,952)
Workers' compensation liability	(2,196)		500	(1,696)
Litigation and self-insurance liability	2,211			2,211
<b>TOTAL ADJUSTMENTS</b>	<b>(5,054)</b>	<b>23,861</b>	<b>358</b>	<b>19,165</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,940</b>	<b>27,492</b>	<b>82</b>	<b>\$ 31,514</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>				
Pooled cash and investments	\$ 42,396	3,084		\$ 45,480
Other investments			7,502	7,502
Restricted assets		7,830		7,830
<b>TOTAL</b>	<b>\$ 42,396</b>	<b>10,914</b>	<b>7,502</b>	<b>\$ 60,812</b>

# 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, 2006 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 9,387,061		\$ 9,387,061
Other investments		1,091,142	1,091,142
Interest receivable	103,783	8,078	111,861
<b>TOTAL ASSETS</b>	<b>9,490,844</b>	<b>1,099,220</b>	<b>10,590,064</b>
<b>NET ASSETS</b>			
Held in trust for investment trust fund participants	<u>\$ 9,490,844</u>	<u>1,099,220</u>	<u>\$ 10,590,064</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
<b>ADDITIONS:</b>			
Contributions to investment trust funds	\$ 35,706,303	2,472,292	\$ 38,178,595
Interest income	422,582	23,822	446,404
<b>TOTAL ADDITIONS</b>	<b>36,128,885</b>	<b>2,496,114</b>	<b>38,624,999</b>
<b>DEDUCTIONS -</b>			
Distribution from investment trust funds	35,916,446	2,345,418	38,261,864
<b>CHANGE IN NET ASSETS</b>	<b>212,439</b>	<b>150,696</b>	<b>363,135</b>
<b>NET ASSETS HELD IN TRUST, JULY 1, 2005</b>	<b>9,278,405</b>	<b>948,524</b>	<b>10,226,929</b>
<b>NET ASSETS HELD IN TRUST, JUNE 30, 2006</b>	<b>\$ 9,490,844</b>	<b>1,099,220</b>	<b>\$ 10,590,064</b>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS - AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Pooled cash and investments	\$ 1,289,769	104,043,751	103,554,604	\$ 1,778,916
Other investments	202,764	44,633	203,068	44,329
Taxes receivable	204,760	554,645	558,701	200,704
Interest receivable		6,073	5,123	950
<b>TOTAL ASSETS</b>	<b><u>\$ 1,697,293</u></b>	<b><u>104,649,102</u></b>	<b><u>104,321,496</u></b>	<b><u>\$ 2,024,899</u></b>
<b>LIABILITIES</b>				
Due to other governments	\$ 1,697,293	2,785,146	2,457,540	\$ 2,024,899
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,697,293</u></b>	<b><u>2,785,146</u></b>	<b><u>2,457,540</u></b>	<b><u>\$ 2,024,899</u></b>





CAPITAL ASSETS  
USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS

COUNTY OF LOS ANGELES  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE<sup>1</sup>  
 JUNE 30, 2006 (in thousands)

	<u>Total</u>
Governmental Funds Capital Assets:	
Land	\$ 2,175,836
Easements	4,660,118
Buildings and improvements	3,713,451
Equipment	726,161
Infrastructure	6,814,310
Construction in progress-Buildings and improvements	146,544
Construction in progress-Infrastructure	<u>195,869</u>
 Total governmental funds capital assets	 <u><u>\$ 18,432,289</u></u>
Investments in governmental funds capital assets by source:	
General fund	\$ 4,230,154
Special Revenue funds	14,179,486
Capital Projects funds	<u>22,649</u>
 Total governmental funds capital assets	 <u><u>\$ 18,432,289</u></u>

<sup>1</sup>This 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 FUNCTION<sup>1</sup>  
 JUNE 30, 2006 (in thousands)

Function:	Land	Easements	Buildings and Improvements	Equipment
General government	\$ 33,942	\$ -	\$ 279,732	\$ 170,991
Public protection	1,988,141	1,516,267	2,448,038	443,691
Public ways and facilities	1,951	3,143,851	15,503	5,364
Health and sanitation	7,349	-	61,783	51,307
Public assistance	22,822	-	175,353	24,630
Education	8,570	-	56,158	5,773
Recreation and cultural services	113,061	-	676,884	24,405
<b>Total governmental funds capital assets</b>	<b>\$ 2,175,836</b>	<b>\$ 4,660,118</b>	<b>\$ 3,713,451</b>	<b>\$ 726,161</b>

<sup>1</sup>This 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.

Infrastructure	Construction in Progress Buildings and Improvements	Construction in Progress Infrastructure	Total	Function:
\$ -	\$ 19,359	\$ -	\$ 504,024	General government
3,260,291	85,448	53,012	9,794,888	Public protection
3,554,019	-	142,857	6,863,545	Public ways and facilities
-	5,009	-	125,448	Health and sanitation
-	-	-	222,805	Public assistance
-	2,380	-	72,881	Education
-	34,348	-	848,698	Recreation and cultural services
<u>\$ 6,814,310</u>	<u>\$ 146,544</u>	<u>\$ 195,869</u>	<u>\$ 18,432,289</u>	Total governmental funds capital assets

COUNTY OF LOS ANGELES  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION<sup>1</sup>  
 FOR THE YEAR ENDED JUNE 30, 2006 (in thousands)

Function:	Balance	Adjustments	Restated	Additions	Deductions	Balance
	July 1, 2005		Balance			July 1, 2005
General government	\$ 460,450	\$ -	\$ 460,450	\$ 66,954	\$ (23,380)	\$ 504,024
Public protection	3,126,575	6,559,673	9,686,248	186,603	(77,962)	9,794,889
Public ways and facilities	148,479	6,700,879	6,849,358	30,617	(16,431)	6,863,544
Health and sanitation	117,982	-	117,982	13,727	(6,260)	125,449
Public assistance	238,679	-	238,679	3,942	(19,816)	222,805
Education	71,708	-	71,708	2,211	(1,040)	72,879
Recreation and cultural services	828,651	-	828,651	21,444	(1,396)	848,699
<b>Total governmental funds capital assets</b>	<b>\$ 4,992,524</b>	<b>\$ 13,260,552</b>	<b>\$ 18,253,076</b>	<b>\$ 325,498</b>	<b>\$ (146,285)</b>	<b>\$ 18,432,289</b>

<sup>1</sup>This 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**

## STATISTICAL SECTION

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

CONTENTS	PAGE
<b>FINANCIAL TRENDS</b> ..... These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	159
<b>REVENUE CAPACITY</b> ..... These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	166
<b>DEBT CAPACITY</b> ..... These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	170
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b> ..... The schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	176
<b>OPERATING INFORMATION</b> ..... These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	178

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





COUNTY OF LOS ANGELES  
NET ASSETS BY CATEGORY (UNAUDITED)  
LAST FIVE FISCAL YEARS (in thousands)  
*(accrual basis of accounting)*

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u> <i>As restated</i>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 1,944,507	2,210,640	2,384,009	2,556,556	13,567,513
Restricted	913,613	907,155	928,616	1,152,845	1,378,439
Unrestricted (deficit)	(1,892,055)	(2,391,517)	(2,203,518)	(1,572,611)	(840,389)
Subtotal governmental activities net assets	<u>966,065</u>	<u>726,278</u>	<u>1,109,107</u>	<u>2,136,790</u>	<u>14,105,563</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 402,528	495,549	622,282	793,517	1,827,225
Restricted	91,994	127,192	105,557	74,173	165,427
Unrestricted (deficit)	(748,183)	(734,942)	(590,882)	(624,577)	(444,450)
Subtotal business-type activities net assets	<u>(253,661)</u>	<u>(112,201)</u>	<u>136,957</u>	<u>243,113</u>	<u>1,548,202</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	2,347,035	2,706,189	3,006,291	3,350,073	15,394,738
Restricted	1,005,607	1,034,347	1,034,173	1,227,018	1,543,866
Unrestricted (deficit)	(2,640,238)	(3,126,459)	(2,794,400)	(2,197,188)	(1,284,839)
Total primary government net assets	<u>\$ 712,404</u>	<u>614,077</u>	<u>1,246,064</u>	<u>2,379,903</u>	<u>15,653,765</u>

**Notes:**

- (1) Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.  
(2) Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants.

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

	(1)	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Expenses</b>						
Government activities:						
General government	\$	611,203	764,588	650,096	666,778	795,290
Public protection		3,937,519	4,177,049	4,044,824	4,159,675	4,443,432
Public ways and facilities		208,299	227,776	222,416	249,065	360,980
Health and sanitation		1,795,060	1,888,141	1,918,831	1,941,315	2,151,515
Public assistance		4,505,319	4,604,757	4,383,626	4,398,391	4,465,520
Education		73,455	75,079	77,207	86,707	92,867
Recreation and cultural services		231,605	228,008	229,541	236,421	240,274
Interest on long-term debt		249,586	270,336	240,494	223,696	221,838
Subtotal governmental activities expenses		11,612,046	12,235,734	11,767,035	11,962,048	12,771,716
Business-type activities:						
Hospitals (2)		3,086,454	3,158,458	3,063,732	3,235,176	2,778,251
Aviation		4,618	4,617	5,155	5,747	5,236
Waterworks		39,857	42,448	45,473	43,444	67,563
Community Development Commission		198,340	223,808	222,207	217,560	202,298
Subtotal business-type activities expense		3,329,269	3,429,331	3,336,567	3,501,927	3,053,348
Total primary government expenses	\$	14,941,315	15,665,065	15,103,602	15,463,975	15,825,064
<b>Program Revenues</b>						
Governmental activities:						
Charges for services	\$	1,898,020	1,995,263	1,998,085	2,087,578	2,337,634
Operating grants and contributions		6,243,962	6,373,405	6,362,285	6,551,225	6,801,256
Capital grants and contributions		27,534	38,471	59,650	44,072	64,258
Total governmental activities program revenue	\$	8,169,516	8,407,139	8,420,020	8,682,875	9,203,148
Business-type activities:						
Charges for services (2)		2,562,961	2,644,949	2,454,197	2,458,921	2,004,419
Operating grants and contributions		267,329	295,296	277,427	262,636	309,526
Capital grants and contributions		13,765	26,851	83,537	138,723	74,821
Total business-type activities program revenue		2,844,055	2,967,096	2,815,161	2,860,280	2,388,766
Total primary government revenues	\$	11,013,571	11,374,235	11,235,181	11,543,155	11,591,914
<b>Net (expense) / revenue:</b>						
Governmental activities	\$	(3,442,530)	(3,828,595)	(3,347,015)	(3,279,173)	(3,568,568)
Business-type activities		(485,214)	(462,235)	(521,406)	(641,647)	(664,582)
Total primary government net expenses	\$	(3,927,744)	(4,290,830)	(3,868,421)	(3,920,820)	(4,233,150)

Continued...

**Notes:**

- (1) Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.
- (2) Amounts presented for 2002 Business-type activities have been reclassified and adjusted to conform to the current year's presentation format. Charges for services revenues and Hospital expenses have each been increased by \$568.6 million to more appropriately display Hospital intergovernmental transfer expenses and related revenues.

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

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
<b>General Revenues and Other Changes in Net Assets</b>						
<b>Governmental Activities:</b>						
Taxes	\$	2,349,836	2,493,274	2,912,645	3,804,859	4,292,919
Intergovernmental-motor vehicle in-lieu taxes, not restricted		675,004	690,854	573,859		
Unrestricted grants and contributions		706,167	703,520	711,961	731,767	730,516
Investment earnings		154,439	102,573	57,807	137,382	244,005
Miscellaneous		148,622	136,702	186,406	130,904	171,049
Special Item					188,493	
Transfers (Net)		(550,302)	(538,115)	(712,834)	(686,549)	(989,117)
Subtotal governmental activities		3,483,766	3,588,808	3,729,844	4,306,856	4,449,372
<b>Business-type activities:</b>						
Taxes		2,550	2,772	2,845	701	743
Unrestricted grants and contributions		33	32	32	34	34
Investment earnings		4,415	4,373	1,452	6,416	9,703
Miscellaneous		50,860	58,403	53,401	54,103	58,804
Transfers (Net)		550,302	538,115	712,834	686,549	989,117
Subtotal business-type activities		608,160	603,695	770,564	747,803	1,058,401
Total primary government	\$	4,091,926	4,192,503	4,500,408	5,054,659	5,507,773
<b>Changes in Net Assets</b>						
Government activities		41,236	(239,787)	382,829	1,027,683	880,804
Business-type activities		122,946	141,460	249,158	106,156	393,819
Total primary government	\$	164,182	(98,327)	631,987	1,133,839	1,274,623

**Note:**

(1) Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.

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

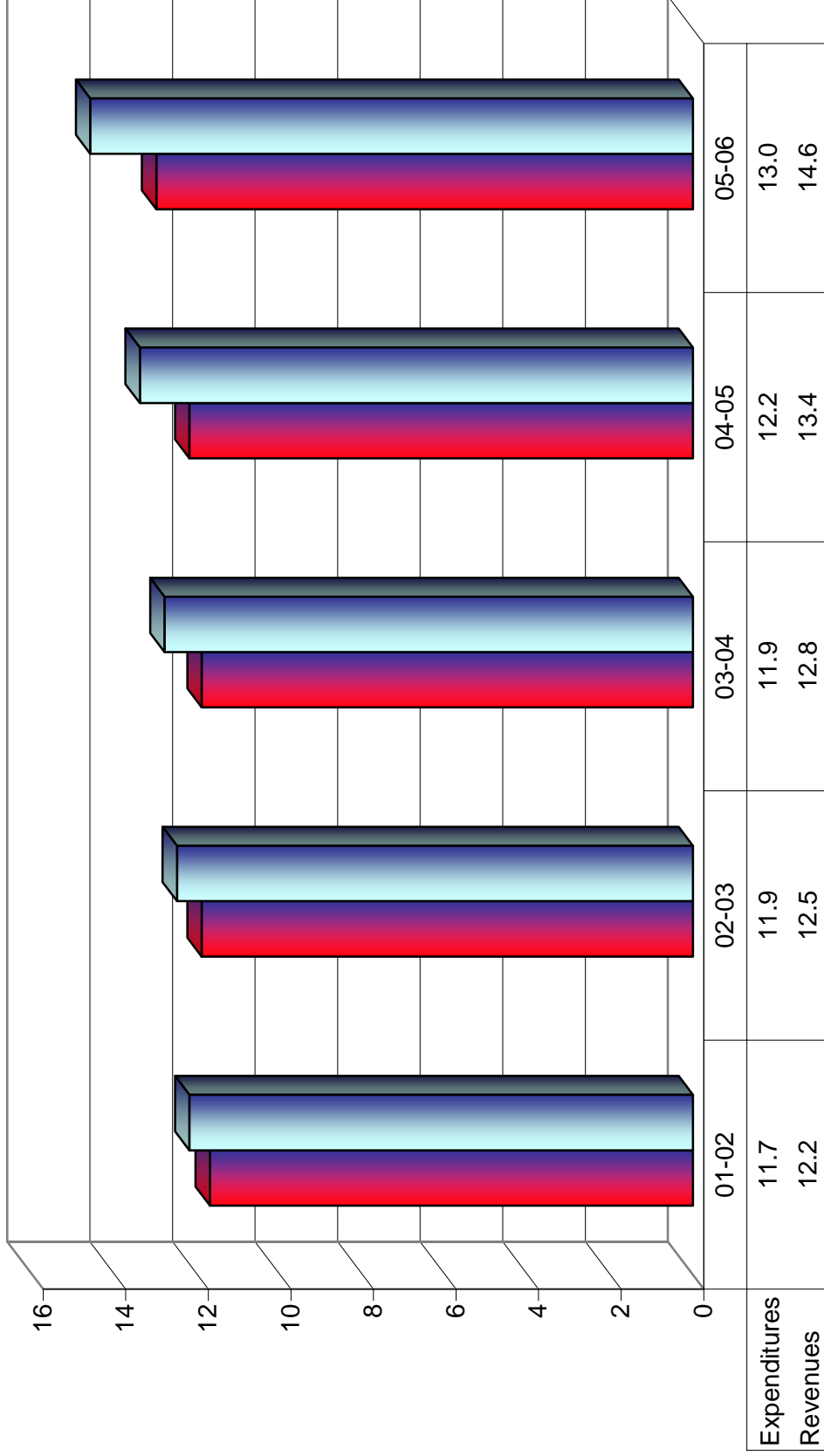
	(1)	2001-02	2002-03	2003-04	2004-05	2005-06
		As restated				
<b>General Fund</b>						
Reserved for:	\$	277,146	316,118	289,174	333,499	352,523
Encumbrances		36,740	33,230	29,843	39,713	42,562
Inventories		44,879	33,410	31,548	27,415	26,970
Assets unavailable for appropriation						
Unreserved, designated for:						
Budget uncertainties		388,235	414,054	359,649	496,672	375,511
Program expansion		206,805	254,753	299,357	190,548	497,370
Health services					329,806	459,346
Capital projects						190,184
Unreserved, undesignated, reported in-						
General fund		558,549	646,165	878,156	909,076	793,812
Subtotal General Fund		1,512,354	1,697,730	1,887,727	2,326,729	2,738,278
<b>All Other Governmental Funds (2)</b>						
Reserved for:						
Encumbrances		451,630	339,018	297,961	372,272	414,475
Inventories		44,706	40,854	55,180	46,740	49,424
Housing programs		2,568	2,260	2,260	2,079	2,117
Debt service		253,065	236,921	231,438	259,493	508,379
Endowments & annuities		3,454	3,541	3,315	3,339	3,332
Assets unavailable for appropriation		25,221	31,606	34,244	34,017	46,872
Unreserved, designated for:						
Budget uncertainties					50,000	91,344
Program expansion		36,806	943	23,937	20,448	47,130
Subsequent years' expenditures		130,219				
Capital projects		21,103	19,478	19,478	18,099	13,849
Special revenue funds - program expansion			166,191	147,484	153,992	156,968
Unreserved, undesignated, reported in:						
Special revenue funds		509,943	556,258	622,391	610,336	792,856
Capital projects funds		110,237	94,799	87,039	264,882	328,896
Subtotal all other government funds		1,588,952	1,491,869	1,524,727	1,835,697	2,455,642
Total governmental fund balance	\$	3,101,306	3,189,599	3,412,454	4,162,426	5,193,920

**Notes:**  
 (1) Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.  
 (2) "All Other Governmental Funds" consists of the following funds: Fire Protection District, Flood Control District, Public Library, Regional Park and Open Space District and Nonmajor Governmental Funds.



# COUNTY of LOS ANGELES

## Governmental Funds Expenditures and Revenues Last 5 Fiscal Years



In Billions of Dollars

■ Expenditures    ■ Revenues

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

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Revenues (by source)</b>					
Taxes	\$ 2,282,620	2,422,005	2,830,843	3,704,985	4,145,704
Licenses, permits and franchises	59,712	67,478	71,176	73,450	77,004
Fines, forfeitures and penalties	264,713	262,604	275,744	294,714	309,962
Revenue from use of money and property:					
Investment income	153,830	102,109	57,654	136,833	243,197
Rents and concessions	60,181	57,992	71,029	69,253	69,388
Royalties	289	300	299	408	615
Intergovernmental revenues:					
Federal	3,252,597	3,198,572	3,148,842	2,763,670	2,745,903
State	4,170,053	4,331,478	4,292,677	4,275,176	4,650,492
Other	98,051	107,337	113,576	122,674	121,532
Charges for services	1,538,368	1,625,583	1,616,924	1,699,477	1,927,681
Proceeds from property owners	1,336	8,123	73		
Miscellaneous	295,902	294,278	328,914	277,000	324,060
<b>Total Revenues</b>	<b>12,177,652</b>	<b>12,477,859</b>	<b>12,807,751</b>	<b>13,417,640</b>	<b>14,615,538</b>
<b>Expenditures (by function)</b>					
Current:					
General government	589,281	652,393	673,950	664,670	778,406
Public protection	3,795,429	3,768,650	3,934,320	4,111,311	4,413,646
Public ways and facilities	261,679	287,853	229,546	247,314	287,544
Health and sanitation	1,765,432	1,826,083	1,905,521	1,935,207	2,129,508
Public assistance	4,360,342	4,461,044	4,325,241	4,387,157	4,457,822
Education	72,542	74,013	79,285	85,066	92,105
Recreation and cultural services	235,188	225,329	231,210	226,768	247,845
Debt services					
Principal	241,737	269,349	280,274	345,956	390,745
Interest and other charges	220,801	206,119	182,385	181,948	126,030
Capital leases	8,220	14,345	13,830	11,449	29,624
Capital outlay	120,579	99,710	48,536	31,384	67,717
<b>Total Expenditures</b>	<b>11,671,230</b>	<b>11,884,888</b>	<b>11,904,098</b>	<b>12,228,230</b>	<b>13,020,992</b>
Excess of Revenues over (under) Expenditures	506,422	592,971	903,653	1,189,410	1,594,546
<b>Other Financing Sources (Uses)</b>					
Transfers in	294,162	295,168	303,956	416,981	516,492
Transfers out	(838,520)	(831,862)	(1,020,831)	(1,104,398)	(1,504,136)
Issuance of debt				7,700	389,423
Refunding bonds issued	29,000	160,325	434,471	434,471	
Payment to refunded bonds escrow agent	(29,000)	(160,325)	(434,471)	(434,471)	
Bond premium proceeds		8,513	37,629		
Capital leases	47,568	21,480	28,312	7,329	22,533
Sales of capital assets	5,292	2,023	7,765	6,828	12,636
<b>Total other financing sources (uses)</b>	<b>(491,498)</b>	<b>(504,676)</b>	<b>(680,798)</b>	<b>(627,931)</b>	<b>(563,052)</b>
Special Item-Proceeds from sale of receivables				188,493	
Net change in fund balance	14,924	88,293	222,855	749,972	1,031,494
Debt service as a percentage of noncapital expenditures:	4.07%	4.11%	3.97%	4.40%	4.07%

Notes:  
 (1) Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.

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

Fiscal Year	(1) Secured	(2) Unsecured	(3) Unitary	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate
1996 - 1997	\$ 476,053,006	32,435,268	12,407,801	(23,559,066)	497,337,009	1.00000%
1997 - 1998	479,497,077	34,472,630	12,668,474	(25,181,713)	501,456,468	1.00000%
1998 - 1999	492,920,009	36,808,117	12,681,433	(25,847,883)	516,561,676	1.00000%
1999 - 2000	521,494,390	37,826,556	12,505,963	(25,495,993)	546,330,916	1.00000%
2000 - 2001	556,120,737	40,449,723	12,348,515	(26,472,182)	582,446,793	1.00000%
2001 - 2002	592,345,254	44,394,254	12,425,635	(26,803,046)	622,362,097	1.00000%
2002 - 2003	632,815,105	43,785,523	12,357,025	(28,702,612)	660,255,041	1.00000%
2003 - 2004	683,216,372	44,745,197	11,587,736	(29,937,047)	709,612,258	1.00000%
2004 - 2005	738,658,957	43,898,983	10,648,846	(31,851,689)	761,355,097	1.00000%
2005 - 2006	813,276,803	43,964,997	10,718,105	(32,058,237)	835,901,668	1.00000%

Notes:

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

Source:

Auditor-Controller, County of Los Angeles Taxpayers' Guide



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

Fiscal Year	County Direct Rates			Overlapping Rates				Total
	Los Angeles General	Los Angeles County General	Los Angeles County Control District	Los Angeles City Tax District No. 1	School Districts	Metropolitan Water District		
1996 - 1997	1.00000	.001604	.001991	.035969	.003338	.008900	1.051802	
1997 - 1998	1.00000	.001584	.002197	.031098	.012017	.008900	1.055796	
1998 - 1999	1.00000	.001451	.001953	.030161	.024749	.008900	1.067214	
1999 - 2000	1.00000	.001422	.001765	.031113	.031528	.008900	1.074728	
2000 - 2001	1.00000	.001314	.001552	.026391	.040765	.008800	1.078822	
2001 - 2002	1.00000	.001128	.001073	.040051	.064125	.007700	1.114077	
2002 - 2003	1.00000	.001033	.000881	.042312	.051571	.006700	1.102497	
2003 - 2004	1.00000	.000992	.000462	.050574	.097002	.006100	1.155130	
2004 - 2005	1.00000	.000923	.000245	.055733	.106937	.005800	1.169638	
2005 - 2006	1.00000	.000795	.000049	.051289	.098634	.005200	1.155967	

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) The County is divided into 11,067 tax areas which are unique combinations of various jurisdictions servicing a specific geographic area.

Source:

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

COUNTY OF LOS ANGELES  
 PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)  
 CURRENT YEAR AND NINE YEARS AGO  
 JUNE 30, 2006 AND JUNE 30, 1997 (in thousands)

Taxpayer	2006			1997		
	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value
Southern California Edison Co.	\$ 41,436	1	0.48%	44,950	1	0.88%
BP Amoco Corporation	27,173	2	0.32%			
Douglas Emmett Realty Fund	26,884	3	0.31%			
Chevron USA Inc.	25,019	4	0.29%	12,290	8	0.24%
Maguire Thomas Partners	24,288	5	0.28%	11,472	9	0.22%
SBC California	21,699	6	0.25%			
Arden Realty LTD Partnership	18,917	7	0.22%			
Exxon Mobil Corporation	17,496	8	0.20%	11,145	10	0.22%
Southern California Gas Company	16,022	9	0.19%	19,674	4	0.38%
Verizon California Inc.	15,495	10	0.18%			
Pacific Bell				35,529	2	0.69%
GTE California, Inc.				22,332	3	0.44%
Atlantic Richfield Co.				13,913	5	0.27%
Union Oil Company of California				13,835	6	0.27%
Shuwa Investments Corporation				13,318	7	0.26%
<b>Total</b>	<b>\$ 234,429</b>		<b>2.72%</b>	<b>198,458</b>		<b>3.87%</b>

**Note:**

(1) See schedule "Assessed Value & Actual Value of Taxable Property". Total assessed value, \$791,936,671 as of June 30, 2006 is based on Secured \$813,276,803 plus Unitary \$10,718,105 less exemptions of \$32,058,237. Total assessed value, \$464,901,741 as of June 30, 1997 is based on Secured \$476,053,006 plus Unitary \$12,407,801 less exemptions of \$23,559,066.

**Source:**

Los Angeles County Treasurer and Tax Collector

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

Fiscal Year	Taxes Levied		Collections within the fiscal year of the levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
1996 - 1997	\$ 5,505,658	95.4%	\$ 5,252,253	95.4%	\$ 312,632	\$ 5,564,885	101.1%
1997 - 1998	5,570,515	96.5%	5,374,125	96.5%	379,128	5,753,253	103.3%
1998 - 1999	5,760,686	96.3%	5,549,836	96.3%	317,984	5,867,820	101.9%
1999 - 2000	6,078,979	96.3%	5,852,946	96.3%	300,309	6,153,255	101.2%
2000 - 2001	6,441,176	96.7%	6,228,309	96.7%	283,004	6,511,313	101.1%
2001 - 2002	6,964,486	97.1%	6,760,147	97.1%	315,213	7,075,360	101.6%
2002 - 2003	7,415,691	96.9%	7,182,974	96.9%	290,775	7,473,749	100.8%
2003 - 2004	8,241,631	97.5%	8,031,587	97.5%	330,878	8,362,465	101.5%
2004 - 2005	8,895,871	97.3%	8,655,953	97.3%	297,023	8,952,976	100.6%
2005 - 2006	9,582,359	97.3%	9,322,047	97.3%	289,027	9,611,074	100.3%

Source:  
Auditor-Controller-Accounting Division-Property Tax Section

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

Fiscal Year	Governmental Activities									
	General Obligation Bonds	Assessment Bonds	Certificates of Participation	Notes, Loans, and Other Debt	Accreted Interest	Unamortized Bond Premiums	Unamortized Loss on Advance Debt Refund.	Pension Bonds Payable	Capital Leases	
1996-97	\$ 116,480	170,100	1,700,125	315,044				1,689,749	59,535	
1997-98	104,215	510,185	1,618,412	652,114				1,672,349	46,505	
1998-99	91,740	485,855	1,537,967	538,120				1,641,953	60,212	
1999-00	79,025	462,520	1,507,404	505,536				1,599,821	60,115	
2000-01	66,015	438,020	1,537,075	475,036				1,544,392	54,217	
2001-02	53,480	412,295	1,369,528	67,951	93,781			1,551,515	113,180	
2002-03	41,180	394,735	1,276,035	63,428	85,780			1,457,732	120,270	
2003-04	29,625	376,210	1,177,981	65,539	75,379			1,344,056	135,258	
2004-05	18,470	349,690	1,079,504	69,888	62,545	37,629	(25,133)	1,206,794	130,928	
2005-06	9,475	325,710	1,007,134	387,764	73,191	36,346	(23,876)	1,045,264	123,676	

Business-Type Activities

Fiscal Year	Business-Type Activities									
	General Obligation Bonds	Certificates of Participation	Notes, Loans, and Other Debt	Unamortized Bond Premiums	Pension Bonds Payable	Capital Leases	Total Primary Government (1)	Percentage of Assessed Value (2)	Per Capita (3)	
1996-97	\$ 1,563	398,566	221,526		623,801	25,504	5,321,993	1.07%	561	
1997-98	1,273	549,030	56,865		564,977	12,689	5,788,614	1.15%	603	
1998-99	994	525,603	63,574		499,292	5,320	5,450,630	1.06%	559	
1999-00	746	496,364	64,025		423,894	3,360	5,202,810	0.95%	526	
2000-01	466	447,439	75,844		337,688	2,513	4,978,705	0.85%	508	
2001-02	382	300,318	126,684		542,234	2,086	4,633,434	0.74%	472	
2002-03	297	273,447	146,804		509,459	1,761	4,370,928	0.66%	438	
2003-04	239	240,831	170,319		469,756	1,499	4,086,692	0.58%	405	
2004-05	181	177,944	203,121	10,005	421,781	1,097	3,744,444	0.49%	366	
2005-06	136	160,648	12,662	8,909	363,177	675	3,530,891	0.42%	345	

Notes:

- (1) Details regarding the County's outstanding debt can be found in the notes to the financial statements.
- (2) See the "Assessed Value and Actual Value of Taxable Property" table for total taxable assessed value. Assessed value does not include tax exempt property.
- (3) See the "Demographic Statistics" table for population figures.

Source:

Auditor-Controller, County of Los Angeles

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

Fiscal Year	Population (1)	Assessed Value	Gross Bonded Debt (2)	Debt Service Monies Available (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996-97	9,488,225	\$ 497,337,009	4,804,391	460,399	4,343,992	.8735	457.83
1997-98	9,603,545	501,456,468	4,974,432	793,479	4,180,953	.8338	435.36
1998-99	9,757,535	516,561,676	4,672,329	649,348	4,022,981	.7788	412.29
1999-00	9,884,350	546,330,916	4,466,999	633,082	3,833,917	.7018	387.88
2000-01	9,802,690	582,446,793	4,291,604	634,099	3,657,505	.6280	373.11
2001-02	9,825,045	622,362,097	3,930,381	593,905	3,336,476	.5361	339.59
2002-03	9,979,465	660,255,041	3,699,715	560,233	3,139,482	.4755	314.59
2003-04	10,102,855	709,612,258	3,435,541	537,463	2,898,078	.4084	286.86
2004-05	10,226,506	761,355,097	2,933,729	539,020	2,394,709	.3145	234.17
2005-06	10,245,572	835,901,668	2,931,193	767,089	2,164,104	.2589	211.22

Notes:

(1) See "Demographics & Economic Statistics" table for population.

(2) Long-term general 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.

Source:

Los Angeles Almanac website address: [www.laalmanac.com/population](http://www.laalmanac.com/population).

COUNTY OF LOS ANGELES  
 ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)  
 JUNE 30, 2006  
 Full Cash Value (2005-06)  
 Population - (2006)

\$ 748,692,783,144 (1)  
 10,245,572 (2)

Debt  
 May 1, 2006

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

Los Angeles County	100%	\$ 16,205,000
Los Angeles County Flood Control District	100	127,840,000
Metropolitan Water District	46.814	182,370,959
Los Angeles Community College District	100	694,705,000
Other Community College Districts	Various	763,255,262
Beverly Hills Unified School District	100	148,849,380
Burbank Hills Unified School District	100	95,339,996
Glendale Unified School District	100	152,960,000
Long Beach Unified School District	100	252,235,000
Los Angeles Unified School District	100	5,776,960,000
Pasadena Unified School District	100	210,445,000
Pomona Unified School District	100	144,625,000
Other Unified School Districts	100	1,907,890,805
High School and School Districts	Various (3)	974,588,695
City of Los Angeles	100	1,445,250,000
City of Los Angeles Special Tax Lease Revenue Bonds	100	142,055,000
City of Industry	100	206,200,000
Other Cities	100	47,985,000
Special Districts	100	11,901,632
Community Facilities Districts	100	784,229,691
Los Angeles County Regional Park & Open Space Assessment District	100	325,710,000
1915 Act and Benefit Assessment Bonds - Estimate	100	224,442,400
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100	82,575,000
<b>TOTAL DIRECT AND OVERLAPPING TAX &amp; ASSESSMENT DEBT</b>		<b>\$ 14,718,618,820</b>

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Los Angeles County General Fund Obligations	100	\$ 1,271,856,972 (4)
Los Angeles County Pension Obligations	100	1,050,097,395
Los Angeles County Office of Education Certificates of Participation	100	21,784,577
Community College District Certificates of Participation	Various (3)	121,207,918
Los Angeles Unified School District Certificates of Participation	100	270,333,350
Pomona Unified School District Certificates of Participation	100	67,055,000
Other Unified School District Certificates of Participation	100	385,022,070
High School and School District General Fund Obligations	Various (3)	170,618,213
City of Beverly Hills General Fund Obligations	100	183,670,000

(Continued)

COUNTY OF LOS ANGELES  
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued  
JUNE 30, 2006

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT - Cont'd:

City of Los Angeles General Fund & Judgement Obligations	100	1,141,355,000
City of Long Beach General Fund Obligations	100	289,760,000
City of Long Beach Pension Obligations	100	97,255,000
City of Pasadena General Fund Obligations	100	267,295,000
City of Pasadena Pension Obligations	100	136,590,000
Other Cities' General Fund Obligations	100	1,079,866,106
Los Angeles County Sanitation Districts General Fund Obligations	100	405,660,000
Wainut Valley Water District General Fund Obligations	100	15,055,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 6,974,481,601</b>

Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold

revenues on properties in Marina del Rey)

School District self-supporting bonds

Cities' self-supporting bonds

Wainut Valley Water District General Fund Obligations

**TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT**

**GROSS COMBINED TOTAL DEBT** 21,693,100,421 (5)

**NET COMBINED TOTAL DEBT** \$ 21,416,199,792

RATIOS TO 2005-06 ASSESSED VALUATION

Direct Debt (\$16,205,000)	.002%
Total Direct and Overlapping Tax and Assessment Debt	1.74%

RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)

Combined Gross Direct Debt (\$2,338,159,367)	.31%
Net Combined Direct Debt (\$2,298,929,367)	.31%
Gross Combined Total Debt	2.90%
Net Combined Total Debt	2.86%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$ 1,225,130

**Notes:**

- (1) Excludes \$95,246,092,863 redevelopment incremental valuation; including unitary utility valuation.
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance and the U.S. Census Bureau as of January 1 of each year.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint UHSD, Fullerton UHSD and Community College Districts and the schools and special districts included in them.
- (4) Excludes tax and revenue anticipation notes.
- (5) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Source:**  
California Municipal Statistics

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

Fiscal Year	(1)		(2)		(3)		Legal Debt Margin/ Debt Limit	Assessed valuation (net taxable)	Applicable percentage in computing capacity	Total debt limit	Less: Total net applicable debt	Legal debt margin, June 30, 2006
	Assessed Value	Legal Debt Limit	Total net applicable debt	Legal Debt Margin	Legal Debt Margin/Debt Limit							
1996 - 1997	\$ 497,337,009	6,216,713	62,345	6,154,368	99.00%		\$ 835,901,668					
1997 - 1998	501,456,468	6,268,206	57,825	6,210,381	99.08%							
1998 - 1999	516,561,676	6,457,021	53,005	6,404,016	99.18%							
1999 - 2000	546,330,916	6,829,136	47,865	6,781,271	99.30%					\$ 10,448,771		
2000 - 2001	582,446,793	7,280,585	42,375	7,238,210	99.42%							
2001 - 2002	622,362,097	7,779,526	36,505	7,743,021	99.53%						8,395	
2002 - 2003	660,255,041	8,253,188	30,225	8,222,963	99.63%							
2003 - 2004	709,612,258	8,870,153	23,470	8,846,683	99.74%							
2004 - 2005	761,355,097	9,516,939	16,205	9,500,734	99.83%							
2005 - 2006	835,901,668	10,448,771	8,395	10,440,376	99.92%							\$ 10,440,376

Notes:

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



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

Fiscal Year	Marina del Rey Revenue Bonds				Regional Park and Open Space Special Assessment Bond				
	Revenue Collected	Debt Service Principal	Debt Service Interest	Total Debt Service Coverage	Special Assessment Collection	Debt Service Principal	Debt Service Interest	Total Debt Service Coverage	
2001-02	33,352,291	9,015,000	5,517,169	14,532,169	77,588,000	25,725,000	22,309,851	48,034,851	1.62
2002-03	30,750,213	9,575,000	4,936,231	14,511,231	78,433,000	17,560,000	21,184,476	38,744,476	2.02
2003-04	33,509,651	10,175,000	4,319,043	14,494,043	78,875,000	18,525,000	20,183,154	38,708,154	2.04
2004-05	34,615,641	10,810,000	3,649,750	14,459,750	79,907,000	19,565,000	15,385,183	34,950,183	2.29
2005-06	(2)	50,745,000	1,649,212	52,394,212	78,580,000	23,980,000	17,150,338	41,130,338	1.91

Fiscal Year	Calabasas Landfill Bond Fees			Total Debt Service Coverage	
	Revenue Collected	Debt Service Principal	Debt Service Interest		
2005-06	4,092,212	1,100,000	685,849	1,785,849	2.29

Notes:  
 (1) Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.  
 (2) Optional Redemption occurred on 7/1/05 using Reserve and remaining Sinking Funds.

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

Year	Population County of Los Angeles *	Personal Income **		Per Capita Personal Income	School Enrollment (1) ***	Unemployment Rate
		\$	Income **			
1997	9,488	\$ 232,360	\$ 24.49	1,550	6.8%	
1998	9,604	253,516	26.40	1,583	6.5%	
1999	9,758	263,987	27.05	1,618	5.9%	
2000	9,884	279,050	28.23	1,651	5.3%	
2001	9,803	294,508	30.04	1,682	5.7%	
2002	9,825	301,003	30.64	1,711	6.8%	
2003	9,979	310,044	31.07	1,736	7.0%	
2004	10,103	329,048	32.57	1,742	6.5%	
2005	10,226	349,868	34.21	1,734	5.3%	
2006	10,246	370,860	36.20	1,708	4.5% (2) ****	

**Notes:**

- (1) Public school enrollment.  
 (2) Year 2006 is an estimate as of April, 2006.

**Sources:**

- \* Los Angeles Almanac website address: [www.laalmanac.com/population](http://www.laalmanac.com/population).  
 \*\* Bureau of Economic Analysis website address: [www.bea.gov](http://www.bea.gov). Year 2006 is an estimate from Los Angeles County Economic Development Corporation.  
 \*\*\* California Department of Education website address: [www.cde.ca.gov](http://www.cde.ca.gov).  
 \*\*\*\* Los Angeles County Economic Development Corporation (LACEDC) website address: [www.laedc.org](http://www.laedc.org).

COUNTY OF LOS ANGELES  
 PRINCIPAL EMPLOYERS (UNAUDITED)  
 CURRENT YEAR AND FOUR YEARS AGO

Company or Organization	2006			2002 (1)		
	Number of Employees *	Rank	Percentage of Total County Employment	Number of Employees *	Rank	Percentage of Total County Employment
County of Los Angeles	93,200 (2)	1	1.92%	93,354	1	1.95%
Los Angeles Unified School District	74,632	2	1.54%	80,802	2	1.69%
Federal Government (3)	53,200	3	1.10%	56,100	3	1.17%
University of California, Los Angeles	35,543	4	0.73%	36,354	5	0.76%
City of Los Angeles	53,471	5	1.10%	51,150	4	1.07%
State of California (non-education)	30,200	6	0.62%	32,300	6	0.68%
Kaiser Permanente	32,180	7	0.66%	27,635	7	0.58%
Northrop Grumman Corp	21,000	8	0.43%	10,000	10	0.21%
Boeing Co.	15,825	9	0.33%	23,468	8	0.49%
Kroger Co. (former Ralph's Grocery Co.)	14,000	10	0.29%	17,211	9	0.36%
Ten largest companies or organizations	423,251		8.71%	428,374		8.95%
All other companies or organizations	4,434,149		91.29%	4,356,426		91.05%
<b>Total companies or organizations</b>	<b>4,857,400 (4) **</b>		<b>100.00%</b>	<b>4,784,800 (5) **</b>		<b>100.00%</b>

Notes:

- (1) Information from nine years ago was not available. As such, we used 2002 information that was the earliest available.
- (2) May not include part-time or temporary employees or student workers.
- (3) Includes U.S. Postal Service.
- (4) As of October 2006.
- (5) As of December 2002.

Sources:

- \* Los Angeles Almanac website address: [www.laalmanac.com/employment](http://www.laalmanac.com/employment)
- \*\* State of California Employment Development Department website address: [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov).

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

<u>Function/Program (1)</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
General Government	10,410	10,269	10,143	10,469	10,447	10,808	11,063	11,201	10,915	11,018
Public Protection	31,778	32,729	34,836	36,170	37,198	38,428	38,175	37,688	37,065	38,049
Health and Sanitation	25,410	25,369	25,327	26,311	27,107	27,737	27,056	26,079	26,322	26,717
Public Assistance	15,129	15,481	16,287	17,653	18,600	19,536	19,310	19,048	19,132	19,540
Education	1,557	1,550	1,559	1,600	1,628	1,666	1,706	1,722	1,722	1,828
Recreation and Cultural Services	2,060	2,104	2,186	2,317	2,282	2,352	2,406	2,388	2,324	2,393
<b>Total</b>	<b>86,344</b>	<b>87,502</b>	<b>90,338</b>	<b>94,520</b>	<b>97,262</b>	<b>100,527</b>	<b>99,716</b>	<b>98,126</b>	<b>97,480</b>	<b>99,545</b>

**Note:**

- (1) Full time equivalent count is calculated by dividing the total number of man-months paid by 12. Full time equivalent employees include all employees on our payroll system. This accounts for the difference between the total employee number of County employees on this schedule and the number of County employees per the "Principal Employers" schedule.
- (2) Specific data for Public Ways and Facilities is not available.

**Source:**

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

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

<u>Function/Program</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u> (Estimated)
<b>(1)</b> General Government					
Assessor - Number of re-appraisable transfers processed	215,147	239,501	243,472	242,036	237,000
Auditor Controller - Number of warrants issued monthly	431,730	415,317	400,928	389,807	260,000
Registrar Recorder - Number of registered voters	3,473,989	3,808,679	3,682,950	4,075,352	3,993,578
Public Protection					
Sheriff - Inmate population	19,100	17,400	17,400	17,900	19,200
Sheriff - Crime rate total <b>(2)</b>	326.08	315.98	315.68	310.77	310.31
Probation - Juvenile halls/camps population	3,700	3,700	3,600	3,600	3,500
Health and Sanitation					
Health Services - Average daily inpatient census	1,785	1,719	1,568	1,506	1,510
Health Services - Outpatient visits	3,088,000	2,731,000	2,587,000	2,606,000	2,602,000
Mental Health - Number of outpatient services to children and youth <b>(3)</b>	59,832	67,530	42,820	51,086	46,245
Public Assistance					
Children and Family Services - Child protective services caseloads	607,000	592,600	532,300	521,700	511,300
Children and Family Services - Adoption caseloads	58,700	38,700	32,200	32,600	33,000
Public Social Services - Average persons aided monthly thru CalWorks <b>(4)</b>	517,000	466,200	432,900	415,300	406,900
Public Social Services - Average number of indigents aided monthly	66,800	64,800	64,700	66,000	65,200
Community and Senior Services - Number of vulnerable adults served	21,200	23,355	24,513	25,766	27,069
Education					
Public Library - Number of reference/information inquiries answered	10,522,061	10,571,648	10,285,344	10,027,571	10,228,122
Public Library - Number of items which circulate to the public	15,808,870	15,912,865	15,020,945	14,211,255	14,566,536
Recreation and Culture					
Museum of Art - Total education program participants <b>(5)</b>	85,356	207,975	258,171	225,386	170,000
Museum of Natural History - Annual attendance <b>(6)</b>	411,298	923,834	934,636	914,426	840,429
Parks and Recreation - Total passive and active park users <b>(7)</b>	8,818,430	9,611,000	8,099,699	9,247,343	9,811,426

**Notes:**

- (1)** Trend data is available for only the prior four fiscal years, with the implementation of GASB 34.
- (2)** Represents number of offenses per 10,000 residents.
- (3)** Change methodology for 2005-06; data includes fee-for-service outpatient clients and costs which had not been included in previous year's data. Actual data has not been finalized.
- (4)** CalWorks is California's program to administer the Federal Temporary Assistance for Needy Families block grant that provides temporary financial support and supportive services to eligible adults with children to enable them to transition from welfare to work and to achieve economic self-sufficiency.
- (5)** Reflects decrease in 2005-06 due to construction of the Broad building between the main campus and Los Angeles County Museum of Art West.
- (6)** Reflects admissions to both Exposition Park and George C. Page Museums.
- (7)** Information based on periodic/seasonal observation. Passive activities include walking, jogging, running, leisure and picnic activities.
- (8)** Indicators are not available for the Public Ways and Facilities function.

**Sources:**

2004-05, 2005-06 and 2006-2007 Proposed Budget Books

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

Function/Program	(1) 2001-02	2002-03	2003-04	2004-05	2005-06
<b>Public Protection</b>					
Animal Shelters	7	7	7	7	7
Sheriff Vehicles	11,730	11,884	10,462	10,040	8,959
Fire Vehicles	11,852	11,896	10,364	9,962	8,888
<b>Public ways and facilities</b>					
Mileage of maintained County roads	3,120	3,131	3,164	3,170	3,179
Miles of unincorporated County bikeways	n/a	134	134	135	135
Airports	5	5	5	5	5
Dams	15	15	15	15	15
Storm drains, in miles	2,708	2,732	2,754	2,777	2,782
Pumping plants	40	40	45	45	45
<b>Health and Sanitation</b>					
Hospitals	6	6	5	5	5
Health centers	39	22	18	18	18
Hospital Equipment	32,451	30,955	31,006	26,950	25,582
<b>Education</b>					
Libraries	84	84	84	84	84
Bookmobiles	8	5	5	5	5
<b>Recreation and Cultural services</b>					
Museums	4	4	4	4	4
Arboretums and Botanic Gardens	4	4	4	4	4
Golf courses	19	19	19	19	19
Beaches	21	21	21	20	20
Boat Slips	6,000	6,000	5,246	5,246	5,246

**Notes:**

(1) Trend data is available for only the prior four years, with the implementation of GASB 34.

(2) No capital asset indicators are available for the General Government or Public Assistance functions.

**Source:**

2005-06 CAO Annual Report, Dept of Public Works website, Sheriffs dept website