

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

Fiscal Year Ended June 30, 2007  
J. Tyler McCauley • Auditor/Controller

**COUNTY OF LOS ANGELES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
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# **INTRODUCTORY SECTION**



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

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LOS ANGELES, CALIFORNIA 90012-2706  
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J. TYLER McCAULEY  
AUDITOR-CONTROLLER

WENDY L. WATANABE  
CHIEF DEPUTY

December 13, 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, 2007. 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 Independent Auditor's Report is presented at the front of the financial section of this report. Management's Discussion and Analysis (MD&A), immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The report includes financial data for all County funds 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 Commission (including the Housing Authority of the County of Los Angeles)	Various Joint Powers Authorities
First 5 LA	Los Angeles County Employees Retirement Association
	Los Angeles County Capital Asset Leasing Corporation
	Los Angeles County Securitization Corporation

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. 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 2005 Gross Product estimated at \$418 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 2006, but is expected to see lower growth through 2007-2008 with a slow-down in the housing sector being the primary impediment to stronger growth.

Since 2003, the County has experienced a steady recovery in the job market with three straight years of lower unemployment rates. The 2006 unemployment rate of 4.5% was the lowest in the County since 1988. In 2007, the County's economy is expected to experience moderate job growth in non-farm employment of approximately 1.1% (or 43,700 jobs) from 2006 employment levels. The continued improvement in the job market is accompanied by \$33 billion in major construction projects that are currently underway, including the expansion of port facilities, light rail projects, school construction programs, the "LA Live" entertainment complex and the Grand Avenue redevelopment project.

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 2007. The continuing increase in international trade has made the ports of Los Angeles and Long Beach the busiest and most productive in the nation. As measured by the value of two-way trade, Los Angeles continues to be the number one customs district in the nation for international trade. In 2006, the value of two-way trade continued to grow at a strong pace to a record level of \$329.4 billion, or a 12% increase from 2005.

### INTERNAL AND BUDGETARY CONTROLS

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

In accordance with the provisions of Section 29000-29144 of the Government Code, commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 of each fiscal year. Expenditures are controlled at the object level for all budget units within the County, except for capital 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.

#### MAJOR INITIATIVES

The County's 2007-2008 Budget continued to incrementally build upon the previous years' budgets that focused on funding public protection and health services needs. New funding initiatives have been incorporated into the Budget for 1) custody system improvements, 2) juvenile halls and camps, 3) unincorporated area patrol and 4) gang reduction strategies. The County's improved financial condition has also enabled significant funding to be allocated for capital asset spending.

#### PUBLIC PROTECTION

The 2007-2008 Budget continued to focus on the Sheriff's custody system as well as patrol. In the custody area, \$19.3 million was targeted to improve conditions and safety. Capital asset funding of \$245 million was also provided for the refurbishment of the Sybil Brand Institute and new barracks at the Pitchess Detention Center. Funds have also been set aside for the design of a major refurbishment of the Men's Central Jail, which will require substantial funding in future years if the overall project plans materialize. In order to enhance patrol programs in unincorporated areas of the County, \$17.3 million of funding has been allocated to provide for 105 deputy sheriff positions and 8 support positions.

The Probation Department was funded by an additional \$20.9 million to implement a number of Board-approved initiatives to comply with the federal decree to improve conditions for juvenile wards by redesigning camps, restructuring camp management, and increasing administrative and support staff. An additional \$47 million has been set aside to provide provisional funding for one-time and ongoing critical needs in the Probation area.

The County has been pursuing a number of anti-gang initiatives. The Budget added \$6.4 million in funding to the Sheriff, District Attorney and Probation Department in a comprehensive effort to combat gang violence in the County.

## HEALTH SERVICES

The Budget for the Department of Health Services was initially balanced with augmented funding of \$80 million from the General Fund. The health services budget is continually being reviewed and refined due to the August 2007 termination of services at Martin Luther King Jr./Harbor Hospital (MLK/H). The County is evaluating the impact of MLK/H's closure on other County health facilities and attempting to place former MLK/H employees into positions at the other facilities to assist in handling the additional service demands. On October 16, 2007, the Board of Supervisors directed that the Department of Health Services be placed on a hiring freeze pending the development of additional information on the fiscal impacts of the MLK/H closure.

## CAPITAL ASSET INITIATIVES

The County has continued to allocate a significant portion of the Budget for capital asset acquisitions and improvements. The original Budget provided \$1.4 billion to improve or build jails, libraries, hospitals, animal shelters, fire and sheriff stations, parks, probation camps, juvenile halls and infrastructure. In addition to the capital improvements referred to as part of the Public Protection area, the following notable capital asset projects were included in the 2007-2008 Budget:

- \$228.1 million for 192 land acquisition and improvement projects at beaches and parks.
- \$194 million for various facilities, including an animal shelter in the east Antelope Valley and an \$80 million allocation to provide initial funding for the replacement of the Kenneth Hahn Hall of Administration.
- \$189.7 million for health and mental health facilities, including the final year of the LAC+USC Medical Center Replacement Project; construction of the Harbor/UCLA Medical Center surgery/emergency room, the Olive View/UCLA emergency room/tuberculosis isolation unit and mental health urgent care center.
- \$119.1 million for new or replacement libraries in Acton/Agua Dulce, La Crescenta, Topanga Canyon, and unincorporated areas near Whittier and Lawndale; and refurbishment of Patriotic Hall.
- \$100 million for high priority infrastructural improvements at County fire, flood control and aviation facilities.
- \$77.5 million for high priority repairs and maintenance needs at County facilities, including probation camps, juvenile halls, and parks.

## OTHER INFORMATION

### INDEPENDENT AUDIT

The basic financial statements have been audited by Macias Gini & O'Connell 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 2005-2006 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-five fiscal years.

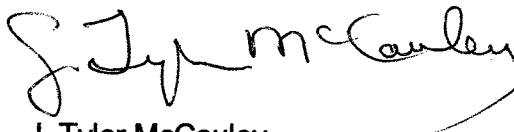
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable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

Sincerely,

A handwritten signature in black ink, appearing to read "J. Tyler McCauley". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

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, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

COUNTY OF LOS ANGELES  
BOARD OF SUPERVISORS AND PRINCIPAL COUNTY OFFICIALS  
AS OF JUNE 30, 2007

BOARD OF SUPERVISORS

Zev Yaroslavsky, Chairman  
Third District

Gloria Molina  
First District

Don Knabe  
Fourth District

Yvonne B. Burke  
Second District

Michael D. Antonovich  
Fifth 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

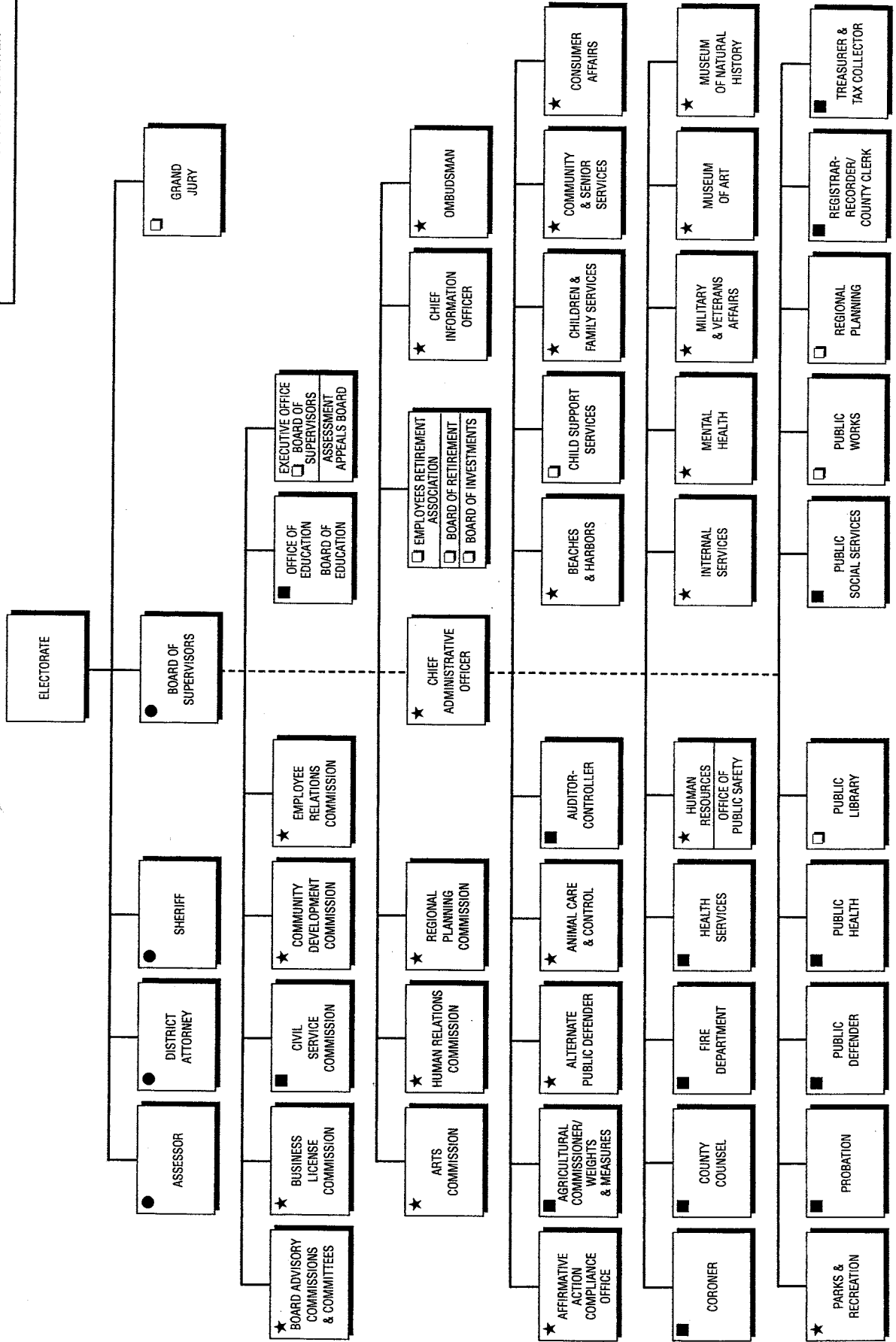
## LEGEND

### APPOINTIVE

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

### ELECTIVE

- REQUIRED BY COUNTY CHARTER





# **FINANCIAL SECTION**



**MACIAS GINI & O'CONNELL** LLP  
 CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
 Sacramento, CA 95816  
 916.928.4600

2175 N. California Boulevard, Suite 645  
 Walnut Creek, CA 94596  
 925.274.0190

515 S. Figueroa Street, Suite 325  
 Los Angeles, CA 90071  
 213.286.6400

402 West Broadway, Suite 400  
 San Diego, CA 92101  
 619.573.1112

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors  
 County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2007, 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) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net assets or fund balances, and revenues of the following opinion units:

Opinion Unit	Assets	Net assets or fund balance	Revenues
Governmental Activities	1%	1%	1%
Business-type Activities	5%	9%	10%
Aggregate Remaining Fund Information	75%	73%	16%

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 and LACERA, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 21 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 accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors 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's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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 and the other auditors express no opinion on them.

*Macias Jini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California  
December 13, 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, 2007. 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 \$17.177 billion. However, net assets are classified into three categories and the unrestricted component is negative \$836 million. See further discussion on page 7.

During the current year, the County's net assets increased by a total of \$1.523 billion. Net assets related to governmental activities increased by \$1.335 billion, while net assets related to business-type activities increased by \$188 million.

At the end of the current year, the County's General Fund reported a total fund balance of \$3.08 billion. The amount of unreserved fund balance was \$2.602 billion. Of the unreserved total, \$1.235 billion was designated.

The County's capital asset balances were \$17.258 billion at year-end and increased by \$612 million during the year.

During the current year, the County's total long-term debt decreased by \$373 million. Bond maturities of \$757 million exceeded the \$384 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.



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**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 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 into the following three categories:

- **Governmental Funds** - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital 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 \$17.177 billion at the close of the most recent fiscal year.

**Summary of Net Assets  
As of June 30, 2007 and 2006  
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 7,517,376	\$ 7,056,499	\$ 854,182	\$ 957,836	\$ 8,371,558	\$ 8,014,335
Capital assets	<u>14,929,975</u>	<u>14,432,994</u>	<u>2,328,116</u>	<u>2,213,544</u>	<u>17,258,091</u>	<u>16,646,538</u>
<b>Total assets</b>	<u><u>22,447,351</u></u>	<u><u>21,489,493</u></u>	<u><u>3,182,298</u></u>	<u><u>3,171,380</u></u>	<u><u>25,629,649</u></u>	<u><u>24,660,873</u></u>
Current and other liabilities	1,321,963	1,244,728	198,490	199,773	1,520,453	1,444,501
Long-term liabilities	<u>5,684,764</u>	<u>6,139,202</u>	<u>1,247,234</u>	<u>1,423,405</u>	<u>6,931,998</u>	<u>7,562,607</u>
<b>Total liabilities</b>	<u>7,006,727</u>	<u>7,383,930</u>	<u>1,445,724</u>	<u>1,623,178</u>	<u>8,452,451</u>	<u>9,007,108</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	14,192,494	13,567,513	2,190,999	1,827,225	16,383,493	15,394,738
Restricted net assets	1,443,083	1,378,439	186,266	165,427	1,629,349	1,543,866
Unrestricted net assets (deficit)	<u>(194,953)</u>	<u>(840,389)</u>	<u>(640,691)</u>	<u>(444,450)</u>	<u>(835,644)</u>	<u>(1,284,839)</u>
<b>Total net assets</b>	<u>15,440,624</u>	<u>14,105,563</u>	<u>1,736,574</u>	<u>1,548,202</u>	<u>17,177,198</u>	<u>15,653,765</u>
<b>Total liabilities and net assets</b>	<u>\$ 22,447,351</u>	<u>\$ 21,489,493</u>	<u>\$ 3,182,298</u>	<u>\$ 3,171,380</u>	<u>\$ 25,629,649</u>	<u>\$ 24,660,873</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 (\$16.384 billion) represents its investment in capital assets (i.e., 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.

Restricted Net Assets

The County's restricted net assets at year-end were \$1.629 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 \$836 million. Both governmental and business-type activities reported deficits in this category of \$195 million and \$641 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, 2007, there were \$3.799 billion of liabilities recorded for all of the items noted above and for all activities. Of this amount, the County's budget had cumulatively funded approximately \$171 million as of June 30, 2007, which consists of \$89 million related to governmental activities and \$82 million related to business-type activities. The \$89 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 \$82 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**

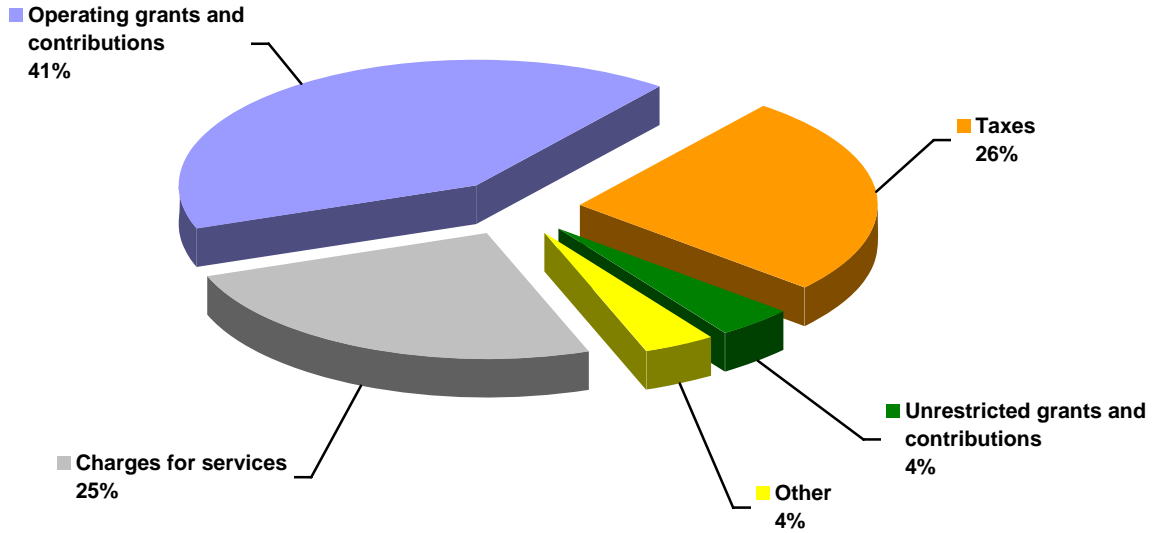
The following table indicates the changes in net assets for governmental and business-type activities:

**Summary of Changes in Net Assets  
For the Years Ended June 30, 2007 and 2006  
(in thousands)**

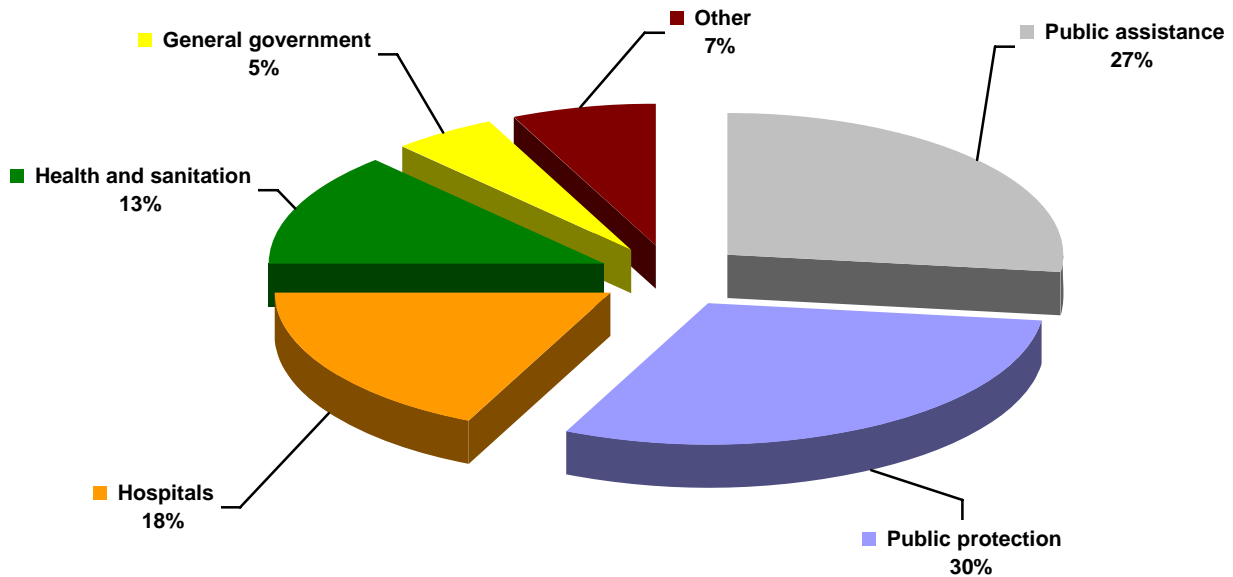
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,396,868	\$ 2,337,634	\$ 1,957,979	\$ 2,004,419	\$ 4,354,847	\$ 4,342,053
Operating grants and contributions	6,980,549	6,801,256	304,720	309,526	7,285,269	7,110,782
Capital grants and contributions	25,135	64,258	12,992	74,821	38,127	139,079
<b>General revenues:</b>						
Taxes	4,688,595	4,292,919	3,782	743	4,692,377	4,293,662
Unrestricted grants and contributions	761,705	730,516	35	34	761,740	730,550
Investment earnings	335,851	244,005	18,043	9,703	353,894	253,708
Miscellaneous	259,357	171,049	50,443	58,804	309,800	229,853
<b>Total revenues</b>	<b>15,448,060</b>	<b>14,641,637</b>	<b>2,347,994</b>	<b>2,458,050</b>	<b>17,796,054</b>	<b>17,099,687</b>
<b>Expenses:</b>						
General government	807,155	795,290			807,155	795,290
Public protection	4,872,413	4,443,432			4,872,413	4,443,432
Public ways and facilities	282,827	360,980			282,827	360,980
Health and sanitation	2,223,695	2,151,515			2,223,695	2,151,515
Public assistance	4,539,458	4,465,520			4,539,458	4,465,520
Education	99,136	92,867			99,136	92,867
Recreation and cultural services	266,967	240,274			266,967	240,274
Interest on long-term debt	239,608	221,838			239,608	221,838
Hospitals			2,894,493	2,778,251	2,894,493	2,778,251
Aviation			5,761	5,236	5,761	5,236
Waterworks			97,504	67,563	97,504	67,563
Community Development Commission			211,077	202,298	211,077	202,298
<b>Total expenses</b>	<b>13,331,259</b>	<b>12,771,716</b>	<b>3,208,835</b>	<b>3,053,348</b>	<b>16,540,094</b>	<b>15,825,064</b>
<b>Excess (deficiency) before transfers and special item</b>	<b>2,116,801</b>	<b>1,869,921</b>	<b>(860,841)</b>	<b>(595,298)</b>	<b>1,255,960</b>	<b>1,274,623</b>
Transfers	(1,049,213)	(989,117)	1,049,213	989,117		
Special item	267,473				267,473	
<b>Changes in net assets</b>	<b>1,335,061</b>	<b>880,804</b>	<b>188,372</b>	<b>393,819</b>	<b>1,523,433</b>	<b>1,274,623</b>
<b>Net assets – beginning</b>	<b>14,105,563</b>	<b>13,224,759</b>	<b>1,548,202</b>	<b>1,154,383</b>	<b>15,653,765</b>	<b>14,379,142</b>
<b>Net assets – ending</b>	<b>\$ 15,440,624</b>	<b>\$ 14,105,563</b>	<b>\$ 1,736,574</b>	<b>\$ 1,548,202</b>	<b>\$ 17,177,198</b>	<b>\$ 15,653,765</b>

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

**REVENUES BY SOURCE – ALL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**



**EXPENSES BY TYPE – ALL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**



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

The County's net assets increased by \$1.523 billion overall during the current fiscal year. The increases for governmental and business-type activities were \$1.335 billion and \$188 million, respectively. Following are specific major factors that resulted in the net asset changes.

**Governmental Activities**

Revenues from governmental activities grew by \$806 million (5.5%) 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 \$396 million higher than the previous year. The additional growth in tax revenues was concentrated in property taxes (\$369 million) and was consistent with the continued upward trend in the County's assessed property values, although the housing market began to slow down during the fiscal year.
- Operating grants and contributions are the County's largest source of program revenues and grew by \$179 million. The growth in this revenue source was primarily associated with health and mental health programs, where revenues grew by \$101 million. Federal and State funding for road and highway programs also increased by \$40 million. The remaining growth of \$38 million was associated with federal and State grant funding for public safety programs.
- Current year investment earnings increased by \$92 million, or 37.6 %. The yield from the County's Treasury Pool improved from 3.95% in the prior year to 5.25% in the current year.

Expenses related to governmental activities increased by \$560 million (4.4%) during the current year. The significant majority of the net increases in expenses were attributable to the public protection category, which grew by \$429 million. Salaries and employee benefits expenses increased in the public protection area by \$328 million. Significant factors that contributed to the increase were negotiated cost increases and expanded staffing in areas such as juvenile halls, probation camps, Sheriff's patrol programs, jail facilities and fire protection services.

As discussed in Note 5 to the basic financial statements, the County recognized a Special Item totaling \$267 million in the current year. The County accepted title to the Walt Disney Concert Hall, which has been recorded as a \$267 million addition to the County's capital assets. This transaction culminates a process which began 20 years ago with an initial donation of \$50 million. The County subsequently entered into a series of public/private partnerships and real estate transactions that resulted in the construction of this cultural landmark and ownership by the County.

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

### Business-type Activities

Revenues from business-type activities decreased in comparison to the prior year by \$110 million (4.5%). The most significant change was in the area of capital grants and contributions, which decreased by \$62 million. The decrease was attributable to capital contributions (primarily from the Federal Emergency Management Agency) associated with the building of the LAC+USC Medical Center. This funding is diminishing as the project is nearly completed. The remaining reduction in revenues is primarily associated with the Hospitals, which experienced an overall reduction in average daily census of approximately 5%.

Expenses related to business-type activities increased from the previous year by \$155 million (5.1%). The increased expenses were principally related to the Hospitals, where expenses were higher by \$116 million. Hospital costs for salaries and employee benefits increased by \$76 million and were reflective of negotiated wage and benefit increases. There were also cost increases associated with pharmaceutical supplies and contracted services.

### **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 \$5.556 billion, an increase of \$362 million in comparison with the prior year. Of the total fund balance, \$1.408 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional \$1.677 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining \$2.471 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were \$15.238 billion, an increase of \$623 million (4.3%) from the previous year. Expenditures for all governmental funds in the current year were \$13.849 billion, an increase of \$828 million (6.4%) from the previous year. In addition, other financing uses exceeded other financing sources by \$1.028 billion as compared to \$563 million in the prior year.



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

Governmental Funds-Continued

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by \$342 million (12.5%). At the end of the current fiscal year, the General Fund's total fund balance was \$3.08 billion. Of this amount, \$478 million was reserved and therefore unavailable for spending. Of the unreserved total of \$2.602 billion, \$1.235 billion has been designated (earmarked) and the remaining \$1.367 billion is considered both unreserved and undesignated.

General Fund revenues during the current year were \$12.871 billion, an increase of \$539 million (4.4%) from the previous year. General Fund expenditures during the current year were \$11.759 billion, an increase of \$689 million (6.2%) from the previous year. Other financing sources/uses-net was negative \$770 million in the current year as compared to negative \$850 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by \$355 million (11%), primarily from property taxes. The increase was attributable to ongoing growth in property values and their related tax levies as the housing market remained generally resilient throughout the fiscal year.
- Revenues from charges for services increased by \$110 million. A large portion (\$44 million) of this increase was concentrated in the Sheriff's Department and was related to recoveries of increased salaries and benefits from contracting agencies. The Assessor's Office realized a \$28 million increase as a result of additional billable activity and higher cost recoveries associated with property tax administration. The remaining increase in this revenue category (\$38 million) was recognized in several other areas, predominately Health Services Administration and Drug and Alcohol programs.
- Investment income increased by \$57 million (33.7%), as current year revenues were \$226 million in comparison with the prior year amount of \$169 million. As previously mentioned, the yield on investments during the current year was considerably higher than the prior year's yield.
- Current expenditures increased by \$702 million (6.5%), and there were increases in all functional areas. The most significant increase was in the area of public protection, where expenditures were higher by \$382 million. There were additional funds allocated to the public protection area and expenditures were notably higher in the Sheriff's Department (\$230 million) and Probation Department (\$53 million). Expenditures also increased in the areas of health and sanitation (\$122 million) and general government (\$103 million).

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

Governmental Funds-Continued

The Fire Protection District reported a year-end fund balance of \$142 million, which represented a decrease of \$10 million from the previous year. Revenues increased by \$81 million, of which \$40 million was attributable to property taxes and the remaining increase was associated with a variety of other revenues. Expenditures and other financing uses were higher by \$121 million and \$18 million, respectively. Salaries and benefits increased by \$52 million. Capital asset spending was also a factor as equipment expenditures were higher by \$35 million, primarily due to helicopter and fire engine purchases. The increase in other financing uses was attributable to transfers that were made to capital projects funds for future facilities' needs.

The Flood Control District reported a year-end fund balance of \$148 million, which was \$12 million higher than the previous year. This increase was primarily attributable to a comparable increase in revenues from property taxes (\$13 million).

The Public Library Fund reported a year-end fund balance of \$20 million, which was \$5 million higher than the previous year. The principal factors associated with the fund balance growth were higher property tax revenues and "transfers in," each of which increased by \$5 million in comparison to the previous year.

The Regional Park and Open Space District reported a year-end fund balance of \$261 million, which was \$15 million higher than the previous year. Current year revenues (\$91 million) were similar to the previous year (\$90 million) while expenditures declined by \$3 million and "transfers out" to reimburse County related expenditures were lower by \$4 million.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The County's principal proprietary funds 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 \$883 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of \$147 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"), which provides funding for trauma and emergency services.

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

Proprietary Funds-Continued

The average daily census for the County's Hospitals declined from the previous year's average of 1,493 to the current year average of 1,415. This decrease coincided with the curtailment of services at Martin Luther King/Harbor Hospital (MLK/Harbor). As discussed in Notes 12 and 18 to the basic financial statements, MLK/Harbor continued to be confronted with quality control issues and regulatory sanctions. In the current year, MLK/Harbor's operating revenues and expenses were lower by \$37 million (10.3%) and \$51 million (11.8%), respectively. As discussed in Note 18, the federal Centers for Medicare & Medicaid Services notified the County in August 2007 that MLK/Harbor failed to meet several Conditions of Participation and terminated the County's contract for this facility. The County has instituted a contingency plan that seeks to preserve outpatient services at MLK/Harbor and facilitates replacement of inpatient services at other County and private facilities. The County is also evaluating the feasibility of contracting with a qualified private operator to re-open and resume services at MLK/Harbor.

The Waterworks Funds reported year-end net assets of \$897 million, a \$10 million reduction from the previous year. However, the District's cash and investment position improved in the current year by \$20 million.

**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 14 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 \$637 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 Budget	Final Budget Amount	Actual Amount	Variance- Positive (Negative)
Taxes	\$ 92,576	\$ 3,526,669	\$ 3,563,294	\$ 36,625
Intergovernmental revenues	133,868	7,638,263	7,120,437	(517,826)
Charges for services	(91,067)	1,553,172	1,503,659	(49,513)
All other revenues	185,502	681,406	823,688	142,282
Other sources and transfers	24,595	392,131	186,248	(205,883)
<b>Total</b>	<b>\$ 345,474</b>	<b>\$13,791,641</b>	<b>\$13,197,326</b>	<b>\$(594,315)</b>

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

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated \$345 million. The most significant changes occurred in the following areas:

- The budget for tax revenues was increased by \$93 million. This increase consisted of \$83 million that was recognized in conjunction with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues. The remaining \$10 million was appropriated for a variety of programs.
- Estimated revenues from intergovernmental sources were increased by \$134 million. During the fiscal year, budgeted revenues for the Department of Children and Family Services were augmented by approximately \$52 million. The increases were primarily associated with the Services Outcome Improvement Project and foster care services. Estimated revenues for mental health services were increased by \$29 million and were used to augment appropriations. Estimated revenues from Homeland Security grant funds (\$20 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining \$33 million that was increased from the amounts originally budgeted for intergovernmental revenues.
- The net decrease of \$91 million related to charges for services was primarily due to adjustments made to the General Fund's Office of Managed Care budget. Anticipated revenues related to a managed care supplemental reimbursement rate did not materialize during the current year and the budget was adjusted accordingly.
- The increase of \$186 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 \$100 million, of which \$99 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 \$82 million as a result of higher than anticipated yield on cash and investments throughout the year.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately \$594 million, or 4.3%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues and "other sources and transfers" and was partially offset by "all other revenues" which exceeded the amount budgeted.

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

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

- Actual intergovernmental revenues were \$518 million lower than the amount budgeted. Social service programs, including children and family services, accounted for approximately \$221 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. Under-realized State sales taxes that fund social services programs were also a factor. An additional \$153 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. Approximately \$89 million (mostly federal assistance) was associated with mental health services, due to lower than expected reimbursable costs. The remaining variance of \$55 million was related to a variety of other programs that received intergovernmental revenues.
- The actual amount of "other sources and transfers" was \$206 million lower than the amount budgeted. Of this amount, "transfers in" totaling \$136 million were assumed in the budget for capital improvements and extraordinary building maintenance projects which did not incur expected costs. The Community Services and Support Plan, a mental health related program which anticipated "transfers in" of \$130 million, did not fully materialize at the budgeted level and "transfers in" were \$58 million lower than budgeted. There were various other sources and transfers that comprised the remaining variance of \$12 million.
- The amount budgeted for "all other revenues" was exceeded by \$142 million. Investment income exceeded the amount budgeted by \$60 million as the yield on investments was higher than anticipated. The remaining variance of \$82 million was generated by diverse revenue sources including property tax penalties (\$33 million), rents, concessions, and royalties (\$18 million), miscellaneous revenues (\$26 million) and licenses, permits and franchises (\$5 million).

Budgetary Summary - Expenditures/Other Financing Uses

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

<u>Category</u>	<u>Increase (Decrease) From Original Budget</u>	<u>Final Budget Amount</u>	<u>Actual Amount</u>	<u>Variance- Positive</u>
General government	\$ (100,605)	\$ 1,146,202	\$ 769,193	\$ 377,009
Public protection	96,516	4,170,369	4,040,507	129,862
Health and sanitation	18,591	2,389,938	2,192,620	197,318
Public assistance	65,280	4,813,492	4,497,898	315,594
All other expenditures	36,184	1,458,596	395,642	1,062,954
Transfers out	(21,611)	968,146	957,820	10,326
Contingencies	130,337	130,337		130,337
Reserves/designations-net	120,782	(215,611)	(292,883)	77,272
<b>Total</b>	<b>\$ 345,474</b>	<b>\$ 14,861,469</b>	<b>\$ 12,560,797</b>	<b>\$2,300,672</b>

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

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately \$345 million. As discussed below, the most significant changes occurred in the following areas:

- After the original budget was established, appropriations for contingencies were increased by \$130 million. The increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.
- Provisions for net reserves and designations were increased during the year by \$121 million. At the end of the fiscal year, a \$78 million reserve was established for long-term receivables associated with State-funded mental health programs. There were additions of \$66 million related to designations established for health services. Miscellaneous reductions of approximately \$23 million were made to other designations.
- Appropriations were increased for the public protection category by approximately \$97 million. Funding was added to the budgets of the Sheriff's Department (\$56 million), the Probation Department (\$29 million) and various other public protection operations (\$12 million). The Sheriff and Probation Departments were allocated \$23 million and \$16 million, respectively, for negotiated salary and employee benefit increases approved by the Board after the adoption of the Original Budget. The remaining \$46 million allocated to the two departments consisted of unanticipated revenues, designations, and other internal County funding sources.
- Overall appropriations were reduced for the general government category by \$101 million. As previously mentioned, a \$78 million reserve was established for long-term receivables. This reserve was funded by reductions in general government appropriations. General government appropriations were also reduced by \$54 million and shifted to other functional areas (primarily public protection) to fund salary and employee benefit increases. There was a net increase of \$31 million for various other general government programs, the most significant of which was a \$26 million allocation for the County's financial enterprise reporting system.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were \$2.301 billion lower (approximately 15.5%) than the final total budget of \$14.861 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

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

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

- The category referred to as "all other expenditures" reflected actual spending of \$1.063 billion less than the budgeted amount. Nearly all (\$1.051 billion) of this variance was related to the capital outlay category. The final budget for capital outlay in the current year was \$350 million higher than the comparable amount in the previous year as the County continued to add resources to this area. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects.
- The general government function reported actual expenditures that were \$377 million less than the amount budgeted. Of this amount, \$260 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations, extraordinary maintenance and repairs, and favorable adjustments to contingent liability cases. The remaining \$117 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.
- Actual public assistance expenditures were \$316 million lower than the final budget. A large portion of this variance (\$160 million) was concentrated in programs operated by the Department of Public Social Services. Administrative costs were lower than anticipated, and program caseload volume and cost per caseload were also less than the amounts budgeted. There were also budgetary savings (\$75 million) associated with the Homeless and Housing Program. This is a relatively new Program, and there were delays in the contracting processes associated with the Program's initiatives. Programs operated by the Department of Children and Family Services recognized savings of \$61 million that were reflective of vacant positions, hiring delays, and lower than anticipated information technology costs. The remaining variance amount of \$20 million was related to other public assistance programs.
- Overall expenditures for the health and sanitation category were \$197 million less than the budgeted amount. Appropriations related to mental health services exceeded actual expenditures by \$137 million, primarily due to less than anticipated costs for services and supplies. The remaining variance of \$60 million was associated with a variety of health care programs administered by the Departments of Health Services and Public Health Services.

**Capital Assets**

The County's capital assets for its governmental and business type activities as of June 30, 2007 were \$17.258 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation.

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

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was \$612 million, as shown in the following table.

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

	<u>Current Year</u>	<u>Prior Year</u>	<u>Increase (Decrease)</u>
Land and easements	\$ 7,240,287	\$ 7,080,469	\$ 159,818
Buildings and improvements	3,044,116	2,892,361	151,755
Infrastructure	5,291,789	5,299,612	(7,823)
Equipment	370,197	317,449	52,748
Construction-in-progress	<u>1,311,702</u>	<u>1,056,647</u>	<u>255,055</u>
Total	<u>\$17,258,091</u>	<u>\$16,646,538</u>	<u>\$ 611,553</u>

The County's most significant capital asset activity during the current year was the recognition of the Disney Concert Hall, which was recorded in the financial statements at \$267 million. In addition, the rebuilding of the LAC+USC Medical Center remained the most significant active capital spending project and its capitalized costs during the current year approximated \$151 million. The overall project cost is estimated at \$899 million and the project is expected to be completed during FY 2007-2008. At June 30, 2007, there were outstanding capital commitments of \$66 million related to the LAC+USC Medical Center.

**Debt Administration**

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

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

	<u>Current Year</u>	<u>Prior Year</u>	<u>Decrease</u>
Bonds and Notes Payable	\$ 1,848,630	\$ 1,998,099	\$ 149,469
Pension Bonds Payable	<u>1,185,197</u>	<u>1,408,441</u>	<u>223,244</u>
Total	<u>\$ 3,033,827</u>	<u>\$ 3,406,540</u>	<u>\$ 372,713</u>

During the current year, the County's liabilities for long-term debt decreased by \$373 million, or 10.9%. Specific changes related to governmental and business-type activities are presented in Note 9 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:



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

- Refunding bonds totaling \$321 million were issued to advance refund outstanding bond principal of \$382 million.
- New debt of \$20 million was issued to finance the acquisition of equipment. Equipment debt totaling \$15 million was redeemed during the year in accordance with maturity schedules.
- Pension bonds totaling \$223 million were redeemed during the year.

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 29, 2007, and by periodic borrowing from available trust funds.

**Bond Ratings**

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

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa3	AA-	
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	Aa2	AA	AA+

During the current year, the County's General Obligation Bonds were upgraded by Standard and Poor's from A+ to AA-. Standard and Poor's also upgraded the County's Pension Bonds, Facilities, and Equipment/Non-Essential Leases from A to A+. The Regional Park and Open Space District Bonds were upgraded by both Moody's and Fitch from Aa3 and AA, respectively, to Aa2 and AA+, respectively. All other bond ratings were maintained at the same level as the previous year.

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

**Economic Conditions and Outlook**

The Board of Supervisors adopted the County's 2007-2008 Budget on June 18, 2007. The Budget was adopted based on estimated fund balances that would be available at the end of 2006-2007. The Board updated the Budget on September 25, 2007 to reflect final 2006-2007 fund balances and other pertinent financial information. For the County's General Fund, the 2007-2008 Budget, as updated in September 2007, utilized \$1.706 billion of available fund balance, which exceeded the previously estimated fund balance of \$1.341 billion. The additional fund balance of \$365 million was used to appropriate \$75 million to carryover lapsed appropriations and \$290 million was appropriated or designated for one-time needs which were predominately capital improvements.

The 2007-2008 Budget continues the County's conservative budgetary approach in response to the ongoing uncertainty at both the federal and State levels. The economic outlook for the County remains positive with slightly slower growth expected. The County is sensitive to predictions of a "bursting housing bubble" and although this has not materialized, the housing market continues to contract. The slowing resale housing market presents the biggest risk to the County, as it has a potential negative impact on property tax revenues, the County's most important source of local funding.

For 2007-2008, the County is in the process of implementing Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which establishes financial reporting standards designed to measure, recognize, and display postemployment benefit costs. The County has determined that its share of the actuarial accrued liability for retiree health programs is \$20.302 billion. The actuarial required contribution (ARC) for 2007-2008 is \$1.555 billion. Although there are no legal requirements to fund the ARC, the County has established a Joint Labor Management Retiree Health Committee and is examining the feasibility of creating a trust fund for purposes of pre-funding these benefits. At this time, the County's Budget has appropriated the "pay-as-you-go" amount of retiree health benefits for 2007-2008, which are estimated at \$342 million.

**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, 2007 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 LA
<b>ASSETS</b>				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	\$ 3,965,791	\$ 205,875	\$ 4,171,666	\$ 163,111
Other (Note 1)	905,740	57,965	963,705	
Total pooled cash and investments	<u>4,871,531</u>	<u>263,840</u>	<u>5,135,371</u>	<u>163,111</u>
Other investments (Note 4)	303,363	78,720	382,083	679,422
Taxes receivable	344,068	731	344,799	
Accounts receivable - net		584,767	584,767	
Interest receivable	48,115	1,853	49,968	12,237
Other receivables	1,514,618	29,610	1,544,228	21,839
Internal balances (Note 13)	200,022	(200,022)		
Inventories	95,447	25,459	120,906	
Restricted assets (Note 4)	9,268	23,728	32,996	
Net pension obligation (Note 6)	130,944	45,496	176,440	
Capital assets: (Notes 5 and 8)				
Capital assets, not being depreciated	7,433,679	1,118,310	8,551,989	2,039
Capital assets, net of accumulated depreciation	<u>7,496,296</u>	<u>1,209,806</u>	<u>8,706,102</u>	<u>11,513</u>
Total capital assets	<u>14,929,975</u>	<u>2,328,116</u>	<u>17,258,091</u>	<u>13,552</u>
<b>TOTAL ASSETS</b>	<u>22,447,351</u>	<u>3,182,298</u>	<u>25,629,649</u>	<u>890,161</u>
<b>LIABILITIES</b>				
Accounts payable	359,139	76,533	435,672	27,661
Accrued payroll	454,588	102,218	556,806	
Other payables	108,859	11,135	119,994	
Accrued interest payable	18,432	684	19,116	
Unearned revenue (Note 6)	93,365	7,920	101,285	1,782
Advances payable	287,580		287,580	
Noncurrent liabilities: (Notes 6, 8, 9, 12 and 16)				
Due within one year	847,541	224,367	1,071,908	72
Due in more than one year	<u>4,837,223</u>	<u>1,022,867</u>	<u>5,860,090</u>	<u>159</u>
<b>TOTAL LIABILITIES</b>	<u>7,006,727</u>	<u>1,445,724</u>	<u>8,452,451</u>	<u>29,674</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt (Notes 5 and 9)	14,192,494	2,190,999	16,383,493	13,552
Restricted for:				
Capital projects	150,980		150,980	
Debt service	1,143	107,139	108,282	
Permanent trust	3,380		3,380	
Special purpose	1,287,580	79,127	1,366,707	846,935
Unrestricted (deficit)	<u>(194,953)</u>	<u>(640,691)</u>	<u>(835,644)</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 15,440,624</u>	<u>\$ 1,736,574</u>	<u>\$ 17,177,198</u>	<u>\$ 860,487</u>

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

COUNTY OF LOS ANGELES  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

FUNCTIONS	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government	\$ 807,155	\$ 451,050	\$ 39,316	\$ 7,697
Public protection	4,872,413	1,189,730	1,178,230	2,687
Public ways and facilities	282,827	31,390	217,637	
Health and sanitation	2,223,695	518,893	1,505,926	2,365
Public assistance	4,539,458	28,421	4,034,618	
Education	99,136	3,853	2,529	
Recreation and cultural services	266,967	173,531	2,293	12,386
Interest on long-term debt	239,608			
Total governmental activities	<u>13,331,259</u>	<u>2,396,868</u>	<u>6,980,549</u>	<u>25,135</u>
Business-type activities:				
Hospitals	2,894,493	1,864,209	71,636	12,911
Aviation	5,761	2,914	1,878	81
Waterworks	97,504	79,547	158	
Community Development Commission	211,077	11,309	231,048	
Total business-type activities	<u>3,208,835</u>	<u>1,957,979</u>	<u>304,720</u>	<u>12,992</u>
Total primary government	<u>\$ 16,540,094</u>	<u>\$ 4,354,847</u>	<u>\$ 7,285,269</u>	<u>\$ 38,127</u>
<b>COMPONENT UNIT -</b>				
First 5 LA	<u>\$ 137,489</u>	<u>\$</u>	<u>\$ 139,466</u>	<u>\$</u>

**GENERAL REVENUES:**

Taxes:

  Property taxes

  Utility users taxes

  Voter approved taxes

  Documentary transfer taxes

  Other taxes

Sales and use taxes, levied by the State

Grants and contributions not restricted  
to special programs

Investment earnings

Miscellaneous

SPECIAL ITEM - Contribution of Disney Hall (Note 5)

TRANSFERS - NET

  Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2006

NET ASSETS, JUNE 30, 2007

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
\$ (309,092)	\$	\$ (309,092)	
(2,501,766)		(2,501,766)	
(33,800)		(33,800)	
(196,511)		(196,511)	
(476,419)		(476,419)	
(92,754)		(92,754)	
(78,757)		(78,757)	
(239,608)		(239,608)	
(3,928,707)		(3,928,707)	
	(945,737)	(945,737)	
	(888)	(888)	
	(17,799)	(17,799)	
	31,280	31,280	
	(933,144)	(933,144)	
(3,928,707)	(933,144)	(4,861,851)	
			\$ 1,977
4,142,889	3,782	4,146,671	
65,457		65,457	
253,690		253,690	
87,930		87,930	
55,038		55,038	
83,591		83,591	
761,705	35	761,740	
335,851	18,043	353,894	42,823
259,357	50,443	309,800	291
267,473		267,473	
(1,049,213)	1,049,213		
5,263,768	1,121,516	6,385,284	43,114
1,335,061	188,372	1,523,433	45,091
14,105,563	1,548,202	15,653,765	815,396
\$ 15,440,624	\$ 1,736,574	\$ 17,177,198	\$ 860,487

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

Utility users taxes

Voter approved taxes

Documentary transfer taxes

Other taxes

Sales and use taxes, levied by the State

Grants and contributions not restricted  
to special programs

Investment earnings

Miscellaneous

SPECIAL ITEM - Contribution of Disney Hall (Note 5)

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, JULY 1, 2006

NET ASSETS, JUNE 30, 2007

COUNTY OF LOS ANGELES  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
<b>ASSETS:</b>				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	\$ 1,882,867	84,507	135,097	21,695
Other (Note 1)	785,987	55,626	8,781	3,556
Total pooled cash and investments	<u>2,668,854</u>	<u>140,133</u>	<u>143,878</u>	<u>25,251</u>
Other investments (Notes 3 and 4)	6,400			121
Taxes receivable	248,095	54,186	15,731	7,189
Interest receivable	33,096	697	990	210
Other receivables	1,324,587	27,006	10,863	248
Due from other funds (Note 13)	370,124	4,486	13,158	762
Advances to other funds (Note 13)	400,280		6,213	
Inventories	42,561	6,247		1,108
<b>TOTAL ASSETS</b>	<u>\$ 5,093,997</u>	<u>232,755</u>	<u>190,833</u>	<u>34,889</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 300,087	7,242	2,871	2,912
Accrued payroll	392,779	37,171		4,184
Other payables	86,055	1,996		340
Due to other funds (Note 13)	602,358	6,064	25,285	2,056
Deferred revenue (Note 6)	338,714	38,341	15,059	5,184
Advances payable	278,023			
Third party payor liability (Notes 9 and 12)	15,537			
<b>TOTAL LIABILITIES</b>	<u>2,013,553</u>	<u>90,814</u>	<u>43,215</u>	<u>14,676</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances	415,001	18,421	100,464	7,846
Inventories	42,561	6,247		1,108
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	20,718	25	3,011	15
Unreserved, designated for:				
Budget uncertainties	338,192	54,000		
Program expansion	328,795	29,824		3,399
Health services	326,849			
Capital projects	241,489		33,814	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	1,366,839			
Special revenue funds		33,424	10,329	7,845
Capital projects funds				
<b>TOTAL FUND BALANCES</b>	<u>3,080,444</u>	<u>141,941</u>	<u>147,618</u>	<u>20,213</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,093,997</u>	<u>232,755</u>	<u>190,833</u>	<u>34,889</u>

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



REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
\$ 263,441	1,540,768		\$ 3,928,375
3,540	40,795		898,285
<u>266,981</u>	<u>1,581,563</u>		<u>4,826,660</u>
	592,884	(304,235)	295,170
3,335	15,532		344,068
2,222	10,558		47,773
4,013	93,791		1,460,508
9	311,189		699,728
	11,034		417,527
	37,581		87,497
<u>\$ 276,560</u>	<u>2,654,132</u>	<u>(304,235)</u>	<u>\$ 8,178,931</u>
\$ 1,022	48,270		\$ 362,404
	465		434,599
85	18,285		106,761
9,007	293,863		938,633
5,234	74,854		477,386
	8,169		286,192
	1,630		17,167
<u>15,348</u>	<u>445,536</u>		<u>2,623,142</u>
78,400	174,425		794,557
	37,581		87,497
	1,662		1,662
	771,679	(304,235)	467,444
	3,380		3,380
	29,587		53,356
	86,182		478,374
64,873			426,891
			326,849
			275,303
	169,104		169,104
			1,366,839
117,939	666,461		835,998
	268,535		268,535
<u>261,212</u>	<u>2,208,596</u>	<u>(304,235)</u>	<u>5,555,789</u>
<u>\$ 276,560</u>	<u>2,654,132</u>	<u>(304,235)</u>	<u>\$ 8,178,931</u>

## ASSETS:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Notes 3 and 4)

Taxes receivable

Interest receivable

Other receivables

Due from other funds (Note 13)

Advances to other funds (Note 13)

Inventories

TOTAL ASSETS

## LIABILITIES AND FUND BALANCES

## LIABILITIES:

Accounts payable

Accrued payroll

Other payables

Due to other funds (Note 13)

Deferred revenue (Note 6)

Advances payable

Third party payor liability (Notes 9 and 12)

TOTAL LIABILITIES

## 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

TOTAL FUND BALANCES

TOTAL LIABILITIES AND FUND BALANCES

COUNTY OF LOS ANGELES  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007 (in thousands)

Fund balances - total governmental funds (page 27) \$ 5,555,789

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	\$	6,994,837	
Construction-in-progress		438,842	
Buildings and improvements - net		2,633,854	
Equipment - net		253,579	
Infrastructure - net		4,540,240	14,861,352

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

Deferred revenue - taxes	\$	244,587	
Long-term receivables		194,364	438,951

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

122,166

Accrued interest payable is not recognized in governmental funds.

(18,432)

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 (including accreted interest)	\$	(1,659,220)	
Pension bonds payable		(820,621)	
Capital lease obligations		(98,245)	
Accrued vacation/sick leave		(662,360)	
Workers' compensation		(1,807,937)	
Litigation/self-insurance		(397,513)	
Third party payor liability		(400)	(5,446,296)

Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets.

(72,906)

Net assets of governmental activities (page 23)

\$ 15,440,624



COUNTY OF LOS ANGELES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
<b>REVENUES:</b>				
Taxes	\$ 3,572,932	580,763	88,011	66,822
Licenses, permits and franchises	61,138	9,228	514	
Fines, forfeitures and penalties	234,747	3,041	1,059	477
Revenue from use of money and property:				
Investment income (Note 4)	226,247	2,555	6,113	822
Rents and concessions (Note 8)	67,984	80	6,995	19
Royalties	280		306	
Intergovernmental revenues:				
Federal	2,695,498	14,383	5,375	107
State	4,251,149	16,317	9,324	2,952
Other	103,474	29,810	4,824	1,263
Charges for services	1,467,608	166,120	112,524	2,372
Miscellaneous	189,636	133	11,875	562
<b>TOTAL REVENUES</b>	<b>12,870,693</b>	<b>822,430</b>	<b>246,920</b>	<b>75,396</b>
<b>EXPENDITURES:</b>				
Current:				
General government	854,052			
Public protection	3,855,819	788,880	214,526	
Public ways and facilities				
Health and sanitation	2,126,233			
Public assistance	4,410,224			
Education				98,626
Recreation and cultural services	217,221			
Debt service:				
Principal	124,234	6,125		1,360
Interest and other charges	144,131	6,149		1,366
Capital leases	25,936			
Capital outlay	818			
<b>TOTAL EXPENDITURES</b>	<b>11,758,668</b>	<b>801,154</b>	<b>214,526</b>	<b>101,352</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,112,025</b>	<b>21,276</b>	<b>32,394</b>	<b>(25,956)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (Note 13)	267,243			35,294
Transfers out (Note 13)	(1,039,031)	(31,487)	(21,065)	(3,844)
Issuance of debt (Note 9)				
Payment to refunded bonds escrow agent (Note 9)				
Bond premium proceeds (Note 9)				
Capital leases (Note 8)	818			
Sales of capital assets	1,111	287	599	3
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(769,859)</b>	<b>(31,200)</b>	<b>(20,466)</b>	<b>31,453</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>342,166</b>	<b>(9,924)</b>	<b>11,928</b>	<b>5,497</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>2,738,278</b>	<b>151,865</b>	<b>135,690</b>	<b>14,716</b>
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$ 3,080,444</b>	<b>141,941</b>	<b>147,618</b>	<b>20,213</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 3)	TOTAL GOVERNMENTAL FUNDS
\$	259,127		\$ 4,567,655
	6,810		77,690
792	76,058		316,174
12,749	102,400	(16,021)	334,865
	5,796		80,874
	8		594
	120,569		2,835,932
	333,450		4,613,192
	14,745		154,116
77,709	139,391		1,965,724
	89,087		291,293
<u>91,250</u>	<u>1,147,441</u>	<u>(16,021)</u>	<u>15,238,109</u>
	17,252		871,304
	96,113		4,955,338
	271,904		271,904
	129,504		2,255,737
	128,968		4,539,192
	489		99,115
42,417	5,391		265,029
	194,644	(21,475)	304,888
	75,761	(16,021)	211,386
			25,936
	48,079		48,897
<u>42,417</u>	<u>968,105</u>	<u>(37,496)</u>	<u>13,848,726</u>
<u>48,833</u>	<u>179,336</u>	<u>21,475</u>	<u>1,389,383</u>
	237,840		540,377
(33,710)	(463,204)		(1,592,341)
	326,245		326,245
	(320,995)		(320,995)
	14,566		14,566
	1,816		3,816
<u>(33,710)</u>	<u>(203,732)</u>		<u>(1,027,514)</u>
15,123	(24,396)	21,475	361,869
246,089	2,232,992	(325,710)	5,193,920
<u>\$ 261,212</u>	<u>2,208,596</u>	<u>(304,235)</u>	<u>\$ 5,555,789</u>

## REVENUES:

Taxes
Licenses, permits and franchises
Fines, forfeitures and penalties
Revenue from use of money and property:
Investment income (Note 4)
Rents and concessions (Note 8)
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 13)
Transfers out (Note 13)
Issuance of debt (Note 9)
Payment to refunded bonds escrow agent (Note 9)
Bond premium proceeds (Note 9)
Capital leases (Note 8)
Sales of capital assets
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>

## NET CHANGE IN FUND BALANCES

FUND BALANCE, JULY 1, 2006

FUND BALANCE, JUNE 30, 2007

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, 2007 (in thousands)

Net change in fund balances - total governmental funds (page 31)		\$ 361,869
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	\$ 400,933	
Less - current year depreciation expense	<u>(265,097)</u>	135,836
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.		(7,171)
Contribution of capital assets is not recognized in the governmental funds.		374,704
Revenue timing differences result in more revenue in government-wide statements.		80,104
Issuance of long-term debt along with any bond premium provides revenue in the governmental funds, but increases long-term liabilities in the statement of net assets.		(19,816)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Pension bonds	\$ 131,719	
General obligation bonds	9,105	
Certificates of participation	138,230	
Assessment bonds	21,475	
Other long term notes and loans	<u>27,328</u>	327,857
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	\$ 139,980	
Change in litigation/self-insurance	59,622	
Change in accrued vacation/sick leave	(66,268)	
Change in third party payor liability	577	
Change in accrued interest payable	(1,479)	
Accretion of tobacco settlement bonds	(18,495)	
Accretion of pension bonds	<u>22,853</u>	136,790
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(63,039)
The portion of internal service funds that is reported with governmental activities.		<u>7,927</u>
Change in net assets of governmental activities (page 25)		<u><u>\$ 1,335,061</u></u>

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

COUNTY OF LOS ANGELES  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 3,434,093	3,526,669	3,563,294	36,625
Licenses, permits and franchises	54,364	55,954	61,138	5,184
Fines, forfeitures and penalties	200,190	201,696	234,748	33,052
Revenue from use of money and property:				
Investment income	78,412	160,653	220,977	60,324
Rents and concessions	50,559	50,559	67,984	17,425
Royalties	156	156	280	124
Intergovernmental revenues:				
Federal	3,027,325	3,047,620	2,690,846	(356,774)
State	4,377,133	4,489,944	4,333,052	(156,892)
Other	99,937	100,699	96,539	(4,160)
Charges for services	1,644,239	1,553,172	1,503,659	(49,513)
Miscellaneous	112,223	212,388	238,561	26,173
<b>TOTAL REVENUES</b>	<b>13,078,631</b>	<b>13,399,510</b>	<b>13,011,078</b>	<b>(388,432)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,246,807	1,146,202	769,193	(377,009)
Public protection	4,073,853	4,170,369	4,040,507	(129,862)
Health and sanitation	2,371,347	2,389,938	2,192,620	(197,318)
Public assistance	4,748,212	4,813,492	4,497,898	(315,594)
Recreation and cultural services	232,983	236,272	223,823	(12,449)
Debt Service-				
Interest	17,682	17,682	17,682	
Capital Outlay	1,171,747	1,204,642	154,137	(1,050,505)
<b>TOTAL EXPENDITURES</b>	<b>13,862,631</b>	<b>13,978,597</b>	<b>11,895,860</b>	<b>(2,082,737)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(784,000)</b>	<b>(579,087)</b>	<b>1,115,218</b>	<b>1,694,305</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	704	704	1,110	406
Transfers in	366,832	391,427	185,138	(206,289)
Transfers out	(989,757)	(968,146)	(957,820)	10,326
Appropriation for contingencies		(130,337)		130,337
Changes in reserves and designations	336,393	215,611	292,883	77,272
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(285,828)</b>	<b>(490,741)</b>	<b>(478,689)</b>	<b>12,052</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,069,828)</b>	<b>(1,069,828)</b>	<b>636,529</b>	<b>1,706,357</b>
<b>FUND BALANCE, JULY 1, 2006 (Note 14)</b>	<b>1,069,828</b>	<b>1,069,828</b>	<b>1,069,828</b>	
<b>FUND BALANCE, JUNE 30, 2007 (Note 14)</b>	<b>\$</b>		<b>1,706,357</b>	<b>1,706,357</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 BALANCE -  
BUDGET AND ACTUAL ON BUDGETARY BASIS  
FIRE PROTECTION DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 584,453	584,453	580,299	(4,154)
Licenses, permits and franchises	8,279	8,279	9,228	949
Fines, forfeitures and penalties	2,878	2,878	3,041	163
Revenue from use of money and property:				
Investment income	308	308	2,229	1,921
Rents and concessions	86	86	80	(6)
Intergovernmental revenues:				
Federal	13,124	13,204	14,383	1,179
State	14,891	15,561	16,317	756
Other	20,291	20,291	29,810	9,519
Charges for services	146,661	155,657	166,120	10,463
Miscellaneous	293	293	133	(160)
<b>TOTAL REVENUES</b>	<b>791,264</b>	<b>801,010</b>	<b>821,640</b>	<b>20,630</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Salaries and employee benefits	647,095	654,622	644,851	(9,771)
Services and supplies	107,242	124,845	106,202	(18,643)
Other charges	1,093	1,093	865	(228)
Capital assets	19,390	26,461	24,191	(2,270)
<b>TOTAL EXPENDITURES</b>	<b>774,820</b>	<b>807,021</b>	<b>776,109</b>	<b>(30,912)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>16,444</b>	<b>(6,011)</b>	<b>45,531</b>	<b>51,542</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	47	47	287	240
Transfers out	(30,823)	(30,823)	(30,823)	
Appropriation for contingencies	(5,490)	(2,090)		2,090
Changes in reserves and designations	(38,880)	(19,825)	(17,070)	2,755
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(75,146)</b>	<b>(52,691)</b>	<b>(47,606)</b>	<b>5,085</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(58,702)</b>	<b>(58,702)</b>	<b>(2,075)</b>	<b>56,627</b>
FUND BALANCE, JULY 1, 2006 (Note 14)	58,702	58,702	58,702	
<b>FUND BALANCE, JUNE 30, 2007 (Note 14)</b>	<b>\$</b>		<b>56,627</b>	<b>56,627</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 BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS  
 FLOOD CONTROL DISTRICT  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 85,568	87,941	87,912	(29)
Licenses, permits and franchises	501	501	514	13
Fines, forfeitures and penalties	1,150	1,150	1,059	(91)
Revenue from use of money and property:				
Investment income	2,305	3,814	6,070	2,256
Rents and concessions	8,305	8,305	6,995	(1,310)
Royalties	170	170	306	136
Intergovernmental revenues:				
Federal	8,350	8,350	5,375	(2,975)
State	7,516	7,516	9,324	1,808
Other	2,772	2,772	4,824	2,052
Charges for services	112,963	112,963	112,993	30
Miscellaneous	1,802	1,802	187	(1,615)
<b>TOTAL REVENUES</b>	<b>231,402</b>	<b>235,284</b>	<b>235,559</b>	<b>275</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Services and supplies	189,953	207,438	207,437	(1)
Other charges	20,066	19,398	19,397	(1)
Capital assets	17,460	15,243	11,851	(3,392)
<b>TOTAL EXPENDITURES</b>	<b>227,479</b>	<b>242,079</b>	<b>238,685</b>	<b>(3,394)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,923</b>	<b>(6,795)</b>	<b>(3,126)</b>	<b>3,669</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets			600	600
Transfers in	14,130	14,130	11,688	(2,442)
Transfers out	(942)	(2,026)	(2,026)	
Appropriation for contingencies	(2,787)	(5,185)		5,185
Changes in reserves and designations	(21,966)	(7,766)	1,527	9,293
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(11,565)</b>	<b>(847)</b>	<b>11,789</b>	<b>12,636</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,642)</b>	<b>(7,642)</b>	<b>8,663</b>	<b>16,305</b>
<b>FUND BALANCE, JULY 1, 2006 (Note 14)</b>	<b>7,642</b>	<b>7,642</b>	<b>7,642</b>	
<b>FUND BALANCE, JUNE 30, 2007 (Note 14)</b>	<b>\$</b>		<b>16,305</b>	<b>16,305</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 BALANCE -  
BUDGET AND ACTUAL ON BUDGETARY BASIS  
PUBLIC LIBRARY  
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 66,545	66,897	66,868	(29)
Fines, forfeitures and penalties			477	477
Revenue from use of money and property:				
Investment income	150	532	763	231
Rents and concessions	15	15	19	4
Intergovernmental revenues:				
Federal	73	73	107	34
State	2,682	2,682	2,951	269
Other	876	876	1,263	387
Charges for services	2,400	2,400	2,372	(28)
Miscellaneous	1,291	1,291	562	(729)
<b>TOTAL REVENUES</b>	<b>74,032</b>	<b>74,766</b>	<b>75,382</b>	<b>616</b>
<b>EXPENDITURES:</b>				
Current-Education:				
Salaries and employee benefits	70,874	70,874	63,269	(7,605)
Services and supplies	50,283	48,874	39,179	(9,695)
Other charges	840	840	732	(108)
Capital assets	390	640	598	(42)
<b>TOTAL EXPENDITURES</b>	<b>122,387</b>	<b>121,228</b>	<b>103,778</b>	<b>(17,450)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(48,355)</b>	<b>(46,462)</b>	<b>(28,396)</b>	<b>18,066</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets			4	4
Transfers in	45,332	44,173	35,294	(8,879)
Transfers out	(3,328)	(3,328)	(3,328)	
Appropriation for contingencies		(734)		734
Changes in reserves and designations	(1,691)	(1,691)	(821)	870
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>40,313</b>	<b>38,420</b>	<b>31,149</b>	<b>(7,271)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(8,042)</b>	<b>(8,042)</b>	<b>2,753</b>	<b>10,795</b>
<b>FUND BALANCE, JULY 1, 2006 (Note 14)</b>	<b>8,042</b>	<b>8,042</b>	<b>8,042</b>	
<b>FUND BALANCE, JUNE 30, 2007 (Note 14)</b>	<b>\$</b>		<b>10,795</b>	<b>10,795</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 BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS  
 REGIONAL PARK AND OPEN SPACE DISTRICT  
 FOR THE YEAR ENDED JUNE 30, 2007 (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	\$ 1,135	1,135	793	(342)
Revenue from use of money and property-				
Investment income	6,469	6,469	12,680	6,211
Charges for services	78,236	78,236	78,129	(107)
<b>TOTAL REVENUES</b>	<b>85,840</b>	<b>85,840</b>	<b>91,602</b>	<b>5,762</b>
<b>EXPENDITURES:</b>				
Current-Recreation and cultural services:				
Services and supplies	4,227	4,227	3,117	(1,110)
Other charges	145,163	129,755	39,954	(89,801)
<b>TOTAL EXPENDITURES</b>	<b>149,390</b>	<b>133,982</b>	<b>43,071</b>	<b>(90,911)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(63,550)</b>	<b>(48,142)</b>	<b>48,531</b>	<b>96,673</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	61,530	61,530	65,453	3,923
Transfers out	(85,642)	(101,050)	(99,164)	1,886
Appropriation for contingencies	(12,374)	(12,374)		12,374
Changes in reserves and designations	(52,872)	(52,872)	(49,708)	3,164
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(89,358)</b>	<b>(104,766)</b>	<b>(83,419)</b>	<b>21,347</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(152,908)</b>	<b>(152,908)</b>	<b>(34,888)</b>	<b>118,020</b>
<b>FUND BALANCE, JULY 1, 2006 (Note 14)</b>	<b>154,588</b>	<b>154,588</b>	<b>154,588</b>	
<b>FUND BALANCE, JUNE 30, 2007 (Note 14)</b>	<b>\$ 1,680</b>	<b>1,680</b>	<b>119,700</b>	<b>118,020</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, 2007 (in thousands)

## BUSINESS-TYPE ACTIVITIES -

	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
<b>ASSETS</b>					
Current assets:					
Pooled cash and investments: (Notes 1 and 4)					
Operating (Note 1)	\$ 530	465	113,928	492	190
Other (Note 1)	9,808	12,620	23,632	7,428	2,772
Total pooled cash and investments	10,338	13,085	137,560	7,920	2,962
Other investments (Note 4)					
Taxes receivable					
Accounts receivable - net (Note 12)	114,933	76,515	184,363	118,391	76,860
Interest receivable	10	13	1,120	4	1
Other receivables	4,652	6,118	12,581	5,025	1,234
Due from other funds (Note 13)	69,682	71,520	275,053	24,407	19,899
Advances to other funds (Note 13)					
Inventories	3,860	4,086	13,039	3,281	1,193
Total current assets	203,475	171,337	623,716	159,028	102,149
Noncurrent assets:					
Restricted assets (Note 4)	3,325	6,892	6,322	160	589
Net pension obligation (Note 6)	7,190	6,238	18,880	8,012	5,176
Capital assets: (Notes 5 and 8)					
Land and easements	1,001	15,171	18,183	2,277	217
Buildings and improvements	77,672	152,939	164,112	195,357	187,179
Equipment	29,902	23,207	78,413	46,701	10,773
Infrastructure					
Construction in progress	21,313	69	827,697		6,550
Less accumulated depreciation	(68,113)	(95,933)	(192,019)	(135,088)	(97,187)
Total capital assets - net	61,775	95,453	896,386	109,247	107,532
Total noncurrent assets	72,290	108,583	921,588	117,419	113,297
<b>TOTAL ASSETS</b>	<b>275,765</b>	<b>279,920</b>	<b>1,545,304</b>	<b>276,447</b>	<b>215,446</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	10,361	10,490	39,209	9,733	2,363
Accrued payroll	22,543	17,140	41,982	13,195	7,358
Other payables	1,911	1,610	2,977	1,671	925
Accrued interest payable	94	50	90	218	232
Due to other funds (Note 13)	34,842	57,109	134,904	26,370	7,280
Advances from other funds (Note 13)	74,487	37,228	161,123	53,366	70,487
Unearned revenue (Note 6)	682	592	4,946	761	491
Current portion of long-term liabilities (Note 9)	34,421	34,654	82,473	41,657	21,475
Total current liabilities	179,341	158,873	467,704	146,971	110,611
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 9)	25,086	23,665	44,764	12,942	2,841
Bonds and notes payable (Note 9)	11,487		15,939	42,976	40,105
Pension bonds payable (Notes 6 and 9)	32,675	28,349	85,798	36,412	23,521
Capital lease obligations (Notes 8 and 9)					273
Workers' compensation (Notes 9 and 16)	29,998	27,154	133,810	66,560	25,013
Litigation and self-insurance (Notes 9 and 16)	31,112	21,425	101,588	44,387	11,946
Third party payor liability (Notes 9 and 12)	14,040	7,759	43,784	18,557	2,528
Total noncurrent liabilities	144,398	108,352	425,683	221,834	106,227
<b>TOTAL LIABILITIES</b>	<b>323,739</b>	<b>267,225</b>	<b>893,387</b>	<b>368,805</b>	<b>216,838</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt (Notes 5 and 9)	47,682	90,162	880,736	65,429	65,703
Restricted:					
Debt service	3,231	6,842	6,232		357
Special purpose					
Unrestricted (deficit)	(98,887)	(84,309)	(235,051)	(157,787)	(67,452)
<b>TOTAL NET ASSETS (DEFICIT) (Note 2)</b>	<b>\$ (47,974)</b>	<b>12,695</b>	<b>651,917</b>	<b>(92,358)</b>	<b>(1,392)</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	
\$ 84,194	3,725	\$ 203,524	\$ 39,767	
1,667	9	57,936	7,484	
<u>85,861</u>	<u>3,734</u>	<u>261,460</u>	<u>47,251</u>	
	78,720	78,720	8,193	
731		731		
		571,062		
643	10	1,801	394	
8,847	4,857	43,314	170	
1,769	58	462,388	76,510	
1,164		1,164		
		25,459	7,950	
<u>99,015</u>	<u>87,379</u>	<u>1,446,099</u>	<u>140,468</u>	
		17,288	15,708	
		45,496	8,778	
9,441	199,160	245,450		
117,000	176,785	1,071,044	1,734	
225	2,992	192,213	196,163	
1,094,778	40,240	1,135,018		
16,853	378	872,860		
<u>(432,472)</u>	<u>(182,794)</u>	<u>(1,203,606)</u>	<u>(114,137)</u>	
<u>805,825</u>	<u>236,761</u>	<u>2,312,979</u>	<u>83,760</u>	
<u>805,825</u>	<u>236,761</u>	<u>2,375,763</u>	<u>108,246</u>	
<u>904,840</u>	<u>324,140</u>	<u>3,821,862</u>	<u>248,714</u>	
1,040	2,671	75,867	4,537	
		102,218	19,989	
	1,700	10,794	1,581	
		684	860	
6,081	304	266,890	33,103	
		396,691	22,000	
140	308	7,920	990	
17	1,109	215,806	51,572	
<u>7,278</u>	<u>6,092</u>	<u>1,076,870</u>	<u>134,632</u>	
	133	109,431	34,667	
104	4,498	115,109	28,385	
		206,755	39,891	
		273	60	
		282,535	60,395	
		210,458	20,779	
		86,668		
<u>104</u>	<u>4,631</u>	<u>1,011,229</u>	<u>184,177</u>	
<u>7,382</u>	<u>10,723</u>	<u>2,088,099</u>	<u>318,809</u>	
805,704	231,553	2,186,969	56,464	
91,754		108,416	2,380	
	79,127	79,127		
	2,737	(640,749)	(128,939)	
<u>\$ 897,458</u>	<u>313,417</u>	<u>1,733,763</u>	<u>\$ (70,095)</u>	
		2,811		
		<u>\$ 1,736,574</u>		

## ASSETS

## Current assets:

Pooled cash and investments: (Notes 1 and 4)

Operating (Note 1)

Other (Note 1)

Total pooled cash and investments

Other investments (Note 4)

Taxes receivable

Accounts receivable - net (Note 12)

Interest receivable

Other receivables

Due from other funds (Note 13)

Advances to other funds (Note 13)

Inventories

Total current assets

## Noncurrent assets:

Restricted assets (Note 4)

Net pension obligation (Note 6)

Capital assets: (Notes 5 and 8)

Land and easements

Buildings and improvements

Equipment

Infrastructure

Construction in progress

Less accumulated depreciation

Total capital assets - net

Total noncurrent assets

## TOTAL ASSETS

## LIABILITIES

## Current liabilities:

Accounts payable

Accrued payroll

Other payables

Accrued interest payable

Due to other funds (Note 13)

Advances from other funds (Note 13)

Unearned revenue (Note 6)

Current portion of long-term liabilities (Note 9)

Total current liabilities

## Noncurrent liabilities:

Accrued vacation and sick leave (Note 9)

Bonds and notes payable (Note 9)

Pension bonds payable (Notes 6 and 9)

Capital lease obligations (Notes 8 and 9)

Workers' compensation (Notes 9 and 16)

Litigation and self-insurance (Notes 9 and 16)

Third party payor liability (Notes 9 and 12)

Total noncurrent liabilities

## TOTAL LIABILITIES

## NET ASSETS

Invested in capital assets, net of related debt

(Notes 5 and 9)

## Restricted:

Debt service

Special purpose

Unrestricted (deficit)

## TOTAL NET ASSETS (DEFICIT) (Note 2)

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

NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 23)

COUNTY OF LOS ANGELES  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
<b>OPERATING REVENUES:</b>					
Net patient service revenues (Note 12)	\$ 413,089	343,464	701,964	308,494	123,827
Rentals					
Charges for services					
Other	17,463	15,195	45,977	11,970	3,923
<b>TOTAL OPERATING REVENUES</b>	<b>430,552</b>	<b>358,659</b>	<b>747,941</b>	<b>320,464</b>	<b>127,750</b>
<b>OPERATING EXPENSES:</b>					
Salaries and employee benefits	300,491	238,739	582,583	195,825	95,470
Services and supplies	82,816	85,672	205,177	58,882	23,724
Other professional services	103,352	100,868	283,396	124,693	29,576
Depreciation and amortization (Note 5)	2,692	2,975	2,136	3,398	2,342
Medical malpractice	1,700	1,339	7,851		
Rent	4,048	3,368	12,781	2,763	1,979
<b>TOTAL OPERATING EXPENSES</b>	<b>495,099</b>	<b>432,961</b>	<b>1,093,924</b>	<b>385,561</b>	<b>153,091</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(64,547)</b>	<b>(74,302)</b>	<b>(345,983)</b>	<b>(65,097)</b>	<b>(25,341)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Taxes					
Interest income	425	419	7,281	1,296	243
Interest expense	(10,508)	(8,817)	(23,238)	(11,482)	(9,170)
Intergovernmental transfers expense (Note 12)	(50,412)	(37,890)	(118,946)	(54,944)	(6,323)
Intergovernmental revenues:					
State					
Federal					
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(60,495)</b>	<b>(46,288)</b>	<b>(134,903)</b>	<b>(65,130)</b>	<b>(15,250)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(125,042)</b>	<b>(120,590)</b>	<b>(480,886)</b>	<b>(130,227)</b>	<b>(40,591)</b>
Capital contributions			12,911		
Transfers in (Note 13)	154,098	191,220	586,610	129,269	47,386
Transfers out (Note 13)	(36)	(464)	(54,642)	(16)	(1)
<b>CHANGE IN NET ASSETS</b>	<b>29,020</b>	<b>70,166</b>	<b>63,993</b>	<b>(974)</b>	<b>6,794</b>
<b>TOTAL NET ASSETS (DEFICIT), JULY 1, 2006</b>	<b>(76,994)</b>	<b>(57,471)</b>	<b>587,924</b>	<b>(91,384)</b>	<b>(8,186)</b>
<b>TOTAL NET ASSETS (DEFICIT), JUNE 30, 2007</b>	<b>\$ (47,974)</b>	<b>12,695</b>	<b>651,917</b>	<b>(92,358)</b>	<b>(1,392)</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	
\$		\$ 1,890,838	\$	
	13,769	13,769	23,081	OPERATING REVENUES:
79,547	452	79,999	373,662	Net patient service revenues (Note 12)
610	879	96,017		Rentals
				Charges for services
				Other
80,157	15,100	2,080,623	396,743	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		1,413,108	284,521	Salaries and employee benefits
73,492	212,701	742,464	54,982	Services and supplies
1,518	237	643,640	11,316	Other professional services
22,482	2,943	38,968	34,726	Depreciation and amortization (Note 5)
		10,890		Medical malpractice
		24,939		Rent
97,492	215,881	2,874,009	385,545	TOTAL OPERATING EXPENSES
(17,335)	(200,781)	(793,386)	11,198	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
3,782		3,782		Taxes
4,217	4,196	18,077	1,266	Interest income
(12)	(319)	(63,546)	(10,026)	Interest expense
		(268,515)		Intergovernmental transfers expense (Note 12)
				Intergovernmental revenues:
108	10	118		State
85	232,120	232,205	251	Federal
8,180	236,007	(77,879)	(8,509)	TOTAL NONOPERATING REVENUES (EXPENSES)
(9,155)	35,226	(871,265)	2,689	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
		12,911		Capital contributions
(391)	(4,232)	1,108,583	3,384	Transfers in (Note 13)
		(59,782)	(221)	Transfers out (Note 13)
(9,546)	30,994	190,447	5,852	CHANGE IN NET ASSETS
907,004	282,423		(75,947)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2006
\$ 897,458	313,417		\$ (70,095)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2007
		(2,075)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		\$ 188,372		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from patient services	\$ 391,451	311,920	841,230	365,642	113,891
Rentals received					
Cash received from charges for services					
Other operating revenues	17,468	15,201	45,981	11,970	3,929
Cash received for services provided to other funds	11,995	15,959	25,550	10,728	124
Cash paid for salaries and employee benefits	(299,081)	(234,599)	(590,733)	(211,055)	(104,981)
Cash paid for services and supplies	(34,557)	(23,794)	(157,188)	(21,564)	(24,427)
Other operating expenses	(110,987)	(105,329)	(306,462)	(132,546)	(32,499)
Cash paid for services from other funds	(36,274)	(30,817)	(98,429)	(40,707)	(17,316)
Net cash provided by (required for) operating activities	<u>(59,985)</u>	<u>(51,459)</u>	<u>(240,051)</u>	<u>(17,532)</u>	<u>(61,279)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Cash advances received from other funds	155,252	65,832	373,280	143,583	105,691
Cash advances paid/returned to other funds	(180,362)	(141,017)	(415,112)	(178,143)	(71,094)
Interest paid on pension bonds	(6,437)	(5,585)	(16,904)	(7,174)	(4,635)
Interest paid on advances	(2,384)	(2,399)	(5,325)	(1,859)	(1,932)
Intergovernmental transfers	(50,412)	(37,890)	(118,946)	(54,944)	(6,323)
Intergovernmental receipts					
Transfers in	154,098	191,220	586,610	129,269	47,386
Transfers out	(36)	(464)	(54,642)	(16)	(1)
Net cash provided by (required for) noncapital financing activities	<u>69,719</u>	<u>69,697</u>	<u>348,961</u>	<u>30,716</u>	<u>69,092</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from taxes					
Capital contributions			12,911		
Proceeds from bonds and notes					
Interest paid on capital borrowing	(1,806)	(880)	(1,149)	(2,784)	(2,891)
Principal payments on bonds and notes	(1,576)	(9,440)	(2,094)	(4,979)	(3,868)
Principal payments on capital leases	(148)	(16)			(114)
Acquisition and construction of capital assets	(5,681)	(3,851)	(148,644)	(4,660)	(369)
Net cash required for capital and related financing activities	<u>(9,211)</u>	<u>(14,187)</u>	<u>(138,976)</u>	<u>(12,423)</u>	<u>(7,242)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>					
Interest income received	127	157	6,307	967	33
Net increase (decrease) in cash and cash equivalents	650	4,208	(23,759)	1,728	604
Cash and cash equivalents, July 1, 2006	<u>13,013</u>	<u>15,769</u>	<u>167,641</u>	<u>6,352</u>	<u>2,947</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 13,663</u>	<u>19,977</u>	<u>143,882</u>	<u>8,080</u>	<u>3,551</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	
\$		\$ 2,024,134	\$	
	11,557	11,557	23,376	
76,973	633	77,606	354,922	
610	879	96,038		
		64,356		
	(116)	(1,440,565)	(287,724)	
(47,820)	(212,262)	(521,612)	(46,866)	
(1,518)	(237)	(689,578)	(11,316)	
		(223,543)		
<u>28,245</u>	<u>(199,546)</u>	<u>(601,607)</u>	<u>32,392</u>	
		843,638		
		(985,728)		
		(40,735)	(7,860)	
		(13,899)		
		(268,515)		
193	232,130	232,323	251	
		1,108,583	3,384	
(391)	(4,232)	(59,782)	(221)	
<u>(198)</u>	<u>227,898</u>	<u>815,885</u>	<u>(4,446)</u>	
		3,768		
3,768		12,911		
	6	6	20,000	
(12)	(319)	(9,841)	(1,532)	
(15)	(660)	(22,632)	(14,520)	
		(278)	(108)	
(15,693)	(1,375)	(180,273)	(22,402)	
<u>(11,952)</u>	<u>(2,348)</u>	<u>(196,339)</u>	<u>(18,562)</u>	
		3,963		
<u>3,963</u>	<u>4,186</u>	<u>15,740</u>	<u>956</u>	
		20,058		
20,058	30,190	33,679	10,340	
		65,803	60,812	
<u>65,803</u>	<u>52,264</u>	<u>323,789</u>	<u>60,812</u>	
<u>\$ 85,861</u>	<u>82,454</u>	<u>\$ 357,468</u>	<u>\$ 71,152</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
				Acquisition and construction of capital assets
				Net cash 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, 2006
				Cash and cash equivalents, June 30, 2007

Continued...

COUNTY OF LOS ANGELES  
STATEMENT OF CASH FLOWS - Continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	Martin Luther King Jr. - Harbor Hospital	Rancho Los Amigos National Rehab Center
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>(LOSS) TO NET CASH PROVIDED BY</b>					
<b>(REQUIRED FOR) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (64,547)	(74,302)	(345,983)	(65,097)	(25,341)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	2,692	2,975	2,136	3,398	2,342
Other charges - net	(5,293)	511	(842)	316	81
(Increase) decrease in:					
Accounts receivable - net	(23,027)	(436)	29,253	(2,853)	(7,358)
Interest receivable					
Other receivables	(873)	(1,447)	(1,858)	(1,287)	150
Due from other funds	43,683	73,791	100,243	68,656	(4,552)
Inventories	(420)	460	(555)	1,129	(237)
Net pension obligation	3,710	3,219	9,742	4,135	2,670
Increase (decrease) in:					
Accounts payable	(538)	3,251	(8,696)	(8,468)	190
Accrued payroll	4,183	2,707	5,235	(1,100)	1,063
Other payables	718	571	1,010	487	303
Accrued vacation and sick leave	3,393	8,295	5,830	(3,347)	(5,271)
Due to other funds	18,558	26,990	(39,827)	3,293	(18,013)
Unearned revenue			2,559		
Pension bonds payable	(9,098)	(7,893)	(23,888)	(10,139)	(6,547)
Workers' compensation liability	(3,883)	(2,752)	(9,932)	(6,764)	(845)
Litigation and self-insurance liability	183	94	903	(3,251)	(1,862)
Third party payor liability	(29,426)	(87,493)	34,619	3,360	1,948
<b>TOTAL ADJUSTMENTS</b>	<b>4,562</b>	<b>22,843</b>	<b>105,932</b>	<b>47,565</b>	<b>(35,938)</b>
<b>NET CASH PROVIDED BY (REQUIRED FOR)</b>					
<b>OPERATING ACTIVITIES</b>	<b>\$ (59,985)</b>	<b>(51,459)</b>	<b>(240,051)</b>	<b>(17,532)</b>	<b>(61,279)</b>
<b>RECONCILIATION OF CASH AND CASH</b>					
<b>EQUIVALENTS TO THE STATEMENT OF</b>					
<b>NET ASSETS:</b>					
Pooled cash and investments	\$ 10,338	13,085	137,560	7,920	2,962
Other investments					
Restricted assets	3,325	6,892	6,322	160	589
<b>TOTAL</b>	<b>\$ 13,663</b>	<b>19,977</b>	<b>143,882</b>	<b>8,080</b>	<b>3,551</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	
\$ (17,335)	(200,781)	\$ (793,386)	\$ 11,198	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
				Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
22,482	2,943	38,968	34,726	Depreciation and amortization
27,509	125	22,407	(454)	Other charges - net
		(4,421)		(Increase) decrease in:
			(136)	Accounts receivable - net
(1,603)	(1,862)	(8,780)	(10)	Interest receivable
(971)	(57)	280,793	(18,298)	Other receivables
		377	(428)	Due from other funds
		23,476	4,530	Inventories
				Net pension obligation
(3,161)	341	(17,081)	(1,245)	Increase (decrease) in:
		12,088	1,718	Accounts payable
	(128)	2,961	588	Accrued payroll
	(116)	8,784	3,262	Other payables
1,324	101	(7,574)	10,276	Accrued vacation and sick leave
	(112)	2,447	(1)	Due to other funds
		(57,565)	(11,107)	Unearned revenue
		(24,176)	(3,293)	Pension bonds payable
		(3,933)	1,066	Workers' compensation liability
		(76,992)		Litigation and self-insurance liability
				Third party payor liability
45,580	1,235	191,779	21,194	TOTAL ADJUSTMENTS
\$ 28,245	(199,546)	\$ (601,607)	\$ 32,392	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
\$ 85,861	3,734	\$ 261,460	\$ 47,251	Pooled cash and investments
	78,720	78,720	8,193	Other investments
		17,288	15,708	Restricted assets
\$ 85,861	82,454	\$ 357,468	\$ 71,152	TOTAL

COUNTY OF LOS ANGELES  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Pooled cash and investments (Note 4)	\$ 27,789	\$ 11,555,116	\$ 1,105,091
Other investments: (Note 4)		1,246,716	14,714
Stocks	21,955,745		
Bonds	10,388,361		
Short-term investments	1,418,843		
Commodities	410,932		
Real estate	4,126,103		
Mortgages	256,791		
Alternative assets	2,791,924		
Cash collateral on loaned securities	3,126,337		
Taxes receivable			222,286
Interest receivable	137,271	180,017	3,995
Other receivables	450,483		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>45,090,579</u>	<u>12,981,849</u>	<u>\$ 1,346,086</u>
<b>LIABILITIES</b>			
Accounts payable	988,225		
Other payables (Note 4)	3,194,248		
Due to other governments			1,346,086
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u>4,182,473</u>	<u>                    </u>	<u>\$ 1,346,086</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and investment trust participants	<u>\$ 40,908,106</u>	<u>\$ 12,981,849</u>	

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

COUNTY OF LOS ANGELES  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	\$ 751,928	\$
Member	347,701	
Contributions to investment trust funds		40,069,963
Total contributions	<u>1,099,629</u>	<u>40,069,963</u>
Investment earnings:		
Investment income	3,794,202	657,217
Net increase in the fair value of investments	2,760,428	
Securities lending income (Note 4)	149,925	
Total investment earnings	<u>6,704,555</u>	<u>657,217</u>
Less - Investment expenses:		
Expense from investing activities	75,922	
Expense from securities lending activities (Note 4)	141,449	
Total net investment expense	<u>217,371</u>	
Net investment earnings	<u>6,487,184</u>	<u>657,217</u>
Miscellaneous	<u>1,803</u>	
<b>TOTAL ADDITIONS</b>	<u><u>7,588,616</u></u>	<u><u>40,727,180</u></u>
DEDUCTIONS:		
Salaries and employee benefits	30,358	
Services and supplies	13,522	
Benefit payments	1,803,984	
Distribution from investment trust funds		38,335,395
Miscellaneous	<u>18,235</u>	
<b>TOTAL DEDUCTIONS</b>	<u><u>1,866,099</u></u>	<u><u>38,335,395</u></u>
<b>CHANGE IN NET ASSETS</b>	<u><u>5,722,517</u></u>	<u><u>2,391,785</u></u>
<b>NET ASSETS HELD IN TRUST, JULY 1, 2006</b>	<u><u>35,185,589</u></u>	<u><u>10,590,064</u></u>
<b>NET ASSETS HELD IN TRUST, JUNE 30, 2007</b>	<u><u>\$ 40,908,106</u></u>	<u><u>\$ 12,981,849</u></u>

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

COUNTY OF LOS ANGELES  
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County) is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by 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 LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

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), 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, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component 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 they have external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2007, the restricted net assets balances were \$1.4 billion and \$186.3 million for governmental activities and business-type activities, respectively. For governmental activities, \$114.3 million was restricted 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 and charges for services.

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 (charges for services).

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. 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 gynecological services, and psychiatric services.

LAC+USC Medical Center

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

Martin Luther King, Jr.-Harbor Hospital

The Martin Luther King, Jr.-Harbor Hospital (MLK/H), formerly known as Martin Luther King, Jr./Charles R. Drew Medical Center, began the 2006-07 fiscal year providing acute and intensive care unit medical/surgical inpatient and outpatient services, emergency room services, psychiatric services, dental services, pediatric and obstetric services. The Department implemented the MetroCare Plan and transformed the hospital to a non-teaching facility which provides general adult medical, surgical and low-risk obstetrical and gynecological care with a basic emergency room.

Rancho Los Amigos National Rehabilitation Center

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

Waterworks Funds

The Waterworks Enterprise funds 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 12, 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

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

The County applies all applicable Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, in accounting and reporting for government-wide and proprietary fund financial statements. FASB statements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB statement.

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before 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). Annual budgets were not adopted for the Registrar-Recorder Improvement special revenue funds, the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled 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 \$ 23 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2007. 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 14 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 2006-2007 assessed valuation of the County of Los Angeles was \$925.5 billion.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into 11,048 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

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

Deposits and Investments

In accordance with GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 4.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

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, 2007 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.

Other Investments

"Other Investments" represent Pension Trust Fund investments, investments of the CDC, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 4. 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, \$37,581,000 represents land held for resale by the 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. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Certain buildings and equipment are being leased under capital leases as defined in FASB Statement No. 13. The present value of the minimum lease obligation has been capitalized in the statement of net assets and is also reflected as a liability in that statement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

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

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

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).

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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).

2. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2007 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Harbor-UCLA Medical Center	\$ 47,974
M. L. King, Jr.,-Harbor Hospital	92,358
Rancho Los Amigos National Rehab Center	1,392
Internal Service Fund-	
Public Works	79,791

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 12.

3. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authorities" (JPAs). Under the terms of the agreement, the RPOSD sold \$510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The transactions between the two component units have been accounted for as follows:

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

3. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2007, the governmental fund financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of \$304,235,000 that has been recorded in the Nonmajor Governmental Funds. The governmental fund financial statements do not reflect a liability for the related bonds payable (\$304,235,000), 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 governmental 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 (\$304,235,000) and investment earnings and interest expense (\$16,021,000 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 \$304,235,000 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 9 and are captioned "Assessment Bonds."

4. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2007 (in thousands):

	Pooled Cash and Investments	Other Investments	Restricted Assets		Total
			Pooled Cash and Investments	Other Investments	
Governmental Funds	\$ 4,826,660	\$ 295,170			\$ 5,121,830
Proprietary Funds	308,711	86,913	\$ 24,455	\$ 8,541	428,620
Fiduciary Funds (excluding Pension Trust Fund)	12,660,207	1,261,430			13,921,637
Pension Trust Fund	27,789	44,475,036			44,502,825
Component Unit	163,111	679,422			842,533
Total	<u>\$ 17,986,478</u>	<u>\$ 46,797,971</u>	<u>\$ 24,455</u>	<u>\$ 8,541</u>	<u>\$ 64,817,445</u>



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

4. 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, 2007, the carrying amount of the County's deposits was \$112,114,000 and the balance per various financial institutions was \$111,212,000. 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, 2007, the carrying amount of Pension Trust Fund deposits was \$19,833,000. Pension Trust Fund deposits are held in the Fund's custodial bank and, therefore, are not exposed to custodial credit risk 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 funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, commercial paper rated A-1 by Standard Poor's Corporation or P-1 by Moody's Commercial Paper Record, medium-term corporate and deposit notes, negotiable certificates of deposit, floating rate notes, money market funds, guaranteed investment contracts, repurchase and reverse repurchase agreements, bankers' acceptances, State and local area investment funds, and mortgage pass-through securities.

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. LACERA's investment policy also allows the limited use of derivatives by certain investment managers. The classes of derivatives that are permitted are futures contracts, currency forward contracts, options, and swaps.

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The interest rate risk, foreign currency risk, credit risk, concentration of credit risk, and custodial credit risk related to Pension Trust Fund investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G of LACERA's Report on Audited Financial Statements for the year ended June 30, 2007.

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-three percent (83%) 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, 2007 (in thousands) are as follows:

	Fair Value
U.S. Government securities	\$ 9,534,409
Negotiable certificates of deposit	2,997,778
Commercial paper	5,873,996
Corporate and deposit notes	714,640
Municipal bonds	5,410
Investment agreements	18,100
Los Angeles County securities	30,000
Guaranteed investment contracts	833,011
Investment in money market funds	123,578
Investment in State and local agency investment funds	98,383
1st and 2nd mortgages	990
<b>Total</b>	<b><u>\$ 20,230,295</u></b>

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2007 (in thousands) and are as follows:

	Fair Value
Domestic and international equity	\$ 25,062,249
Fixed income	12,063,995
Real estate	4,126,103
Private equity	2,791,924
Commodities	410,932
<b>Total</b>	<b><u>\$ 44,455,203</u></b>

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

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2007 totaling \$27,789,000. 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 year ended June 30, 2007 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 deposits and 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	\$ 8,661,217	\$ 8,689,678	3.65% - 9.25%	7/3/07 - 6/6/12	2.93
Negotiable certificates of deposit	2,779,874	2,780,414	5.25% - 5.44%	7/2/07 - 9/19/08	0.26
Commercial paper	5,767,991	5,769,894	5.20% - 5.36%	7/2/07 - 10/5/07	0.03
Corporate and deposit notes	679,850	680,042	5.12% - 5.406%	7/10/07 - 12/28/09	0.59
Los Angeles County securities	30,000	30,000	5.04% - 5.557%	6/30/08 - 6/30/09	1.67
Money market mutual funds	10,623	10,623			0.50
Deposits	81,378	81,378			
	<u>\$ 18,010,933</u>	<u>\$18,042,029</u>			1.49

A summary of other (non-pooled) deposits and 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	\$ 98,383	\$ 98,412			0.50
Commercial paper	106,005	106,022	5.13% - 5.20%	7/9/07 - 10/2/07	0.10
Corporate and deposit notes	34,790	34,794	3.50% - 5.33%	8/2/07 - 8/3/09	0.11
Mortgage trust deeds	990	990	4.50% - 5.50%	8/1/12 - 4/1/17	7.28
Municipal bonds	5,410	5,410	5.00%	9/2/21	14.19
Negotiable certificates of deposit	217,904	218,005	5.05% - 5.35%	7/9/07 - 3/16/09	0.38
Guaranteed investment contract	833,011	833,011	4.75% - 5.25%	10/1/07 - 3/15/10	1.02
U.S. agency securities	525,920	526,368	3.57% - 5.60%	8/3/07 - 8/11/11	1.21
U.S treasury securities	302,165	302,179	2.63% - 11.25%	7/5/07 - 5/15/16	.66
U.S. treasury bills	45,107	44,278	4.77% - 4.95%	7/5/07 - 12/13/07	0.20
Investment agreements	18,100	18,100	4.65%	1/6/09	1.52
Money market mutual funds	112,955	112,955	4.57% - 5.14%	7/1/07	
Deposits	30,736	30,736			
	<u>\$ 2,331,476</u>	<u>\$ 2,331,260</u>			0.90

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

4. 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 government code limits most investment maturities to five years, with the exception of commercial paper and bankers' acceptances which are limited to 270 days and 180 days, respectively. 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 all 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, 2007, over 50% have a maturity of six months or less. Of the remainder, less than 39% have a maturity of more than one year.

As of June 30, 2007, variable-rate notes comprised 3.53% 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, 2007, 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, 2007, the County was invested in the Local Agency Investment Fund which is unrated as to credit quality.

The County's Investment Policy, approved annually by the Board of Supervisors, limits the maximum total par value for each permissible security type (e.g., commercial paper and certificates of deposit) to a certain percentage of the investment pool. Exceptions to this are obligations of the United States government and United States government agencies or government-sponsored enterprises, which do not have limits. Further, the County restricts investments in any one issuer based on the issuer's Nationally Recognized Statistical Rating Organization (NRSRO) ratings. For bankers acceptances, certificates of deposit, corporate notes and floating rate notes, the highest issuer limit was \$500 million, approximately 2.7% of the investment pool's daily investment balance. For commercial paper, the highest issuer limit was \$750 million, or 3.9% of the investment pool's daily investment balance.

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

4. 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, 2007:

	<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	32.17%
Corporate and deposit notes	A-1	P-1	3.79%
Los Angeles County securities	AAA	Aaa	0.17%
Negotiable certificates of deposit	A-1	P-1	15.50%
U.S. agency securities	AAA	Aaa	48.03%
U.S. treasury securities	AAA	Aaa	0.28%
Other (Cal Trust short-term account)	A-1	P-1	0.06%
			<u>100.00%</u>
<b>Other Investments:</b>			
Local agency investment fund	Not rated	Not rated	3.39%
Commercial paper	A-1+	P-1	4.09%
Corporate and deposit notes	A-1+	P-1	1.83%
Mortgage trust deeds	AAA	Aaa	0.05%
Municipal bonds	AAA	Aaa	0.28%
Negotiable certificates of deposit	A-1+	P-1	11.45%
Guaranteed investment contracts	Not rated	Not rated	43.76%
U.S. agency securities	AAA	Aaa	19.24%
U.S. treasury securities	AAA	Aaa	15.91%
			<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, 2007 was 5.25%.

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, 2007 (in thousands):

<b>Statement of Net Assets</b>	
Net assets held in trust for all pool participants	\$ <u>18,010,933</u>
Equity of internal pool participants	\$ 6,296,333
Equity of external pool participants	<u>11,714,600</u>
Total equity	<u>\$ 18,010,933</u>
<b>Statement of Changes in Net Assets</b>	
Net assets at July 1, 2006	\$ 16,120,978
Net change in investments by pool participants	<u>1,889,955</u>
Net assets at June 30, 2007	<u>\$ 18,010,933</u>

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

4. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The unrealized loss on investments held in the Treasurer's Pool was \$31,096,000 as of June 30, 2007. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

Reverse Repurchase Agreements

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

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

Derivatives

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

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, 2007, there were approximately \$635,000,000 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, 2007, forward currency contracts receivable and payable totaled \$51,160,000 and \$50,989,000, 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.

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

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

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

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

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2007, 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, 2007. 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 invested cash collateral received.

As of June 30, 2007, the fair value of securities on loan was \$3.02 billion. The value of the cash collateral received for those securities was \$3.13 billion and the non-cash collateral was \$0.13 billion. Securities lending assets (Other Investments) and liabilities (Other Payables) of \$3.1 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was \$8.48 million for the year ended June 30, 2007.

For the year ended June 30, 2007 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, 2007 (in thousands):

	<u>County</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Deposits	\$ 112,114	\$ 19,833	\$ 131,947
Investments	<u>20,230,295</u>	<u>44,455,203</u>	<u>64,685,498</u>
	<u>\$ 20,342,409</u>	<u>\$ 44,475,036</u>	<u>\$ 64,817,445</u>

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

5. CAPITAL ASSETS

Capital assets activity of the primary government for the year ended June 30, 2007 is as follows (in thousands):

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
<b><u>Governmental Activities</u></b>				
Capital assets, not depreciated:				
Land	\$ 2,175,836	183,104	(19,483)	\$ 2,339,457
Easements	4,660,118	80,922	(85,660)	4,655,380
Construction in progress-buildings and improvements	146,544	77,510	(40)	224,014
Construction in progress-infrastructure	<u>195,869</u>	<u>84,050</u>	<u>(65,091)</u>	<u>214,828</u>
Subtotal	<u>7,178,367</u>	<u>425,586</u>	<u>(170,274)</u>	<u>7,433,679</u>
Capital assets, depreciated:				
Buildings and improvements	3,715,185	271,571	(23,275)	3,963,481
Equipment	893,316	130,067	(45,119)	978,264
Infrastructure	<u>6,814,310</u>	<u>149,517</u>	<u>(5,068)</u>	<u>6,958,759</u>
Subtotal	<u>11,422,811</u>	<u>551,155</u>	<u>(73,462)</u>	<u>11,900,504</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,268,082)	(65,941)	5,494	(1,328,529)
Equipment	(617,139)	(85,630)	45,609	(657,160)
Infrastructure	<u>(2,282,963)</u>	<u>(137,723)</u>	<u>2,167</u>	<u>(2,418,519)</u>
Subtotal	<u>(4,168,184)</u>	<u>(289,294)</u>	<u>53,270</u>	<u>(4,404,208)</u>
Total capital assets, being depreciated, net	<u>7,254,627</u>	<u>261,861</u>	<u>(20,192)</u>	<u>7,496,296</u>
Governmental activities capital assets, net	<u>\$14,432,994</u>	<u>687,447</u>	<u>(190,466)</u>	<u>\$14,929,975</u>
<b><u>Business-type Activities</u></b>				
Capital assets, not depreciated:				
Land	\$ 216,753		(425)	\$ 216,328
Easements	27,762	1,525	(165)	29,122
Construction in progress-buildings and improvements	707,794	152,074	(1,911)	857,957
Construction in progress-infrastructure	<u>6,440</u>	<u>12,438</u>	<u>(3,975)</u>	<u>14,903</u>
Subtotal	<u>958,749</u>	<u>166,037</u>	<u>(6,476)</u>	<u>1,118,310</u>
Capital assets, being depreciated:				
Buildings and improvements	1,097,500	379	(26,835)	1,071,044
Equipment	225,776	25,975	(28,727)	223,024
Infrastructure	<u>1,130,801</u>	<u>4,800</u>	<u>(583)</u>	<u>1,135,018</u>
Subtotal	<u>2,454,077</u>	<u>31,154</u>	<u>(56,145)</u>	<u>2,429,086</u>
Less accumulated depreciation for:				
Buildings and improvements	(652,242)	(11,111)	1,473	(661,880)
Equipment	(184,504)	(16,938)	27,511	(173,931)
Infrastructure	<u>(362,536)</u>	<u>(21,510)</u>	<u>577</u>	<u>(383,469)</u>
Subtotal	<u>(1,199,282)</u>	<u>(49,559)</u>	<u>29,561</u>	<u>(1,219,280)</u>
Total capital assets, being depreciated, net	<u>1,254,795</u>	<u>(18,405)</u>	<u>(26,584)</u>	<u>1,209,806</u>
Business-type activities capital assets, net	<u>2,213,544</u>	<u>147,632</u>	<u>(33,060)</u>	<u>2,328,116</u>
Total Capital Assets, net	<u>\$16,646,538</u>	<u>835,079</u>	<u>(223,526)</u>	<u>\$17,258,091</u>



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

5. CAPITAL ASSETS-Continued

Depreciation Expense

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

Governmental activities:

General government	\$ 12,599
Public protection	133,952
Public ways and facilities	82,755
Health and sanitation	11,950
Public assistance	6,446
Education	1,413
Recreation and cultural services	16,044
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>24,135</u>
Total depreciation expense, governmental activities	<u>\$ 289,294</u>

Business-type activities:

Hospitals	\$ 13,543
Aviation	1,663
Waterworks	22,482
Community Development Commission	1,280
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>10,591</u>
Total depreciation expense, business-type activities	<u>\$ 49,559</u>

Special Item - Contribution of Disney Hall

The Walt Disney Concert Hall began with a gift from Mrs. Lillian Disney in 1987 and was also funded through private contributions. The County entered into a master lease agreement with the Walt Disney Concert Hall Inc., a non-profit California corporation, whereby the County would acquire the ownership of the Disney Concert Hall upon the project completion. The County accepted title of the Walt Disney Concert Hall on January 9, 2007. The Walt Disney Concert Hall was a significant transaction that was within the control of management and unusual in nature. A Special Item is reported on the Statement of Activities to reflect a contribution of this significant capital asset, the Walt Disney Concert Hall, in the amount of \$267,473,000.

Discretely Presented Component Unit

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2007 was as follows (in thousands):

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets, not depreciated:				
Land	\$ 2,039	\$	\$	\$ 2,039
Capital assets, depreciated:				
Buildings and improvements	16,673	201		16,874
Equipment	<u>1,185</u>	<u>28</u>		<u>1,213</u>
Subtotal	<u>17,858</u>	<u>229</u>		<u>18,087</u>

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

5. CAPITAL ASSETS-Continued

Discretely Presented Component Unit-Continued

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,646)	(230)		(5,876)
Equipment	(456)	(242)		(698)
Subtotal	<u>(6,102)</u>	<u>(472)</u>		<u>(6,574)</u>
Total capital assets being depreciated, net	<u>11,756</u>	<u>(243)</u>		<u>11,513</u>
Component unit capital assets, net	<u>\$ 13,795</u>	<u>\$ (243)</u>	<u>\$</u>	<u>\$ 13,552</u>

6. PENSION PLAN

Plan Description

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

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

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

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are 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 members. 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.

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

6. PENSION PLAN-Continued

Funding Policy-Continued

The following employer rates were in effect for 2006-2007:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
General Members	20.17%	13.31%	13.02%	13.16%	13.32%
Safety Members	28.05%	22.70%			

The rates were determined by the actuarial valuation performed as of June 30, 2005 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 2006-2007, the County did not pay LACERA the full amount of the ARC. LACERA applied \$111,775,000 in excess earnings reserves towards the County's required contribution.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation, computed in accordance with GASB 27, for 2006-2007 were as follows (in thousands):

Annual required contribution (ARC):	
County	\$ 863,502
Non County entities	124
Total ARC	<u>863,626</u>
Interest on net pension obligation	<u>(20,730)</u>
Annual pension cost	<u>842,896</u>
Contributions made:	
County	751,727
Non County entities	124
Total contributions	<u>751,851</u>
Cost in excess of contributions	91,045
Net pension obligation (asset), July 1, 2006	<u>(267,485)</u>
Net pension obligation (asset), June 30, 2007	<u>\$ (176,440)</u>

<u>Fiscal Year Ended</u>	<u>Trend Information (in thousands)</u>		<u>Net Pension Obligation (Asset)</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
June 30, 2005	\$ 703,254	75.1%	\$ (413,286)
June 30, 2006	822,468	82.3%	(267,485)
June 30, 2007	842,896	89.2%	(176,440)

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

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2005 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, 2006 valuation determined the funded ratio to be 90.5% and recognized an unfunded actuarial accrued liability (UAAL) of \$3.44 billion. The County contribution rate (effective for the 2006-2007 fiscal year) was, therefore, equal to 3.49% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) plus the normal cost rate of 9.42%, for a total rate of 12.91% of payroll.

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.

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, 2007, the unamortized balance was \$16,746,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2007 was \$1,104,457,000. The bonds have interest rates varying from 6.97% 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. These refunding bonds matured on June 30, 2007. The fixed rate certificates which remain outstanding have a rate of 6.9%. At June 30, 2007, the total outstanding principal (including accreted interest) for the remaining fixed rate certificates was \$80,740,000 and has been included in the financial statements as pension bonds payable.

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

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

For the year ended June 30, 2007, the combined principal and interest payments for both the bonds and certificates were \$300,316,000 and \$80,907,000, respectively. For governmental activities, the total debt service was \$282,923,000. For business-type activities, the total debt service was \$98,300,000. At June 30, 2007, the total outstanding principal, including accreted interest of \$676,855,000 on both bonds and certificates, was \$1,185,197,000.

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>
2008	\$ 116,233	\$ 167,121	\$ 39,853	\$ 58,407
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>377,262</u>	<u>\$ 684,635</u>	<u>131,080</u>	<u>\$ 239,271</u>
Accretions	<u>502,323</u>		<u>174,532</u>	
Total Pension Bonds Payable	<u>\$ 879,585</u>		<u>\$ 305,612</u>	

Swap Transaction Related to Pension Bonds

In conjunction with the issuance of \$327,400,000 of variable pension refunding bonds in 1996, the County entered into a swap transaction to create a synthetic fixed interest rate. The County also received an up-front payment of \$19,036,000 from the counterparty. The County and the counterparty have fulfilled their obligations under the swap agreement. The bonds and the related swap agreement matured on June 30, 2007.

7. 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 59,000 retirees presently eligible to receive such benefits. LACERA is acting as the benefits coordinator for the health care plan.

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 funding 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.

In April 1982, the County adopted an ordinance pursuant to Government Code Section 31691 which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreement to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

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

7. POSTEMPLOYMENT BENEFITS-Continued

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

The cost of retiree health care is recognized when the County makes payments to LACERA. For the year ended June 30, 2007, the amounts of such payments were approximately \$227,395,000, for governmental activities, and \$49,164,000, for business-type activities. These amounts exclude \$40,546,000 of LACERA excess earnings reserves, which were utilized to offset a portion of the total funding requirements.

GASB Statement No. 45

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB 45 establishes financial reporting standards designed to measure, recognize, and display OPEB costs. The County intends to implement GASB 45 in FY 2007-2008 (financial reporting period ending June 30, 2008).

In addition to the retiree health care benefits, the County provides long-term disability benefits to employees that have been determined to fall within the definition of OPEB. The County currently finances all OPEB benefits on a pay-as-you-go basis. The establishment of a qualifying trust for retirement health care is in a formative stage at this time. However, a trust fund has not been established for the retiree health benefits or the long-term disability benefits.

In preparing to implement GASB 45, the County requested LACERA to conduct an actuarial valuation of the retiree health benefits. The valuation, which was conducted as of July 1, 2006, identified the County's share of the actuarial accrued liability as \$20.302 billion. The County has also undertaken an actuarial valuation of the long-term disability programs as of July 1, 2007 and such valuation identified actuarial accrued liabilities of \$987 million.

8. 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, 2007 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2008	\$ 68,517
2009	57,311
2010	37,169
2011	26,464
2012	19,336
2013-2017	53,426
2018-2022	12,396
2023-2027	19
Total	<u>\$ 274,638</u>

Rent expenditures related to operating leases were \$76,364,000 for the year ended June 30, 2007.

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

## 8. 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, 2007 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$ 27,989	\$ 149
2009	23,956	145
2010	19,403	148
2011	13,370	
2012	6,154	
2013-2017	39,855	
2018-2022	29,755	
2023-2027	29,756	
2028-2032	29,103	
2033-2037	163	
Total	<u>\$ 219,504</u>	<u>\$ 442</u>
Less: Amount representing interest	<u>121,054</u>	<u>44</u>
Present value of future minimum lease payments	<u>\$ 98,450</u>	<u>\$ 398</u>

The following is a schedule of property under capital leases by major classes at June 30, 2007 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 5,710	
Buildings and improvements	119,448	\$ 1,200
Equipment	59,407	393
Accumulated depreciation	(60,574)	(928)
Total	<u>\$ 123,991</u>	<u>\$ 665</u>

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 90 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 28 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 60 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

8. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the Asset Development Project ground leases and the Marina del Rey Project area leases is \$400,534,000. The carrying value of the golf course and regional park operating leases is not determinable due to the nature of these leases.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2007 (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2008	\$ 36,440
2009	36,581
2010	36,609
2011	36,456
2012	35,825
Thereafter	<u>1,276,054</u>
Total	<u>\$ 1,457,965</u>

The following is a schedule of rental income for these operating leases for the year ended June 30, 2007 (in thousands):

	<u>Governmental Activities</u>
Minimum rentals	\$ 37,097
Contingent rentals	22,991
Total	<u>\$ 60,088</u>

9. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 6), capital lease obligations (see Note 8) 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, 2007</u>
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 4.9% to 5.1%	\$ 14,000	\$ 370
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	94,280
Los Angeles County Flood Control District Revenue Bonds 4.0% to 4.12%	20,540	18,910



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

9. LONG TERM OBLIGATIONS-Continued

Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3% to 6%	349,690	323,396
Community Development Commission (CDC) Notes Payable, 2.31% to 7.91%	66,295	44,793
NPC Bond Anticipation Notes, 5.04% to 5.56%	17,700	17,700
NPC Bonds 2.5% to 4.0%	24,140	11,366
Marina del Rey Loans Payable, 4.5% to 4.7%	23,500	21,302
Public Buildings Certificates of Participation, 2.8% to 7.75%	944,106	812,247
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds 5.25% to 6.65%	<u>319,827</u>	<u>343,922</u>
Total	<u>\$ 1,922,993</u>	<u>\$ 1,688,286</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, 5.04% to 5.56%	\$ 12,300	\$ 12,300
NPC Bonds 2.5% to 4.0%	16,775	7,899
Public Buildings Certificates of Participation, 2.8% to 7.0%	245,529	132,316
Commercial Paper, 3.65% to 3.7%	2,500	2,500
Waterworks District Bonds, 3.3% to 8.0%	280	121
Community Development Commission Mortgage Notes, 0.00% to 7.3%	<u>11,390</u>	<u>5,208</u>
Total	<u>\$ 288,774</u>	<u>\$ 160,344</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 (Los Angeles County (LAC) Flood Control Storm Drain bonds for Governmental Activities and Waterworks District bonds for Business-type Activities) are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 370	\$ 9	\$ 17	\$ 11
2009			18	9
2010			19	7
2011			21	5
2012			22	4
2013-17			<u>24</u>	<u>1</u>
Total	<u>\$ 370</u>	<u>\$ 9</u>	<u>\$ 121</u>	<u>\$ 37</u>

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

9. LONG TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997, some of which were advance refunded in 2005, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority (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):

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 22,630	\$ 14,835
2009	23,670	13,644
2010	24,835	12,441
2011	26,075	11,185
2012	27,345	9,855
2013-2017	136,965	26,872
2018-2022	42,715	3,376
Subtotal	304,235	<u>\$ 92,208</u>
Add: Unamortized Bond Premiums	<u>19,161</u>	
Total Assessment Bonds	<u>\$ 323,396</u>	

Certificates of Participation

The County has issued certificates of participation (COPs) through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. Principal and interest requirements on COPs (LAC Flood Control District Refunding bonds and Revenue bonds, NPC bonds, and Public Buildings COPs for Governmental Activities and NPC bonds and Public Buildings COPs for Business-type activities) are as follows (in thousands):

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

9. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation-Continued

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 78,609	\$ 43,982	\$ 25,485	\$ 7,966
2009	81,153	38,314	13,779	7,044
2010	78,664	35,773	13,141	6,421
2011	68,798	33,526	12,586	5,823
2012	71,026	31,096	13,164	5,236
2013-2017	226,217	128,912	53,907	16,564
2018-2022	112,039	106,589		
2023-2027	86,595	26,749		
2028-2032	59,835	9,735		
2033-2037	13,170	667		
Subtotal	876,106	<u>\$ 455,343</u>	132,062	<u>\$ 49,054</u>
Accretions	70,597			
Unamortized Bond Premiums	30,918		8,153	
Unamortized Loss	<u>(40,818)</u>			
Total Certificates of Participation	<u>\$ 936,803</u>		<u>\$ 140,215</u>	

Tobacco Settlement Asset-Backed Bonds

The County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of \$319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the sales agreement. Residuals through 2011 were expected to be approximately \$140,632,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be \$1,438,000,000. 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. 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 (in thousands) for the Tobacco Settlement Asset-Backed bonds, which do not begin until 2011, are as follows:

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

9. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$	\$ 21,197
2012		21,197
2013-2017		105,987
2018-2022	60,280	101,926
2023-2027		85,680
2028-2032	46,370	72,585
2033-2037	62,196	64,767
2038-2042	53,157	42,665
2043-2047	<u>97,824</u>	<u>21,564</u>
Subtotal	319,827	<u>\$ 537,568</u>
Accretions	<u>24,095</u>	
Total Tobacco Settlement Asset-Backed Bonds	<u>\$ 343,922</u>	

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 within the five-year period, they convert to capital leases with a three-year term secured by County real property.

CDC 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. During the 2006-07 fiscal year, CDC issued additional notes payable in the amount of \$5,250,000 as reflected in the governmental activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs for the Harbor-UCLA Medical Center SB1953 seismic retrofit project. 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.

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

9. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper-Continued

Principal and interest requirements on CDC Notes payable, NPC BANS, and Marina del Rey Loans payable for Governmental Activities and NPC BANS, Commercial paper, and CDC Mortgage notes for Business-type Activities 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>
2008	\$ 13,444	\$ 3,213	\$ 7,310	\$ 151
2009	14,535	3,086	9,030	98
2010	2,606	2,950	355	45
2011	2,760	2,811	350	13
2012	3,423	2,648		
2013-2017	17,357	10,431	972	
2018-2022	17,341	5,544		
2023-2027	9,439	1,846		
2028-2032	2,890	199		
Indeterminate maturity			1,991	
Total	<u>\$ 83,795</u>	<u>\$ 32,728</u>	<u>\$ 20,008</u>	<u>\$ 307</u>

Summary-All Future Principal, Interest and Accretions

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

Debt Type	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds	\$ 370	\$ 9	\$ 121	\$ 37
Assessment Bonds	304,235	92,208		
Certificates of Participation	876,106	455,343	132,062	49,054
Tobacco Settlement Asset- Backed Bonds	319,827	537,568		
Notes, Loans, and Commercial Paper	<u>83,795</u>	<u>32,728</u>	<u>20,008</u>	<u>307</u>
Subtotal	1,584,333	<u>\$1,117,856</u>	152,191	<u>\$ 49,398</u>
Add: Accretions Unamortized Bond Premiums	94,692	50,079	8,153	
Less: Unamortized Loss on Advance Refunding of Debt	(40,818)			
Total Bonds and Notes Payable	<u>\$ 1,688,286</u>		<u>\$ 160,344</u>	

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

9. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions-Continued

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.

Advance Refunding of Debt

On December 1, 2006, the County issued \$217,585,000 of Public Buildings lease revenue refunding bonds (2006 Master Refunding Project) Series A, with an average interest rate of 3.68%, and \$103,410,000 of Public Buildings lease revenue refunding bonds (2006 Master Refunding Project) Series B, with an average interest rate 4.34%. The 2006 Series A Bonds were issued to refund the outstanding principal of \$272,000,000 of bonds issued in 1996 and 1997 with an average interest rate of 5.22%. The 2006 Series B Bonds were issued to refund the outstanding principal amount of \$110,105,000 of bonds issued in 2000 with an average interest rate of 5.31%.

U.S. Government securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Assets – Governmental Activities. Specific disclosures related to each refunding issue are as follows (in thousands):

	Series 2006A	Series 2006B
Proceeds of refunding bonds issued	\$ 217,585	\$ 103,410
Prior years' bond reserves and/or premiums	<u>64,951</u>	<u>12,928</u>
Deposit to escrow	<u>\$ 282,536</u>	<u>\$ 116,338</u>
Future years' aggregate debt service payment reduction	\$ 54,610	\$ 20,735
Present value savings (economic gain)	\$ 8,550	\$ 7,312

For each of the two advance refunding transactions, the carrying amount of the refunded debt was less than the reacquisition price. These differences were \$11,865,000 and \$6,233,000 for the December 2006 Series 2006A and Series 2006B bonds, respectively. These amounts have been reported as reductions of the amount of outstanding debt in the basic financial statements.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2007, the amount of outstanding bonds and certificates of participation considered defeased was \$552,015,000. All of this amount was related to governmental activities.

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

9. 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, 2007 (in thousands):

	Balance <u>July 1, 2006</u>	Additions/ <u>Accretions</u>	Transfers/ <u>Maturities</u>	Balance <u>June 30, 2007</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Bonds and notes payable	\$ 1,815,744	\$ 375,967	\$ 503,425	\$ 1,688,286	\$ 119,472
Pension bonds payable (Note 6)	1,045,264		165,679	879,585	284,522
Capital lease obligations (Note 8)	123,676	818	26,044	98,450	15,738
Accrued vacation and sick leave	630,670	115,772	46,242	700,200	45,229
Workers' compensation liability (Note 16)	2,018,407	128,200	271,473	1,875,134	292,378
Litigation and self-insurance liability (Note 16)	483,097		57,556	425,541	73,034
Third party payor liability	22,344	977	5,753	17,568	17,168
<b>Total governmental activities</b>	<b><u>\$ 6,139,202</u></b>	<b><u>\$ 621,734</u></b>	<b><u>\$1,076,172</u></b>	<b><u>\$ 5,684,764</u></b>	<b><u>\$ 847,541</u></b>
<b>Business-type activities:</b>					
Bonds and notes payable	\$ 182,355	8,006	30,017	160,344	33,597
Pension bonds payable (Note 6)	363,177		57,565	305,612	98,857
Capital lease obligations (Note 8)	675		277	398	125
Accrued vacation and sick leave	110,367	19,216	10,432	119,151	9,720
Workers' compensation liability (Note 16)	352,295	15,393	39,569	328,119	45,584
Litigation and self-insurance liability (Note 16)	239,323	24,458	28,391	235,390	24,932
Third party payor liability (Note 12)	175,213	37,961	114,954	98,220	11,552
<b>Total business-type activities</b>	<b><u>\$ 1,423,405</u></b>	<b><u>\$ 105,034</u></b>	<b><u>\$ 281,205</u></b>	<b><u>\$ 1,247,234</u></b>	<b><u>\$ 224,367</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. For Bonds and Notes Payable, accretions increased during 2006-2007, thereby increasing liabilities for Bonds and Notes Payable by \$21,501,000 for governmental activities. Amounts accreted for Pension Bonds in previous years were paid during 2006-2007 thereby decreasing liabilities for Pension Bonds Payable for governmental and business-type activities by \$24,495,000 and \$8,511,000, respectively, for interest accretions. Note 16 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

10. SHORT-TERM DEBT

On July 3, 2006, the County issued \$500,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 3.50%. 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 2006. The notes matured and were redeemed on June 29, 2007.

11. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2007, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling \$87,254,000 and limited obligation improvement bonds totaling \$15,549,000. 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 \$1,306,172,000. The amount of bonds outstanding as of June 30, 2007 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

11. 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, 2007, the amount of industrial development and other conduit bonds outstanding was \$14,815,000.

12. 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, 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), 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 Project 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 Project 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 (IGTs) made by the public entities that operated public hospitals.

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

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Hospital / Uninsured Care Demonstration Project-Continued

Under the Demonstration Project, 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 was capped Statewide at \$586 million for FY 2006-07. The non-federal 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 Project 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 IGTs 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, 2007, 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 Project	\$ 268,515	\$ 893,400

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

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Baseline Payments

The Demonstration Project 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 2006-07 fiscal year is established at each hospital's total net Medi-Cal inpatient payments for 2005-06. The State DHS estimates the aggregate baseline funding for the 23 Statewide designated public hospitals to be \$2.225 billion. The FY 2006-07 baseline for Los Angeles County hospitals is as follows (in thousands):

<u>Hospital Name</u>	<u>Baseline Amount</u>
LAC+USC Medical Center	\$ 339,702
Harbor-UCLA Medical Center	160,380
MLK, Jr.-Harbor Hospital	159,418
Rancho Los Amigos National Rehabilitation Center	76,074
Olive View -UCLA Medical Center	<u>105,811</u>
Total	<u>\$ 841,385</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 \$1.023 billion as of June 30, 2007.)
- 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

12. 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 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 7%, respectively, of net patient care revenue for the year ended June 30, 2007.

Medi-Cal field audits have been completed and audit reports have been issued for FY 2003-04 for all hospitals and health centers with the exception of MLK, Jr.-Harbor Hospital (MLK/H) formerly known as Martin Luther King, Jr./Drew Medical Center. FY 2004-05 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 all hospitals except for LAC+USC Medical Center (LAC+USC). The audit for LAC+USC has not been scheduled for FY 2001-02. For FY 2002-03, the audits for Olive View-UCLA Medical Center (OV/UCLA), Rancho Los Amigos National Rehabilitation Center (Rancho) and High Desert Hospital (HD) have been completed and the notices of program reimbursement have been issued. The audit for MLK/H is in progress. The audits for LAC+USC and Harbor-UCLA Medical Center (H/UCLA) have not been scheduled for FY 2002-03.

For FY 2003-04, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. The MLK/H audit is in progress. The audits for LAC+USC, H/UCLA, and Rancho have not been scheduled.

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

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

For FY 2004-05, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. MLK/H and Rancho audits are in progress. The audits for LAC+USC and H/UCLA have not been scheduled.

For FY 2005-06, the audit for OV/UCLA has been completed and the notice of program reimbursement has been issued. Rancho's audit is in progress. The audits for LAC+USC, H/UCLA, and MLK/H have not been scheduled.

The hospitals have various outstanding appeals pertaining to Medi-Cal and Medicare audit settlements. The Medi-Cal FY 2001-02 informal level appeals have been resolved and \$2.4 million will be paid to the County as a result of the resolution of those appeals.

Martin Luther King, Jr.- Harbor Hospital Extension Agreement

CMS provided notice to MLK/H that its Medicare provider agreement would be terminated on November 30, 2006 due to the hospital's non-compliance of Medicare Conditions of Participation (CoPs). At the hospital's request, CMS extended the effective date of termination from November 30, 2006 to March 31, 2007.

On March 30, 2007, the County entered into an agreement with SDHS and CMS further to extend the termination date to August 15, 2007 subject to limitations on reimbursements. Under this agreement, MLK/H agrees not to seek reimbursement at any time from Medicare or Medicaid, nor submit claims to CMS or the Single State Medicaid Agency for reimbursement or payment (including but not limited to costs under DSH and SNCP provisions) for services, except for certain emergency services, provided to Medicare or Medicaid beneficiaries, or to uninsured individuals between May 1, 2007 and either August 15, 2007 or the date CMS makes a determination that MLK/H is in full compliance with the Medicare CoPs.

The agreement resulted in a decrease of \$7.99 million in revenues to MLK/H.

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, 2007 was \$11.5 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

12. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Accounts Receivable-net

The following is a summary by hospital of accounts receivable and allowances for uncollectible amounts for the year ended June 30, 2007 (in thousands):

	<u>H/UCLA</u>	<u>OV/UCLA</u>	<u>LAC+USC</u>	<u>MLK/H</u>	<u>Rancho</u>	<u>Total</u>
Accounts receivable	\$ 526,985	248,167	804,744	264,600	167,240	\$2,011,736
Less: Allowance for uncollectible amounts	412,052	171,652	620,381	146,209	90,380	1,440,674
Accounts Receivable – net	<u>\$ 114,933</u>	<u>76,515</u>	<u>184,363</u>	<u>118,391</u>	<u>76,860</u>	<u>\$ 571,062</u>

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through 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, 2007, based on established rates, is as follows (in thousands):

Charges forgone	\$1,353,319
Less: Federal and State subventions	<u>11,471</u>
Net charges forgone	<u>\$1,341,848</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.

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

13. 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, 2007.

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, 2007 are as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Protection District	\$ 5,923
	Flood Control District	6,920
	Public Library	2,042
	Regional Park and Open Space District	9,007
	Internal Service Funds	9,193
	Waterworks Enterprise	28
	Harbor-UCLA Medical Center	22,033
	Olive View-UCLA Medical Center	36,255
	LAC+USC Medical Center	79,404
	M.L. King-Harbor Hospital	18,390
	Rancho Los Amigos Nat'l Rehab Center	6,411
	Nonmajor Enterprise Funds	54
	Nonmajor Governmental Funds	<u>174,464</u>
	<u>370,124</u>	
Fire Protection District	General Fund	3,650
	Flood Control District	11
	Internal Service Funds	4
	LAC+USC Medical Center	5
	Nonmajor Governmental Funds	<u>816</u>
	<u>4,486</u>	
Flood Control District	General Fund	2,109
	Internal Service Funds	10,307
	Waterworks Enterprise	15
	Nonmajor Enterprise Funds	8
	Nonmajor Governmental Funds	<u>719</u>
	<u>13,158</u>	
Public Library	General Fund	105
	Nonmajor Governmental Funds	<u>657</u>
	<u>762</u>	
Regional Park and Open Space Dist	General Fund	<u>9</u>

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

## 13. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Funds	General Fund	14,141
	Fire Protection District	73
	Flood Control District	18,133
	Public Library	14
	Waterworks Enterprise	6,037
	Harbor-UCLA Medical Center	2
	LAC+USC Medical Center	4
	M. L. King-Harbor Hospital	22
	Rancho Los Amigos Nat'l Rehab Center	58
	Nonmajor Enterprise Funds	235
	Nonmajor Governmental Funds	<u>37,791</u>
		<u>76,510</u>
Waterworks Enterprise	General Fund	3
	Internal Service Funds	1,751
	Nonmajor Governmental Funds	15
		<u>1,769</u>
Harbor-UCLA Medical Center	General Fund	28,957
	Fire Protection District	17
	Olive View-UCLA Medical Center	16,354
	LAC+USC Medical Center	16,195
	M.L. King-Harbor Hospital	146
	Rancho Los Amigos Nat'l Rehab Center	20
	Nonmajor Governmental Funds	<u>7,993</u>
	<u>69,682</u>	
Olive View-UCLA Medical Center	General Fund	25,608
	Harbor-UCLA Medical Center	32
	LAC+USC Medical Center	28,048
	M.L. King-Harbor Hospital	61
	Nonmajor Governmental Funds	<u>17,771</u>
	<u>71,520</u>	
LAC+USC Medical Center	General Fund	203,832
	Fire Protection District	17
	Harbor-UCLA Medical Center	12,699
	Olive View-UCLA Medical Center	4,035
	M.L. King-Harbor Hospital	7,733
	Rancho Los Amigos Nat'l Rehab Center	790
	Nonmajor Governmental Funds	<u>45,947</u>
	<u>275,053</u>	
M. L. King, Jr.-Harbor Hospital	General Fund	23,813
	Fire Protection District	20
	LAC+USC Medical Center	573
	Rancho Los Amigos Nat'l Rehab Center	1
	<u>24,407</u>	



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

## 13. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Rancho Los Amigos Nat'l Rehab Center	General Fund	9,130
	Harbor-UCLA Medical Center	76
	LAC+USC Medical Center	10,675
	M.L. King-Harbor Hospital	18
		<u>19,899</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>58</u>
Nonmajor Governmental Funds	General Fund	291,001
	Fire Protection District	14
	Flood Control District	221
	Internal Service Funds	11,790
	Waterworks Enterprise	1
	Olive View-UCLA Medical Center	465
	Nonmajor Enterprise Funds	7
	Nonmajor Governmental Funds	<u>7,690</u>
	<u>311,189</u>	
Total Interfund Receivables/Payables		<u>\$ 1,238,626</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, 2007 are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Public Library	\$ 34,784
	Internal Service Funds	192
	Harbor-UCLA Medical Center	114,141
	Olive View-UCLA Medical Center	133,282
	LAC+USC Medical Center	487,385
	M.L. King-Harbor Hospital	118,418
	Rancho Los Amigos Nat'l Rehab Center	36,723
	Nonmajor Governmental Funds	<u>114,106</u>
	<u>1,039,031</u>	
Fire Protection District	Nonmajor Governmental Funds	<u>31,487</u>

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

## 13. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Flood Control District	General Fund	1,484
	Internal Service Funds	542
	Nonmajor Governmental Funds	<u>19,039</u>
		<u>21,065</u>
Public Library	General Fund	2,828
	Nonmajor Governmental Funds	<u>1,016</u>
		<u>3,844</u>
Regional Park and Open Space District	Nonmajor Governmental Funds	<u>33,710</u>
Internal Service Funds	Internal Service Funds	<u>221</u>
Waterworks Enterprise	Internal Service Funds	<u>391</u>
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	<u>36</u>
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	<u>464</u>
LAC+USC Medical Center	Harbor-UCLA Medical Center	15,891
	Olive View-UCLA Medical Center	28,043
	Rancho Los Amigos Nat'l Rehab Center	10,663
	Nonmajor Governmental Funds	<u>45</u>
		<u>54,642</u>
M. L. King-Harbor Hospital	Nonmajor Governmental Funds	<u>16</u>
Rancho Los Amigos Nat'l Rehab Center	Nonmajor Governmental Funds	<u>1</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	<u>4,232</u>
Nonmajor Governmental Funds	General Fund	262,931
	Public Library	510
	Internal Service Funds	2,038
	Harbor-UCLA Medical Center	24,066
	Olive View-UCLA Medical Center	29,895
	LAC+USC Medical Center	99,225
	M.L. King-Harbor Hospital	10,851
	Nonmajor Governmental Funds	<u>33,688</u>
		<u>463,204</u>
Total Interfund Transfers		<u>\$1,652,344</u>

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

13. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Short-term Advances

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.

Advances from/to other funds at June 30, 2007 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	74,487
	Olive View-UCLA Medical Center	37,228
	LAC+USC Medical Center	161,123
	M.L. King-Harbor Hospital	53,366
	Rancho Los Amigos Nat'l Rehab Center	<u>70,487</u>
		<u>400,280</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>\$ 418,691</u>

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

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

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

- For budgetary purposes, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.

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

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

- 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 9, 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 6.
- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

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

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

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

	<u>General Fund</u>	<u>Fire Protection District</u>	<u>Flood Control District</u>	<u>Public Library</u>	<u>Regional Park and Open Space District</u>
Fund balance - budgetary basis	\$ 1,706,357	\$ 56,627	\$ 16,305	\$ 10,795	\$ 119,700
Reserves and designations	<u>1,713,605</u>	<u>108,517</u>	<u>137,289</u>	<u>12,368</u>	<u>143,273</u>
Subtotal	<u>3,419,962</u>	<u>165,144</u>	<u>153,594</u>	<u>23,163</u>	<u>262,973</u>
Adjustments:					
Accrual of estimated liability for litigation and self-insurance claims	51,619	(963)		(54)	
Accrual of vacation and sick leave benefits	36,916				
Deferral of unearned investment income	(10,936)	(539)		(120)	
Deferral of sale of tobacco settlement revenue	(278,260)				
Change in revenue accruals	<u>(138,857)</u>	<u>(21,701)</u>	<u>(5,976)</u>	<u>(2,776)</u>	<u>(1,761)</u>
Subtotal	<u>(339,518)</u>	<u>(23,203)</u>	<u>(5,976)</u>	<u>(2,950)</u>	<u>(1,761)</u>
Fund balance - GAAP basis	<u>\$ 3,080,444</u>	<u>\$ 141,941</u>	<u>\$ 147,618</u>	<u>\$ 20,213</u>	<u>\$ 261,212</u>

15. OTHER COMMITMENTS

Construction Commitments

At June 30, 2007, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately \$65,709,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2007, LACERA had outstanding capital commitments to various investment managers, approximating \$2,390,000,000. Subsequent to June 30, 2007, LACERA funded \$299,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2007, the County did not have any open trade commitments with brokers to purchase investments.

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

16. 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 2005-2006 or 2006-2007.

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, 2007 were approximately \$2.203 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2007. Approximately \$177,980,000 of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2007, the County's best estimate of these liabilities is \$2.864 billion. Changes in the reported liability since July 1, 2005 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
<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>
<u>2006-2007</u>				
Workers' Compensation	\$ 2,370,702	\$ 143,593	\$(311,042)	\$ 2,203,253
Other	<u>722,420</u>	<u>24,458</u>	<u>(85,947)</u>	<u>660,931</u>
Total 2006-2007	<u>\$ 3,093,122</u>	<u>\$ 168,051</u>	<u>\$(396,989)</u>	<u>\$ 2,864,184</u>

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately \$776.2 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

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

17. 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, 2007, a portion (\$234.6 million) of the General Fund's designation for budgetary uncertainties pertained to such collections.

18. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 2, 2007, the County issued \$500,000,000 in 2007-08 TRANS which will mature on June 30, 2008. The TRANS are collateralized by taxes and other revenues attributable to the 2007-08 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 3.62%.

Regional Park and Open Space District Refunding Revenue Bonds

On July 5, 2007, the County issued \$94,315,000 of Regional Park and Open Space District refunding revenue bonds, maturing from 2007 to 2019, with yields ranging from 3.52% to 3.94%. Proceeds from the sale of the bonds together with other monies of the District were used to redeem all of the outstanding Series 1997A District revenue bonds, fund a reserve account, and pay issuance costs.

Martin Luther King, Jr.-Harbor Hospital Closure

In August 2007, the Federal Centers for Medicare and Medicaid Services (CMS) provided its final determination based on its review at Martin Luther King, Jr.-Harbor Hospital (MLK/H). CMS determined that MLK/H was not in compliance with a number of Medicare Conditions of Participation and terminated the hospital's contract as of August 15, 2007. This determination aggravated staffing issues already existing at the facility, jeopardizing patient safety. The County responded by immediately implementing its contingency plan to close MLK/H. MLK/H was officially closed on August 25, 2007. The County has converted MLK/H into a Multi-Specialty Ambulatory Care Center (MACC) and is in the process of obtaining a license for an Outpatient Surgical Clinic on the site. In addition, the County has engaged a consulting firm to identify and review potential operators, as the County moves forward in pursuing the reopening of MLK/H.

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

18. SUBSEQUENT EVENTS-Continued

Tax-Exempt Commercial Paper

On October 10, 2007, the Los Angeles County Capital Asset Leasing Corporation issued an additional \$75,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of various high priority health facilities projects. The commercial paper, which was originally issued at an average rate of 3.46% is secured by a long-term lease of County real estate and a letter of credit.

Capital Asset Leasing Corporation Bond Anticipation Notes

On November 14, 2007, the Corporation issued a \$10,000,000 Bond Anticipation Note with an initial interest rate of 4.769%. The rate is adjustable on January 2 and July 1 of each year. The note was purchased by the Los Angeles County Treasury Pool and is due on June 30, 2009. Proceeds of the note are being used to purchase equipment. The note is to be repaid from the proceeds of lease revenue bonds.



**REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
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%
06/30/06	32,819,725	36,258,929	3,439,204	90.5%	5,205,804	66.1%



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, 2007 (in thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>GENERAL GOVERNMENT:</b>				
Salaries and employee benefits	\$ 832,055	748,261	637,098	(111,163)
Services and supplies	805,422	774,316	557,347	(216,969)
Other charges	107,391	117,844	28,630	(89,214)
Capital assets	14,136	15,141	10,696	(4,445)
Intrafund transfers	(512,197)	(509,360)	(464,578)	44,782
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,246,807</b>	<b>1,146,202</b>	<b>769,193</b>	<b>(377,009)</b>
<b>PUBLIC PROTECTION:</b>				
Salaries and employee benefits	2,940,020	3,032,700	2,997,923	(34,777)
Services and supplies	856,644	861,543	752,667	(108,876)
Other charges	346,992	352,023	348,324	(3,699)
Capital assets	35,234	30,574	26,607	(3,967)
Intrafund transfers	(105,037)	(106,471)	(85,014)	21,457
<b>TOTAL PUBLIC PROTECTION</b>	<b>4,073,853</b>	<b>4,170,369</b>	<b>4,040,507</b>	<b>(129,862)</b>
<b>HEALTH AND SANITATION:</b>				
Salaries and employee benefits	769,792	775,418	739,597	(35,821)
Services and supplies	1,660,845	1,681,093	1,508,540	(172,553)
Other charges	50,408	51,292	48,582	(2,710)
Capital assets	12,729	19,182	16,437	(2,745)
Intrafund transfers	(122,427)	(137,047)	(120,536)	16,511
<b>TOTAL HEALTH AND SANITATION</b>	<b>2,371,347</b>	<b>2,389,938</b>	<b>2,192,620</b>	<b>(197,318)</b>
<b>PUBLIC ASSISTANCE:</b>				
Salaries and employee benefits	1,481,038	1,492,065	1,423,564	(68,501)
Services and supplies	899,942	885,387	743,139	(142,248)
Other charges	2,413,548	2,479,459	2,380,974	(98,485)
Capital assets	3,499	6,703	2,355	(4,348)
Intrafund transfers	(49,815)	(50,122)	(52,134)	(2,012)
<b>TOTAL PUBLIC ASSISTANCE</b>	<b>4,748,212</b>	<b>4,813,492</b>	<b>4,497,898</b>	<b>(315,594)</b>
<b>RECREATION AND CULTURAL SERVICES:</b>				
Salaries and employee benefits	117,136	115,390	107,327	(8,063)
Services and supplies	97,179	102,147	99,174	(2,973)
Other charges	15,524	15,210	15,124	(86)
Capital assets	4,977	5,370	3,071	(2,299)
Intrafund transfers	(1,833)	(1,845)	(873)	972
<b>TOTAL RECREATION AND CULTURAL SERVICES</b>	<b>232,983</b>	<b>236,272</b>	<b>223,823</b>	<b>(12,449)</b>
<b>DEBT SERVICE-</b>				
Interest	17,682	17,682	17,682	
<b>CAPITAL OUTLAY</b>	<b>1,171,747</b>	<b>1,204,642</b>	<b>154,137</b>	<b>(1,050,505)</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 13,862,631</b>	<b>13,978,597</b>	<b>11,895,860</b>	<b>(2,082,737)</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 Districts 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 Districts 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 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 receives long-term debt proceeds and also receives voter-approved benefit assessments. Joint Powers Authorities-Public Works Financing Authority and Public Buildings receive their funds primarily from the General Fund in the form of operating transfers. The Los Angeles County Securitization Corporation receives funding primarily from the collection of the County's future tobacco settlement payments and from long-term debt proceeds secured by the County's Tobacco Assets.

Joint Powers Authorities

Public Works Financing Authority

Public Buildings

Disney Parking Project  
1998 Disney Parking Refunding Project  
Los Angeles County Museum of Art  
Los Angeles County Public Properties Project  
2002 Master Refunding Project - Series A  
2002 Master Refunding Project - Series B  
2005 Master Refunding Project - Series A  
2006 Master Refunding Project - Series A  
2006 Master Refunding Project - Series B

Los Angeles County Securitization Corporation

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.

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, 2007 (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	\$ 1,173,283	67,647	297,223	2,615	\$ 1,540,768
Other	37,354	470	2,957	14	40,795
Total pooled cash and investments	<u>1,210,637</u>	<u>68,117</u>	<u>300,180</u>	<u>2,629</u>	<u>1,581,563</u>
Other investments	137,333	424,545	30,264	742	592,884
Taxes receivable	14,116	1,416			15,532
Interest receivable	7,411	899	2,216	32	10,558
Other receivables	93,760		31		93,791
Due from other funds	21,524	278,260	11,405		311,189
Advances to other funds	11,034				11,034
Inventories	37,581				37,581
<b>TOTAL ASSETS</b>	<u>\$ 1,533,396</u>	<u>773,237</u>	<u>344,096</u>	<u>3,403</u>	<u>\$ 2,654,132</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 45,402		2,868		\$ 48,270
Accrued payroll	465				465
Other payables	17,794	491			18,285
Due to other funds	245,220		48,620	23	293,863
Deferred revenue	73,787	1,067			74,854
Advances payable	8,169				8,169
Third party payor liability	1,630				1,630
<b>TOTAL LIABILITIES</b>	<u>392,467</u>	<u>1,558</u>	<u>51,488</u>	<u>23</u>	<u>445,536</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	159,404		15,021		174,425
Inventories	37,581				37,581
Housing programs	1,662				1,662
Debt service		771,679			771,679
Endowments & annuities				3,380	3,380
Assets unavailable for appropriation	20,535		9,052		29,587
Unreserved, designated for:					
Budget uncertainties	86,182				86,182
Program expansion	169,104				169,104
Unreserved, undesignated, reported in:					
Special revenue funds	666,461				666,461
Capital projects funds			268,535		268,535
<b>TOTAL FUND BALANCES</b>	<u>1,140,929</u>	<u>771,679</u>	<u>292,608</u>	<u>3,380</u>	<u>2,208,596</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,533,396</u>	<u>773,237</u>	<u>344,096</u>	<u>3,403</u>	<u>\$ 2,654,132</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, 2007 (in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes	\$ 251,247	7,880			\$ 259,127
Licenses, permits and franchises	6,810				6,810
Fines, forfeitures and penalties	76,035	23			76,058
Revenue from use of money/property:					
Investment income	61,698	27,028	13,515	159	102,400
Rents and concessions	5,796				5,796
Royalties	8				8
Intergovernmental revenues:					
Federal	120,569				120,569
State	333,199	53	198		333,450
Other	14,745				14,745
Charges for services	132,747		6,644		139,391
Miscellaneous	60,698	25,602	2,787		89,087
<b>TOTAL REVENUES</b>	<b>1,063,552</b>	<b>60,586</b>	<b>23,144</b>	<b>159</b>	<b>1,147,441</b>
<b>EXPENDITURES:</b>					
Current:					
General government	17,141			111	17,252
Public protection	96,113				96,113
Public ways and facilities	271,904				271,904
Health and sanitation	129,504				129,504
Public assistance	128,968				128,968
Education	489				489
Recreation and cultural services	5,391				5,391
Debt service:					
Principal	1,353	193,291			194,644
Interest and other charges	2,335	73,426			75,761
Capital outlay			48,079		48,079
<b>TOTAL EXPENDITURES</b>	<b>653,198</b>	<b>266,717</b>	<b>48,079</b>	<b>111</b>	<b>968,105</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>410,354</b>	<b>(206,131)</b>	<b>(24,935)</b>	<b>48</b>	<b>179,336</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	36,499	159,900	41,441		237,840
Transfers out	(337,784)	(30,745)	(94,675)		(463,204)
Issuance of debt	5,250	320,995			326,245
Payment to refunded bonds escrow agent		(320,995)			(320,995)
Bond premium proceeds		14,566			14,566
Sales of capital assets	1,816				1,816
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(294,219)</b>	<b>143,721</b>	<b>(53,234)</b>		<b>(203,732)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>116,135</b>	<b>(62,410)</b>	<b>(78,169)</b>	<b>48</b>	<b>(24,396)</b>
FUND BALANCE, JULY 1, 2006	1,024,794	834,089	370,777	3,332	2,232,992
FUND BALANCE, JUNE 30, 2007	\$ 1,140,929	771,679	292,608	3,380	\$ 2,208,596



COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 JUNE 30, 2007 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting	Garbage Disposal	Sewer Maintenance
	Road	Other	Districts	Districts	Districts
<b>ASSETS</b>					
Pooled cash and investments:					
Operating	\$ 69,167	155,460	47,190	15,474	11,484
Other	12,347	989	762	471	645
Total pooled cash and investments	<u>81,514</u>	<u>156,449</u>	<u>47,952</u>	<u>15,945</u>	<u>12,129</u>
Taxes receivable	1	508	2,044	1,697	1,359
Interest receivable	666	1,109	348	120	109
Other receivables	47,140	12,252	17	695	702
Due from other funds	11,168	1,052		10	4,005
Advances to other funds	8,649	765	222		1,066
<b>TOTAL ASSETS</b>	<u>\$ 149,138</u>	<u>172,135</u>	<u>50,583</u>	<u>18,467</u>	<u>19,370</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 3,092	4,647	1,343	1,607	154
Other payables					271
Due to other funds	29,138	6,114	466	162	6,868
Deferred revenue	15,483	1,465	1,417	1,654	1,320
Advances payable	8,161				
Third party payor liability	994			636	
<b>TOTAL LIABILITIES</b>	<u>56,868</u>	<u>12,226</u>	<u>3,226</u>	<u>4,059</u>	<u>8,613</u>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	81,494	44,182	4	135	828
Assets unavailable for appropriation	3,018	13,305			1,384
Unreserved, designated for:					
Budget uncertainties					
Program expansion		1,273	6,086	9,490	
Unreserved, undesignated	7,758	101,149	41,267	4,783	8,545
<b>TOTAL FUND BALANCES</b>	<u>92,270</u>	<u>159,909</u>	<u>47,357</u>	<u>14,408</u>	<u>10,757</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 149,138</u>	<u>172,135</u>	<u>50,583</u>	<u>18,467</u>	<u>19,370</u>



Health Services Measure B	Health and Sanitation	Other Public Protection	Public Assistance	Recreation	
\$ 110,745	204,059	177,943	8,198	7,351	<b>ASSETS</b>
5,331	3,176	5,782	610	898	Pooled cash and investments:
116,076	207,235	183,725	8,808	8,249	Operating
8,447	60				Other
851	1,335	1,339			Total pooled cash and investments
	18,624	118	478	13	Taxes receivable
	440	101		87	Interest receivable
	332			28	Other receivables
\$ 125,374	228,026	185,283	9,286	8,377	Due from other funds
					Advances to other funds
					<b>TOTAL ASSETS</b>
					<b>LIABILITIES AND FUND BALANCES</b>
\$ 1,804	1,230	3,718	901	348	<b>LIABILITIES:</b>
3,165	14,139				Accounts payable
75,198	76,671	20,964	1,236	38	Other payables
5,618	530				Due to other funds
				8	Deferred revenue
					Advances payable
					Third party payor liability
85,785	92,570	24,682	2,137	394	<b>TOTAL LIABILITIES</b>
					<b>FUND BALANCES:</b>
5,360	4,478	15,875	598	63	Reserved for:
		300			Encumbrances
	86,182				Assets unavailable for appropriation
	1,185	7,823	291	1,458	Unreserved, designated for:
34,229	43,611	136,603	6,260	6,462	Budget uncertainties
39,589	135,456	160,601	7,149	7,983	Program expansion
					Unreserved, undesignated
					<b>TOTAL FUND BALANCES</b>
\$ 125,374	228,026	185,283	9,286	8,377	<b>TOTAL LIABILITIES AND FUND BALANCES</b>

Continued...

COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET - Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 JUNE 30, 2007 (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	\$ 61,943	79,216	46,249	60,154	118,650	\$ 1,173,283
Other		2,353	2,376	871	743	37,354
Total pooled cash and investments	61,943	81,569	48,625	61,025	119,393	1,210,637
Other investments	137,333					137,333
Taxes receivable						14,116
Interest receivable		625	336		560	7,411
Other receivables	13,416				231	93,760
Due from other funds	1,691				3,029	21,524
Advances to other funds						11,034
Inventories	37,581					37,581
<b>TOTAL ASSETS</b>	<b>\$ 251,964</b>	<b>82,194</b>	<b>48,961</b>	<b>61,025</b>	<b>123,213</b>	<b>\$ 1,533,396</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 25,567				991	\$ 45,402
Accrued payroll					465	465
Other payables	219					17,794
Due to other funds	1,691		2,931	7,596	16,147	245,220
Deferred revenue	46,300					73,787
Advances payable						8,169
Third party payor liability						1,630
<b>TOTAL LIABILITIES</b>	<b>73,777</b>		<b>2,931</b>	<b>7,596</b>	<b>17,603</b>	<b>392,467</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Encumbrances			469		5,918	159,404
Inventories	37,581					37,581
Housing programs	1,662					1,662
Assets unavailable for appropriation	2,528					20,535
Unreserved, designated for:						
Budget uncertainties						86,182
Program expansion	136,416				5,082	169,104
Unreserved, undesignated		82,194	45,561	53,429	94,610	666,461
<b>TOTAL FUND BALANCES</b>	<b>178,187</b>	<b>82,194</b>	<b>46,030</b>	<b>53,429</b>	<b>105,610</b>	<b>1,140,929</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 251,964</b>	<b>82,194</b>	<b>48,961</b>	<b>61,025</b>	<b>123,213</b>	<b>\$ 1,533,396</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, 2007 (in thousands)

	Streets, Highways, Roads and Bridges		Street Lighting Districts	Garbage Disposal Districts	Sewer Maintenance Districts
	Road	Other			
<b>REVENUES:</b>					
Taxes	\$ 3,819	40,251	17,025	4,339	
Licenses, permits and franchises	2,772				
Fines, forfeitures and penalties		24	115	182	133
Revenue from use of money/property:					
Investment income	5,481	7,301	2,217	653	579
Rents and concessions	23	169			
Intergovernmental revenues:					
Federal	37,428	4,708			
State	174,773	777	161	40	
Other	1,014	11,552	189		17
Charges for services	11,124	12,647	4,654	16,536	25,765
Miscellaneous	280				
<b>TOTAL REVENUES</b>	<b>236,714</b>	<b>77,429</b>	<b>24,361</b>	<b>21,750</b>	<b>26,494</b>
<b>EXPENDITURES:</b>					
Current:					
General government					
Public protection					
Public ways and facilities	204,241	49,016	18,647		
Health and sanitation				20,224	23,230
Public assistance					
Education					
Recreation and cultural services					
<b>TOTAL EXPENDITURES</b>	<b>204,241</b>	<b>49,016</b>	<b>18,647</b>	<b>20,224</b>	<b>23,230</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>32,473</b>	<b>28,413</b>	<b>5,714</b>	<b>1,526</b>	<b>3,264</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in		587	95		
Transfers out	(839)	(618)			(1,165)
Sales of capital assets	182	19			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(657)</b>	<b>(12)</b>	<b>95</b>		<b>(1,165)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>31,816</b>	<b>28,401</b>	<b>5,809</b>	<b>1,526</b>	<b>2,099</b>
FUND BALANCE, JULY 1, 2006	60,454	131,508	41,548	12,882	8,658
FUND BALANCE, JUNE 30, 2007	\$ 92,270	159,909	47,357	14,408	10,757

Health Services Measure B	Health and Sanitation	Other Public Protection	Public Assistance	Recreation
\$ 182,229				
	64	7	1,295	33
705	17,040	9,462	2,162	18
4,794	9,092	8,944	29	108
				400
	141,958	15,490		
	1,599	374		
	23,105	11,934	2,338	1,214
		22,530	4,297	4,691
<u>187,728</u>	<u>192,858</u>	<u>68,741</u>	<u>10,121</u>	<u>6,464</u>
		64,205		
41,124	44,638		6,486	
				5,391
<u>41,124</u>	<u>44,638</u>	<u>64,205</u>	<u>6,486</u>	<u>5,391</u>
<u>146,604</u>	<u>148,220</u>	<u>4,536</u>	<u>3,635</u>	<u>1,073</u>
		3,630		30
(146,606)	(103,166)	(18,474)	(2,333)	(16)
		90		
<u>(146,606)</u>	<u>(103,166)</u>	<u>(14,754)</u>	<u>(2,333)</u>	<u>14</u>
(2)	45,054	(10,218)	1,302	1,087
<u>39,591</u>	<u>90,402</u>	<u>170,819</u>	<u>5,847</u>	<u>6,896</u>
<u>\$ 39,589</u>	<u>135,456</u>	<u>160,601</u>	<u>7,149</u>	<u>7,983</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
<b>TOTAL REVENUES</b>

EXPENDITURES:

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

**TOTAL EXPENDITURES**

**EXCESS OF REVENUES OVER EXPENDITURES**

**OTHER FINANCING SOURCES (USES):**

Transfers in
Transfers out
Sales of capital assets
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>

**NET CHANGE IN FUND BALANCES**

FUND BALANCE, JULY 1, 2006

FUND BALANCE, JUNE 30, 2007

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, 2007 (in thousands)

	Community Development Commission	Courthouse Temporary Construction	Criminal Justice Temporary Construction	Registrar Recorder Improvement	Other Special Revenue	Total
<b>REVENUES:</b>						
Taxes	\$ 3,584					\$ 251,247
Licenses, permits and franchises					2,639	6,810
Fines, forfeitures and penalties		21,339	24,705		150	76,035
Revenue from use of money/property:						
Investment income	11,585	4,662	2,217		4,036	61,698
Rents and concessions	829	119			4,256	5,796
Royalties					8	8
Intergovernmental revenues:						
Federal	78,433					120,569
State						333,199
Other						14,745
Charges for services				20,550	2,880	132,747
Miscellaneous	28,719	2			179	60,698
<b>TOTAL REVENUES</b>	<b>123,150</b>	<b>26,122</b>	<b>26,922</b>	<b>20,550</b>	<b>14,148</b>	<b>1,063,552</b>
<b>EXPENDITURES:</b>						
Current:						
General government					17,141	17,141
Public protection		12,651	13,613		5,644	96,113
Public ways and facilities						271,904
Health and sanitation					288	129,504
Public assistance	122,482					128,968
Education					489	489
Recreation and cultural services						5,391
Debt service:						
Principal	1,353					1,353
Interest and other charges	2,335					2,335
<b>TOTAL EXPENDITURES</b>	<b>126,170</b>	<b>12,651</b>	<b>13,613</b>		<b>23,562</b>	<b>653,198</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,020)</b>	<b>13,471</b>	<b>13,309</b>	<b>20,550</b>	<b>(9,414)</b>	<b>410,354</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	4,453		3		27,701	36,499
Transfers out	(221)	(17,928)	(4,225)	(26,721)	(15,472)	(337,784)
Issuance of debt	5,250					5,250
Sales of capital assets	50				1,475	1,816
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,532</b>	<b>(17,928)</b>	<b>(4,222)</b>	<b>(26,721)</b>	<b>13,704</b>	<b>(294,219)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,512</b>	<b>(4,457)</b>	<b>9,087</b>	<b>(6,171)</b>	<b>4,290</b>	<b>116,135</b>
FUND BALANCE, JULY 1, 2006	171,675	86,651	36,943	59,600	101,320	1,024,794
FUND BALANCE, JUNE 30, 2007	\$ 178,187	82,194	46,030	53,429	105,610	\$ 1,140,929

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 239,750	240,069	248,799	8,730
Licenses, permits and franchises	7,749	7,749	6,809	(940)
Fines, forfeitures and penalties	69,207	73,707	76,035	2,328
Revenue from use of money and property:				
Investment income	16,208	19,206	49,805	30,599
Rents and concessions	5,517	5,517	4,966	(551)
Royalties			8	8
Intergovernmental revenues:				
Federal	97,310	97,310	42,135	(55,175)
State	388,052	386,879	333,199	(53,680)
Other	34,381	34,403	14,745	(19,658)
Charges for services	157,762	164,588	112,826	(51,762)
Miscellaneous	43,478	43,478	31,978	(11,500)
<b>TOTAL REVENUES</b>	<b>1,059,414</b>	<b>1,072,906</b>	<b>921,305</b>	<b>(151,601)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	77,355	77,463	20,740	(56,723)
Public protection	337,242	337,242	112,077	(225,165)
Public ways and facilities	540,411	548,730	323,394	(225,336)
Health and sanitation	149,740	163,634	120,147	(43,487)
Public assistance	9,360	9,429	6,471	(2,958)
Recreation and cultural services	12,866	12,866	5,479	(7,387)
<b>TOTAL EXPENDITURES</b>	<b>1,126,974</b>	<b>1,149,364</b>	<b>588,308</b>	<b>(561,056)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(67,560)</b>	<b>(76,458)</b>	<b>332,997</b>	<b>409,455</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	2,966	2,966	1,765	(1,201)
Transfers in	41,019	62,640	36,619	(26,021)
Transfers out	(394,398)	(421,089)	(293,267)	127,822
Appropriation for contingencies	(86,746)	(85,807)		85,807
Changes in reserves and designations	(60,005)	(46,976)	(23,472)	23,504
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(497,164)</b>	<b>(488,266)</b>	<b>(278,355)</b>	<b>209,911</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(564,724)</b>	<b>(564,724)</b>	<b>54,642</b>	<b>619,366</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>564,730</b>	<b>564,730</b>	<b>564,730</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$ 6</b>	<b>6</b>	<b>619,372</b>	<b>619,366</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

## ROAD

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 3,500	3,819	3,819	
Licenses, permits and franchises	2,406	2,406	2,772	366
Revenue from use of money and property:				
Investment income	1,400	1,475	5,481	4,006
Rents and concessions	18	18	23	5
Intergovernmental revenues:				
Federal	88,496	88,496	37,428	(51,068)
State	172,905	172,905	174,773	1,868
Other	7,014	7,014	1,014	(6,000)
Charges for services	42,475	42,475	11,123	(31,352)
Miscellaneous	382	382	280	(102)
<b>TOTAL REVENUES</b>	<b>318,596</b>	<b>318,990</b>	<b>236,713</b>	<b>(82,277)</b>
<b>EXPENDITURES:</b>				
Current-Public ways and facilities:				
Services and supplies	322,904	322,329	237,670	(84,659)
Other charges	2,216	2,791	2,172	(619)
Capital assets	1,173	1,173	301	(872)
<b>TOTAL EXPENDITURES</b>	<b>326,293</b>	<b>326,293</b>	<b>240,143</b>	<b>(86,150)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(7,697)</b>	<b>(7,303)</b>	<b>(3,430)</b>	<b>3,873</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	313	313	181	(132)
Transfers in	2,654	2,654		(2,654)
Transfers out	(1,396)	(1,396)	(838)	558
Appropriation for contingencies	(6)	(400)		400
Changes in reserves and designations			5,832	5,832
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>1,565</b>	<b>1,171</b>	<b>5,175</b>	<b>4,004</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,132)</b>	<b>(6,132)</b>	<b>1,745</b>	<b>7,877</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>6,132</b>	<b>6,132</b>	<b>6,132</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>7,877</b>	<b>7,877</b>

Continued...



COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	OTHER STREETS, HIGHWAYS, ROADS, AND BRIDGES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 33,911	33,911	40,242	6,331
Fines, forfeitures and penalties	35	35	24	(11)
Revenue from use of money and property:				
Investment income	3,110	3,110	7,267	4,157
Rents and concessions	162	162	168	6
Intergovernmental revenues:				
Federal	8,814	8,814	4,707	(4,107)
State	290	290	777	487
Other	25,490	25,490	11,552	(13,938)
Charges for services	31,332	31,332	12,647	(18,685)
<b>TOTAL REVENUES</b>	<b>103,144</b>	<b>103,144</b>	<b>77,384</b>	<b>(25,760)</b>
<b>EXPENDITURES:</b>				
Current-Public ways and facilities:				
Services and supplies	143,838	151,725	63,666	(88,059)
Other charges	16,310	16,647	336	(16,311)
Capital assets	1,246	1,246	502	(744)
<b>TOTAL EXPENDITURES</b>	<b>161,394</b>	<b>169,618</b>	<b>64,504</b>	<b>(105,114)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(58,250)</b>	<b>(66,474)</b>	<b>12,880</b>	<b>79,354</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets			19	19
Transfers in	968	21,968	587	(21,381)
Transfers out	(3,650)	(24,618)	(618)	24,000
Appropriation for contingencies	(10,464)	(9,401)		9,401
Changes in reserves and designations	1,247	8,376	18,589	10,213
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(11,899)</b>	<b>(3,675)</b>	<b>18,577</b>	<b>22,252</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(70,149)</b>	<b>(70,149)</b>	<b>31,457</b>	<b>101,606</b>
FUND BALANCE, JULY 1, 2006	70,149	70,149	70,149	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>101,606</b>	<b>101,606</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	STREET LIGHTING DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 14,558	14,558	17,088	2,530
Fines, forfeitures and penalties	103	103	115	12
Revenue from use of money and property-				
Investment income	859	859	2,202	1,343
Intergovernmental revenues:				
State	150	150	161	11
Other	476	476	189	(287)
Charges for services	4,622	4,622	4,654	32
Miscellaneous				
<b>TOTAL REVENUES</b>	<b>20,768</b>	<b>20,768</b>	<b>24,409</b>	<b>3,641</b>
<b>EXPENDITURES:</b>				
Current-Public ways and facilities-				
Services and supplies	52,724	52,819	18,747	(34,072)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(31,956)</b>	<b>(32,051)</b>	<b>5,662</b>	<b>37,713</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,999	5,094	4,669	(425)
Transfers out	(5,012)	(5,012)	(4,574)	438
Appropriation for contingencies	(4,243)	(4,243)		4,243
Changes in reserves and designations	(1,762)	(1,762)	(1,605)	157
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(6,018)</b>	<b>(5,923)</b>	<b>(1,510)</b>	<b>4,413</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(37,974)</b>	<b>(37,974)</b>	<b>4,152</b>	<b>42,126</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>37,974</b>	<b>37,974</b>	<b>37,974</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>			<b>\$ 42,126</b>	<b>42,126</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	GARBAGE DISPOSAL DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 3,805	3,805	4,334	529
Fines, forfeitures and penalties	246	246	182	(64)
Revenue from use of money and property-				
Investment income	337	337	652	315
Intergovernmental revenues-				
State	37	37	40	3
Charges for services	16,511	16,511	16,872	361
<b>TOTAL REVENUES</b>	<b>20,936</b>	<b>20,936</b>	<b>22,080</b>	<b>1,144</b>
<b>EXPENDITURES:</b>				
Current-Health and sanitation:				
Services and supplies	20,536	20,536	19,168	(1,368)
Other charges	7	7		(7)
<b>TOTAL EXPENDITURES</b>	<b>20,543</b>	<b>20,543</b>	<b>19,168</b>	<b>(1,375)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>393</b>	<b>393</b>	<b>2,912</b>	<b>2,519</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Appropriation for contingencies	(3,028)	(3,028)		3,028
Changes in reserves and designations	(4,572)	(4,572)	(4,480)	92
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(7,600)</b>	<b>(7,600)</b>	<b>(4,480)</b>	<b>3,120</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,207)</b>	<b>(7,207)</b>	<b>(1,568)</b>	<b>5,639</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>7,207</b>	<b>7,207</b>	<b>7,207</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>			<b>\$ 5,639</b>	<b>5,639</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	SEWER MAINTENANCE DISTRICTS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 179	179	133	(46)
Revenue from use of money and property-				
Investment income	215	215	582	367
Intergovernmental revenues:				
Other			17	17
Charges for services	26,227	26,227	26,051	(176)
Miscellaneous	1	1		(1)
<b>TOTAL REVENUES</b>	<b>26,622</b>	<b>26,622</b>	<b>26,783</b>	<b>161</b>
EXPENDITURES:				
Current-Health and sanitation:				
Services and supplies	31,375	31,375	23,342	(8,033)
Other charges	300	300	293	(7)
Capital assets	50	50		(50)
<b>TOTAL EXPENDITURES</b>	<b>31,725</b>	<b>31,725</b>	<b>23,635</b>	<b>(8,090)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,103)</b>	<b>(5,103)</b>	<b>3,148</b>	<b>8,251</b>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,794)	(1,794)	(1,165)	629
Appropriation for contingencies	(787)	(787)		787
Changes in reserves and designations	772	772	1,484	712
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(1,809)</b>	<b>(1,809)</b>	<b>319</b>	<b>2,128</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,912)</b>	<b>(6,912)</b>	<b>3,467</b>	<b>10,379</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>6,912</b>	<b>6,912</b>	<b>6,912</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>10,379</b>	<b>10,379</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	HEALTH SERVICES MEASURE B			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Taxes	\$ 183,976	183,976	183,316	(660)
Fines, forfeitures and penalties			705	705
Revenue from use of money and property- Investment income	1,500	4,065	4,743	678
<b>TOTAL REVENUES</b>	<b>185,476</b>	<b>188,041</b>	<b>188,764</b>	<b>723</b>
<b>EXPENDITURES:</b>				
Current-Health and sanitation- Services and supplies	35,274	28,673	24,443	(4,230)
Other Charges	8,822	18,022	8,063	(9,959)
<b>TOTAL EXPENDITURES</b>	<b>44,096</b>	<b>46,695</b>	<b>32,506</b>	<b>(14,189)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>141,380</b>	<b>141,346</b>	<b>156,258</b>	<b>14,912</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(146,808)	(146,809)	(146,606)	203
Appropriation for contingencies	(19,574)	(19,539)		19,539
Changes in reserves and designations			2,427	2,427
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(166,382)</b>	<b>(166,348)</b>	<b>(144,179)</b>	<b>22,169</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(25,002)</b>	<b>(25,002)</b>	<b>12,079</b>	<b>37,081</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>25,002</b>	<b>25,002</b>	<b>25,002</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>37,081</b>	<b>37,081</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	HEALTH AND SANITATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Licenses, permits and franchises	\$ 2,043	2,043	64	(1,979)
Fines, forfeitures and penalties	15,331	19,831	17,040	(2,791)
Revenue from use of money and property-				
Investment income	1,384	1,742	9,226	7,484
Intergovernmental revenues:				
State	198,085	196,912	141,958	(54,954)
Other	1,401	1,423	1,599	176
Charges for services	17,278	24,104	23,113	(991)
Miscellaneous	4	4		(4)
<b>TOTAL REVENUES</b>	<b>235,526</b>	<b>246,059</b>	<b>193,000</b>	<b>(53,059)</b>
<b>EXPENDITURES:</b>				
Current-Health and sanitation:				
Services and supplies	53,064	64,152	44,564	(19,588)
Capital assets	312	519	274	(245)
<b>TOTAL EXPENDITURES</b>	<b>53,376</b>	<b>64,671</b>	<b>44,838</b>	<b>(19,833)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>182,150</b>	<b>181,388</b>	<b>148,162</b>	<b>(33,226)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(155,877)	(161,181)	(103,166)	58,015
Appropriation for contingencies	(18,121)	(17,955)		17,955
Changes in reserves and designations	(55,050)	(49,150)	(47,904)	1,246
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(229,048)</b>	<b>(228,286)</b>	<b>(151,070)</b>	<b>77,216</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(46,898)</b>	<b>(46,898)</b>	<b>(2,908)</b>	<b>43,990</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>46,898</b>	<b>46,898</b>	<b>46,898</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>43,990</b>	<b>43,990</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (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	\$ 15	15	6	(9)
Fines, forfeitures and penalties	9,000	9,000	9,463	463
Revenue from use of money and property:				
Investment income	2,584	2,584	8,814	6,230
Intergovernmental revenues:				
State	16,585	16,585	15,490	(1,095)
Other			374	374
Charges for services	14,051	14,051	11,934	(2,117)
Miscellaneous	34,167	34,167	22,530	(11,637)
<b>TOTAL REVENUES</b>	<b>76,402</b>	<b>76,402</b>	<b>68,611</b>	<b>(7,791)</b>
<b>EXPENDITURES:</b>				
Current-Public protection:				
Services and supplies	129,479	129,229	54,504	(74,725)
Other charges	3,879	3,879	3,627	(252)
Capital assets	38,203	38,453	8,980	(29,473)
<b>TOTAL EXPENDITURES</b>	<b>171,561</b>	<b>171,561</b>	<b>67,111</b>	<b>(104,450)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(95,159)</b>	<b>(95,159)</b>	<b>1,500</b>	<b>96,659</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of capital assets	134	134	90	(44)
Transfers in	3,629	3,629	3,630	1
Transfers out	(32,847)	(32,847)	(14,849)	17,998
Appropriation for contingencies	(21,450)	(21,450)		21,450
Changes in reserves and designations	3,780	3,780	4,626	846
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(46,754)</b>	<b>(46,754)</b>	<b>(6,503)</b>	<b>40,251</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(141,913)</b>	<b>(141,913)</b>	<b>(5,003)</b>	<b>136,910</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>141,913</b>	<b>141,913</b>	<b>141,913</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>136,910</b>	<b>136,910</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	PUBLIC ASSISTANCE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$ 1,386	1,386	1,295	(91)
Fines, forfeitures and penalties	1,730	1,730	2,162	432
Revenue from use of money and property-				
Investment income	26	26	31	5
Charges for services	2,873	2,873	2,338	(535)
Miscellaneous	3,394	3,394	4,296	902
<b>TOTAL REVENUES</b>	<b>9,409</b>	<b>9,409</b>	<b>10,122</b>	<b>713</b>
EXPENDITURES:				
Current-Public assistance- Services and supplies	9,360	9,429	6,471	(2,958)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>49</b>	<b>(20)</b>	<b>3,651</b>	<b>3,671</b>
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,717)	(2,717)	(2,333)	384
Appropriation for contingencies	(1,702)	(1,633)		1,633
Changes in reserves and designations	(60)	(60)	526	586
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(4,479)</b>	<b>(4,410)</b>	<b>(1,807)</b>	<b>2,603</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,430)</b>	<b>(4,430)</b>	<b>1,844</b>	<b>6,274</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>4,430</b>	<b>4,430</b>	<b>4,430</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>6,274</b>	<b>6,274</b>

Continued...



COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	RECREATION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Licenses, permits and franchises	\$ 27.00	27	33	6
Fines, forfeitures and penalties	11	11	18	7
Revenue from use of money and property:				
Investment income	34	34	107	73
Rents and concessions	1,309	1,309	400	(909)
Charges for services	869	869	1,214	345
Miscellaneous	5,530	5,530	4,691	(839)
<b>TOTAL REVENUES</b>	<b>7,780</b>	<b>7,780</b>	<b>6,463</b>	<b>(1,317)</b>
<b>EXPENDITURES:</b>				
Current-Recreation and cultural services:				
Services and supplies	11,609	11,609	5,479	(6,130)
Other charges	1,257	1,257		(1,257)
<b>TOTAL EXPENDITURES</b>	<b>12,866</b>	<b>12,866</b>	<b>5,479</b>	<b>(7,387)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,086)</b>	<b>(5,086)</b>	<b>984</b>	<b>6,070</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	139	139	30	(109)
Transfers out	(17)	(17)	(16)	1
Appropriation for contingencies	(339)	(339)		339
Changes in reserves and designations	(1,505)	(1,505)	(1,331)	174
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(1,722)</b>	<b>(1,722)</b>	<b>(1,317)</b>	<b>405</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,808)</b>	<b>(6,808)</b>	<b>(333)</b>	<b>6,475</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>6,808</b>	<b>6,808</b>	<b>6,808</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>6,475</b>	<b>6,475</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	COURTHOUSE TEMPORARY CONSTRUCTION			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	\$ 19,600	19,600	21,338	1,738
Revenue from use of money and property:				
Investment income	2,800	2,800	4,604	1,804
Rents and concessions	150	150	119	(31)
Miscellaneous			2	2
<b>TOTAL REVENUES</b>	<b>22,550</b>	<b>22,550</b>	<b>26,063</b>	<b>3,513</b>
EXPENDITURES:				
Current-Public protection:				
Services and supplies	80,305	80,305	1,545	(78,760)
Other charges	29,091	29,091	29,034	(57)
<b>TOTAL EXPENDITURES</b>	<b>109,396</b>	<b>109,396</b>	<b>30,579</b>	<b>(78,817)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(86,846)</b>	<b>(86,846)</b>	<b>(4,516)</b>	<b>82,330</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(86,846)</b>	<b>(86,846)</b>	<b>(4,516)</b>	<b>82,330</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>86,846</b>	<b>86,846</b>	<b>86,846</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$</b>		<b>82,330</b>	<b>82,330</b>

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (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	24,705	1,883
Revenue from use of money and property-				
Investment income	800	800	2,209	1,409
TOTAL REVENUES	23,622	23,622	26,914	3,292
EXPENDITURES:				
Current-Public protection:				
Services and supplies	38,525	38,525	10,162	(28,363)
Other charges	17,340	17,340	4,225	(13,115)
Capital assets	420	420		(420)
TOTAL EXPENDITURES	56,285	56,285	14,387	(41,898)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(32,663)	(32,663)	12,527	45,190
OTHER FINANCING SOURCES (USES):				
Transfers in	3	3	3	
Transfers out	(3,851)	(3,851)	(3,630)	221
Changes in reserves and designations			230	230
OTHER FINANCING SOURCES (USES) - NET	(3,848)	(3,848)	(3,397)	451
NET CHANGE IN FUND BALANCE	(36,511)	(36,511)	9,130	45,641
FUND BALANCE, JULY 1, 2006	36,511	36,511	36,511	
FUND BALANCE, JUNE 30, 2007	\$		45,641	45,641

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	OTHER SPECIAL REVENUE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Licenses, permits and franchises	\$ 1,872	1,872	2,639	767
Fines, forfeitures and penalties	150	150	150	
Revenue from use of money and property:				
Investment income	1,159	1,159	3,887	2,728
Rents and concessions	3,878	3,878	4,256	378
Royalties			8	8
Charges for services	1,524	1,524	2,880	1,356
Miscellaneous			179	179
<b>TOTAL REVENUES</b>	<b>8,583</b>	<b>8,583</b>	<b>13,999</b>	<b>5,416</b>
EXPENDITURES:				
Current-General government:				
Salaries and employee benefits	5,500	5,562	5,561	(1)
Services and supplies	62,289	62,110	12,587	(49,523)
Other charges	4,128	4,128	932	(3,196)
Capital assets	5,438	5,663	1,660	(4,003)
<b>TOTAL EXPENDITURES</b>	<b>77,355</b>	<b>77,463</b>	<b>20,740</b>	<b>(56,723)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(68,772)</b>	<b>(68,880)</b>	<b>(6,741)</b>	<b>62,139</b>
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	2,519	2,519	1,475	(1,044)
Transfers in	28,627	29,153	27,700	(1,453)
Transfers out	(40,429)	(40,847)	(15,472)	25,375
Appropriation for contingencies	(7,032)	(7,032)		7,032
Changes in reserves and designations	(2,855)	(2,855)	(1,865)	990
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>(19,170)</b>	<b>(19,062)</b>	<b>11,838</b>	<b>30,900</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(87,942)</b>	<b>(87,942)</b>	<b>5,097</b>	<b>93,039</b>
<b>FUND BALANCE, JULY 1, 2006</b>	<b>87,948</b>	<b>87,948</b>	<b>87,948</b>	
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$ 6</b>	<b>6</b>	<b>93,045</b>	<b>93,039</b>



COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 JUNE 30, 2007 (in thousands)

	Detention Facilities	Flood Control District	Regional Park and Open Space District	Joint Powers Authorities
<b>ASSETS</b>				
Pooled cash and investments:				
Operating	\$ 1,757	551	65,339	
Other	262	20	188	
Total pooled cash and investments	<u>2,019</u>	<u>571</u>	<u>65,527</u>	
Other investments				304,235
Taxes receivable	775	641		
Interest receivable	40	4	218	
Due from other funds				
<b>TOTAL ASSETS</b>	<u>\$ 2,834</u>	<u>1,216</u>	<u>65,745</u>	<u>304,235</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Other payables	\$ 563	49		
Deferred revenue		504		
<b>TOTAL LIABILITIES</b>	<u>563</u>	<u>553</u>		
<b>FUND BALANCES - reserved for debt service</b>	<u>2,271</u>	<u>663</u>	<u>65,745</u>	<u>304,235</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,834</u>	<u>1,216</u>	<u>65,745</u>	<u>304,235</u>

Public Buildings	LA County Securitization Corporation	Total	
			<b>ASSETS</b>
			Pooled cash and investments:
\$		\$	Operating
		67,647	Other
		470	Total pooled cash and investments
		68,117	Other investments
90,348	29,962	424,545	Taxes receivable
		1,416	Interest receivable
637		899	Due from other funds
	278,260	278,260	
<u>\$ 90,985</u>	<u>308,222</u>	<u>\$ 773,237</u>	<b>TOTAL ASSETS</b>
			<b>LIABILITIES AND FUND BALANCES</b>
			<b>LIABILITIES:</b>
\$ 442		\$ 491	Other payables
		1,067	Deferred revenue
442		1,558	<b>TOTAL LIABILITIES</b>
90,543	308,222	771,679	<b>FUND BALANCES - reserved for debt service</b>
<u>\$ 90,985</u>	<u>308,222</u>	<u>\$ 773,237</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, 2007 (in thousands)

	Detention Facilities	Flood Control District	Regional Park and Open Space District	Joint Powers Authorities
<b>REVENUES:</b>				
Taxes	\$ 7,286	594		
Fines, forfeitures and penalties	23			
Revenue from use of money/property -				
Investment income	285	46	3,367	16,021
Intergovernmental revenues-				
State	53			
Miscellaneous				
<b>TOTAL REVENUE</b>	<u>7,647</u>	<u>640</u>	<u>3,367</u>	<u>16,021</u>
<b>EXPENDITURES - Debt service:</b>				
Principal	8,395	14,280	21,475	21,475
Interest and other charges	668	5,561	16,021	16,021
<b>TOTAL EXPENDITURES</b>	<u>9,063</u>	<u>19,841</u>	<u>37,496</u>	<u>37,496</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,416)</u>	<u>(19,201)</u>	<u>(34,129)</u>	<u>(21,475)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		19,039	33,710	
Transfers out		(11)		
Issuance of debt				
Payment to refunded bonds escrow agent				
Bond premium proceeds				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>19,028</u>	<u>33,710</u>	
<b>NET CHANGE IN FUND BALANCES</b>	(1,416)	(173)	(419)	(21,475)
<b>FUND BALANCE, JULY 1, 2006</b>	<u>3,687</u>	<u>836</u>	<u>66,164</u>	<u>325,710</u>
<b>FUND BALANCE, JUNE 30, 2007</b>	<u>\$ 2,271</u>	<u>663</u>	<u>65,745</u>	<u>304,235</u>



Public Buildings	LA County Securitization Corporation	Total	
\$		\$	REVENUES:
		7,880	Taxes
		23	Fines, forfeitures and penalties
5,757	1,552	27,028	Revenue from use of money/property - Investment income
		53	Intergovernmental revenues- State
	25,602	25,602	Miscellaneous
5,757	27,154	60,586	TOTAL REVENUES
			EXPENDITURES - Debt service:
127,666		193,291	Principal
34,481	674	73,426	Interest and other charges
162,147	674	266,717	TOTAL EXPENDITURES
(156,390)	26,480	(206,131)	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
			OTHER FINANCING SOURCES (USES):
107,151		159,900	Transfers in
	(30,734)	(30,745)	Transfers out
320,995		320,995	Issuance of debt
(320,995)		(320,995)	Payment to refunded bonds escrow agent
14,566		14,566	Bond premium proceeds
121,717	(30,734)	143,721	TOTAL OTHER FINANCING SOURCES (USES)
(34,673)	(4,254)	(62,410)	NET CHANGE IN FUND BALANCES
125,216	312,476	834,089	FUND BALANCE, JULY 1, 2006
\$ 90,543	308,222	\$ 771,679	FUND BALANCE, JUNE 30, 2007

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	TOTALS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 5,766	5,769	7,752	1,983
Fines, forfeitures and penalties	4	4	23	19
Revenue from use of money and property-				
Investment income	767	767	3,687	2,920
Intergovernmental revenues-				
State	51	51	53	2
TOTAL REVENUES	6,588	6,591	11,515	4,924
EXPENDITURES:				
Debt service:				
Principal	30,580	30,580	30,580	
Interest	13,200	16,736	16,733	(3)
TOTAL EXPENDITURES	43,780	47,316	47,313	(3)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(37,192)	(40,725)	(35,798)	4,927
OTHER FINANCING SOURCES (USES):				
Transfers in	24,112	27,645	33,710	6,065
Appropriation for contingencies	(59)	(59)		59
Changes in reserves and designations	8,765	8,765	8,765	
OTHER FINANCING SOURCES (USES) - NET	32,818	36,351	42,475	6,124
NET CHANGE IN FUND BALANCE	(4,374)	(4,374)	6,677	11,051
FUND BALANCE, JULY 1, 2006	4,377	4,377	4,377	
FUND BALANCE, JUNE 30, 2007	\$ 3	\$ 3	11,054	11,051

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	DETENTION FACILITIES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 5,367	5,368	7,201	1,833
Fines, forfeitures and penalties			23	23
Revenue from use of money and property-				
Investment income	200	200	284	84
Intergovernmental revenues-				
State	51	51	53	2
TOTAL REVENUES	5,618	5,619	7,561	1,942
EXPENDITURES:				
Debt service:				
Principal	8,395	8,395	8,395	
Interest	669	670	669	(1)
TOTAL EXPENDITURES	9,064	9,065	9,064	(1)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,446)	(3,446)	(1,503)	1,943
OTHER FINANCING SOURCES (USES):				
Appropriation for contingencies	(51)	(51)		51
Changes in reserves and designations	307	307	307	
OTHER FINANCING SOURCES (USES) - NET	256	256	307	51
NET CHANGE IN FUND BALANCE	(3,190)	(3,190)	(1,196)	1,994
FUND BALANCE, JULY 1, 2006	3,190	3,190	3,190	
FUND BALANCE, JUNE 30, 2007	\$		1,994	1,994

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	\$ 399	401	551	150
Fines, forfeitures and penalties	4	4		(4)
Revenue from use of money and property-				
Investment income	11	11	35	24
TOTAL REVENUES	414	416	586	170
EXPENDITURES:				
Debt service:				
Principal	710	710	710	
Interest	43	45	44	(1)
TOTAL EXPENDITURES	753	755	754	(1)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(339)	(339)	(168)	171
OTHER FINANCING SOURCES (USES):				
Transfers out				
Appropriation for contingencies	(8)	(8)		8
Changes in reserves and designations	184	184	184	
OTHER FINANCING SOURCES (USES) - NET	176	176	184	8
NET CHANGE IN FUND BALANCE	(163)	(163)	16	179
FUND BALANCE, JULY 1, 2006	163	163	163	
FUND BALANCE, JUNE 30, 2007	\$		179	179

Continued...

COUNTY OF LOS ANGELES  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL ON BUDGETARY BASIS-Continued  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Revenue from use of money and property- Investment income	\$ 556	556	3,368	2,812
TOTAL REVENUES	556	556	3,368	2,812
EXPENDITURES:				
Debt service:				
Principal	21,475	21,475	21,475	
Interest	12,488	16,021	16,020	(1)
TOTAL EXPENDITURES	33,963	37,496	37,495	(1)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(33,407)	(36,940)	(34,127)	2,813
OTHER FINANCING SOURCES (USES):				
Transfers in	24,112	27,645	33,710	6,065
Changes in reserves and designations	8,274	8,274	8,274	
OTHER FINANCING SOURCES (USES) - NET	32,386	35,919	41,984	6,065
NET CHANGE IN FUND BALANCE	(1,021)	(1,021)	7,857	8,878
FUND BALANCE, JULY 1, 2006	1,024	1,024	1,024	
FUND BALANCE, JUNE 30, 2007	\$ 3	\$ 3	8,881	8,878

Continued...

COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 JUNE 30, 2007 (in thousands)

	Accumulative Capital Outlay	Flood Control District	Improvement Districts	Public Buildings	Gap Loan	Total
<b>ASSETS</b>						
Pooled cash and investments:						
Operating	\$ 109,200	99	173		187,751	\$ 297,223
Other	1,878		2		1,077	2,957
Total pooled cash and investments	<u>111,078</u>	<u>99</u>	<u>175</u>		<u>188,828</u>	<u>300,180</u>
Other investments		3,202		27,062		30,264
Interest receivable	601		1	214	1,400	2,216
Other receivables	31					31
Due from other funds	11,405					11,405
<b>TOTAL ASSETS</b>	<u>\$ 123,115</u>	<u>3,301</u>	<u>176</u>	<u>27,276</u>	<u>190,228</u>	<u>\$ 344,096</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 2,868					\$ 2,868
Due to other funds	5,895		8		42,717	48,620
<b>TOTAL LIABILITIES</b>	<u>8,763</u>		<u>8</u>		<u>42,717</u>	<u>51,488</u>
<b>FUND BALANCES:</b>						
Reserved for:						
Encumbrances	15,021					15,021
Assets unavailable for appropriation	9,052					9,052
Unreserved-Undesignated	90,279	3,301	168	27,276	147,511	268,535
<b>TOTAL FUND BALANCES</b>	<u>114,352</u>	<u>3,301</u>	<u>168</u>	<u>27,276</u>	<u>147,511</u>	<u>292,608</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 123,115</u>	<u>3,301</u>	<u>176</u>	<u>27,276</u>	<u>190,228</u>	<u>\$ 344,096</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 FOR THE YEAR ENDED JUNE 30, 2007 (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	\$ 4,726	454	14	1,998	6,323	\$ 13,515
Intergovernmental revenues-						
State	198					198
Charges for services	6,644					6,644
Miscellaneous	2,787					2,787
<b>TOTAL REVENUES</b>	<b>14,355</b>	<b>454</b>	<b>14</b>	<b>1,998</b>	<b>6,323</b>	<b>23,144</b>
<b>EXPENDITURES - Capital outlay</b>	<b>31,392</b>	<b>14,096</b>	<b>496</b>	<b>2,095</b>		<b>48,079</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(17,037)</b>	<b>(13,642)</b>	<b>(482)</b>	<b>(97)</b>	<b>6,323</b>	<b>(24,935)</b>
<b>OTHER FINANCING SOURCES (USES) :</b>						
Transfers in	41,430	11				41,441
Transfers out	(22,615)			(27,164)	(44,896)	(94,675)
<b>OTHER FINANCING SOURCES (USES) - NET</b>	<b>18,815</b>	<b>11</b>		<b>(27,164)</b>	<b>(44,896)</b>	<b>(53,234)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,778</b>	<b>(13,631)</b>	<b>(482)</b>	<b>(27,261)</b>	<b>(38,573)</b>	<b>(78,169)</b>
<b>FUND BALANCE, JULY 1, 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>
<b>FUND BALANCE, JUNE 30, 2007</b>	<b>\$ 114,352</b>	<b>3,301</b>	<b>168</b>	<b>27,276</b>	<b>147,511</b>	<b>\$ 292,608</b>

COUNTY OF LOS ANGELES  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS  
 JUNE 30, 2007 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
<b>ASSETS</b>			
Pooled cash and investments:			
Operating	\$ 289	2,326	\$ 2,615
Other	2	12	14
Total pooled cash and investments	<u>291</u>	<u>2,338</u>	<u>2,629</u>
Other investments	742		742
Interest receivable	<u>17</u>	<u>15</u>	<u>32</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,050</u></b>	<b><u>2,353</u></b>	<b><u>\$ 3,403</u></b>
<b>LIABILITIES - Due to other funds</b>	<b>\$</b>	<b>23</b>	<b>\$ 23</b>
<b>FUND BALANCES - Reserved for annuities and endowments</b>	<b><u>1,050</u></b>	<b><u>2,330</u></b>	<b><u>3,380</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,050</u></b>	<b><u>2,353</u></b>	<b><u>\$ 3,403</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, 2007 (in thousands)

	<u>Annuities</u>	<u>Endowments</u>	<u>Total</u>
REVENUES:			
Revenue from use of money and property -			
Investment income	<u>\$ 57</u>	<u>102</u>	<u>\$ 159</u>
EXPENDITURES - General government	<u>92</u>	<u>19</u>	<u>111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35)	83	48
FUND BALANCE, JULY 1, 2006	<u>1,085</u>	<u>2,247</u>	<u>3,332</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,050</u>	<u>2,330</u>	<u>\$ 3,380</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, 2007 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments:			
Operating	\$ 3,725		\$ 3,725
Other	9		9
Total pooled cash and investments	<u>3,734</u>		<u>3,734</u>
Other investments		78,720	78,720
Interest receivable	10		10
Other receivables	269	4,588	4,857
Due from other funds	58		58
Total current assets	<u>4,071</u>	<u>83,308</u>	<u>87,379</u>
Noncurrent assets:			
Capital assets:			
Land and easements	134,066	65,094	199,160
Buildings and improvements	34,437	142,348	176,785
Equipment	1,531	1,461	2,992
Infrastructure	40,240		40,240
Construction in progress	238	140	378
Less accumulated depreciation	<u>(49,340)</u>	<u>(133,454)</u>	<u>(182,794)</u>
Total capital assets - net	<u>161,172</u>	<u>75,589</u>	<u>236,761</u>
Total noncurrent assets	<u>161,172</u>	<u>75,589</u>	<u>236,761</u>
<b>TOTAL ASSETS</b>	<u>165,243</u>	<u>158,897</u>	<u>324,140</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1	2,670	2,671
Other payables	1,029	671	1,700
Due to other funds	304		304
Unearned revenue		308	308
Current portion of long-term liabilities		<u>1,109</u>	<u>1,109</u>
Total current liabilities	<u>1,334</u>	<u>4,758</u>	<u>6,092</u>
Noncurrent liabilities:			
Accrued vacation and sick leave		133	133
Bonds and notes payable		<u>4,498</u>	<u>4,498</u>
Total noncurrent liabilities		<u>4,631</u>	<u>4,631</u>
<b>TOTAL LIABILITIES</b>	<u>1,334</u>	<u>9,389</u>	<u>10,723</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	161,172	70,381	231,553
Restricted-			
Special purpose		79,127	79,127
Unrestricted	2,737		2,737
<b>TOTAL NET ASSETS</b>	<u>\$ 163,909</u>	<u>149,508</u>	<u>\$ 313,417</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, 2007 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Rentals	\$ 2,460	11,309	\$ 13,769
Charges for services	452		452
Other	2	877	879
<b>TOTAL OPERATING REVENUES</b>	<u>2,914</u>	<u>12,186</u>	<u>15,100</u>
<b>OPERATING EXPENSES:</b>			
Services and supplies	3,861	208,840	212,701
Other professional services	237		237
Depreciation and amortization	1,663	1,280	2,943
<b>TOTAL OPERATING EXPENSES</b>	<u>5,761</u>	<u>210,120</u>	<u>215,881</u>
<b>OPERATING LOSS</b>	<u>(2,847)</u>	<u>(197,934)</u>	<u>(200,781)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	74	4,122	4,196
Interest expense		(319)	(319)
Intergovernmental revenues:			
State	10		10
Federal	1,949	230,171	232,120
<b>TOTAL NONOPERATING REVENUES</b>	<u>2,033</u>	<u>233,974</u>	<u>236,007</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(814)</u>	<u>36,040</u>	<u>35,226</u>
Transfers out		(4,232)	(4,232)
<b>CHANGE IN NET ASSETS</b>	(814)	31,808	30,994
<b>TOTAL NET ASSETS, JULY 1, 2006</b>	<u>164,723</u>	<u>117,700</u>	<u>282,423</u>
<b>TOTAL NET ASSETS, JUNE 30, 2007</b>	<u>\$ 163,909</u>	<u>149,508</u>	<u>\$ 313,417</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Rentals received	\$ 2,460	9,097	\$ 11,557
Cash received from charges for services	633		633
Other operating revenues	2	877	879
Cash paid for salaries and employee benefits		(116)	(116)
Cash paid for services and supplies	(3,836)	(208,426)	(212,262)
Other operating expenses	(237)		(237)
Net cash required for operating activities	<u>(978)</u>	<u>(198,568)</u>	<u>(199,546)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental receipts	1,959	230,171	232,130
Transfers out		(4,232)	(4,232)
Net cash provided by noncapital financing activities	<u>1,959</u>	<u>225,939</u>	<u>227,898</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from bonds and notes		6	6
Interest paid on capital borrowing		(319)	(319)
Principal payments on bonds		(660)	(660)
Acquisition and construction of capital assets	(440)	(935)	(1,375)
Net cash required for capital and related financing activities	<u>(440)</u>	<u>(1,908)</u>	<u>(2,348)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>			
Interest income received	<u>64</u>	<u>4,122</u>	<u>4,186</u>
Net increase in cash and cash equivalents	605	29,585	30,190
Cash and cash equivalents, July 1, 2006	<u>3,129</u>	<u>49,135</u>	<u>52,264</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 3,734</u>	<u>78,720</u>	<u>\$ 82,454</u>

Continued...

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS - Continued  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	Aviation	Community Development Commission	Total Nonmajor Enterprise Funds
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH REQUIRED FOR OPERATING ACTIVITIES:</b>			
Operating loss	\$ (2,847)	(197,934)	\$ (200,781)
Adjustments to reconcile operating loss to net cash required for operating activities:			
Depreciation and amortization	1,663	1,280	2,943
Other charges - net	125		125
(Increase) decrease in:			
Other receivables	238	(2,100)	(1,862)
Due from other funds	(57)		(57)
Increase (decrease) in:			
Accounts payable	(120)	461	341
Other payables	(81)	(47)	(128)
Accrued vacation and sick leave		(116)	(116)
Due to other funds	101		101
Unearned revenue		(112)	(112)
<b>TOTAL ADJUSTMENTS</b>	<b>1,869</b>	<b>(634)</b>	<b>1,235</b>
<b>NET CASH REQUIRED FOR OPERATING ACTIVITIES</b>	<b>\$ (978)</b>	<b>(198,568)</b>	<b>\$ (199,546)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>			
Pooled cash and investments	\$ 3,734		\$ 3,734
Other investments		78,720	78,720
<b>TOTAL</b>	<b>\$ 3,734</b>	<b>78,720</b>	<b>\$ 82,454</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, 2007 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments:				
Operating	\$ 34,051	5,716		\$ 39,767
Other	7,413	71		7,484
Total pooled cash and investments	<u>41,464</u>	<u>5,787</u>		<u>47,251</u>
Other investments			8,193	8,193
Interest receivable	283	111		394
Other receivables	45		125	170
Due from other funds	76,492	18		76,510
Inventories	7,916		34	7,950
Total current assets	<u>126,200</u>	<u>5,916</u>	<u>8,352</u>	<u>140,468</u>
Noncurrent assets:				
Restricted assets		15,708		15,708
Net pension obligation	8,778			8,778
Capital assets:				
Buildings and improvements	1,734			1,734
Equipment	116,002	75,149	5,012	196,163
Less accumulated depreciation	<u>(71,620)</u>	<u>(38,230)</u>	<u>(4,287)</u>	<u>(114,137)</u>
Total capital assets - net	<u>46,116</u>	<u>36,919</u>	<u>725</u>	<u>83,760</u>
Total noncurrent assets	<u>54,894</u>	<u>52,627</u>	<u>725</u>	<u>108,246</u>
<b>TOTAL ASSETS</b>	<u>181,094</u>	<u>58,543</u>	<u>9,077</u>	<u>248,714</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,178	1,623	736	4,537
Accrued payroll	19,989			19,989
Other payables	1,581			1,581
Accrued interest payable		860		860
Due to other funds	33,103			33,103
Advances from other funds	22,000			22,000
Unearned revenue	990			990
Current portion of long-term liabilities	29,665	20,880	1,027	51,572
Total current liabilities	<u>109,506</u>	<u>23,363</u>	<u>1,763</u>	<u>134,632</u>
Noncurrent liabilities:				
Accrued vacation and sick leave	34,450		217	34,667
Bonds and notes payable		28,385		28,385
Pension bonds payable	39,891			39,891
Capital lease obligations			60	60
Workers' compensation liability	57,600		2,795	60,395
Litigation and self-insurance liability	19,438		1,341	20,779
Total noncurrent liabilities	<u>151,379</u>	<u>28,385</u>	<u>4,413</u>	<u>184,177</u>
<b>TOTAL LIABILITIES</b>	<u>260,885</u>	<u>51,748</u>	<u>6,176</u>	<u>318,809</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	46,116	9,827	521	56,464
Restricted			2,380	2,380
Unrestricted (Deficit)	(125,907)	(3,032)		(128,939)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ (79,791)</u>	<u>6,795</u>	<u>2,901</u>	<u>\$ (70,095)</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, 2007 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>OPERATING REVENUES:</b>				
Rentals	\$ 17	23,064		\$ 23,081
Charges for services	361,108		12,554	373,662
<b>TOTAL OPERATING REVENUES</b>	<b>361,125</b>	<b>23,064</b>	<b>12,554</b>	<b>396,743</b>
<b>OPERATING EXPENSES:</b>				
Salaries and employee benefits	284,521			284,521
Services and supplies	42,791	272	11,919	54,982
Other professional services	11,316			11,316
Depreciation and amortization	8,482	25,833	411	34,726
<b>TOTAL OPERATING EXPENSES</b>	<b>347,110</b>	<b>26,105</b>	<b>12,330</b>	<b>385,545</b>
<b>OPERATING INCOME (LOSS)</b>	<b>14,015</b>	<b>(3,041)</b>	<b>224</b>	<b>11,198</b>
<b>NONOPERATING REVENUES (EXPENSES) :</b>				
Interest income	386	627	253	1,266
Interest expense	(7,860)	(2,149)	(17)	(10,026)
Intergovernmental revenues - Federal			251	251
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(7,474)</b>	<b>(1,522)</b>	<b>487</b>	<b>(8,509)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>6,541</b>	<b>(4,563)</b>	<b>711</b>	<b>2,689</b>
Transfers in	3,163		221	3,384
Transfers out			(221)	(221)
<b>CHANGE IN NET ASSETS</b>	<b>9,704</b>	<b>(4,563)</b>	<b>711</b>	<b>5,852</b>
<b>TOTAL NET ASSETS (DEFICIT), JULY 1, 2006</b>	<b>(89,495)</b>	<b>11,358</b>	<b>2,190</b>	<b>(75,947)</b>
<b>TOTAL NET ASSETS (DEFICIT), JUNE 30, 2007</b>	<b>\$ (79,791)</b>	<b>6,795</b>	<b>2,901</b>	<b>\$ (70,095)</b>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Rentals received	\$ 17	23,359		\$ 23,376
Cash received from charges for services	342,459		12,463	354,922
Cash paid for salaries and employee benefits	(287,724)			(287,724)
Cash paid for services and supplies	(34,651)	(272)	(11,943)	(46,866)
Other operating expenses	(11,316)			(11,316)
<b>Net cash provided by operating activities</b>	<b>8,785</b>	<b>23,087</b>	<b>520</b>	<b>32,392</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interest paid on pension bonds	(7,860)			(7,860)
Intergovernmental receipts			251	251
Transfers in	3,163		221	3,384
Transfers out			(221)	(221)
<b>Net cash provided by (required for) noncapital financing activities</b>	<b>(4,697)</b>		<b>251</b>	<b>(4,446)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds and notes		20,000		20,000
Interest paid on capital borrowing		(1,515)	(17)	(1,532)
Principal payments on bonds and notes		(14,520)		(14,520)
Principal payments on capital leases			(108)	(108)
Acquisition and construction of capital assets	(5,043)	(17,151)	(208)	(22,402)
<b>Net cash required for capital and related financing activities</b>	<b>(5,043)</b>	<b>(13,186)</b>	<b>(333)</b>	<b>(18,562)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>				
Interest income received	23	680	253	956
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(932)</b>	<b>10,581</b>	<b>691</b>	<b>10,340</b>
Cash and cash equivalents July 1, 2006	42,396	10,914	7,502	60,812
<b>Cash and cash equivalents June 30, 2007</b>	<b>\$ 41,464</b>	<b>21,495</b>	<b>8,193</b>	<b>\$ 71,152</b>

Continued...

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CASH FLOWS - Continued  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	Public Works	Equipment Acquisition	Community Development Commission	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 14,015	(3,041)	224	\$ 11,198
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	8,482	25,833	411	34,726
Other charges - net	(454)			(454)
(Increase) decrease in:				
Interest receivable	(136)			(136)
Other receivables	74		(84)	(10)
Due from other funds	(18,593)	295		(18,298)
Inventories	(402)		(26)	(428)
Net pension obligation	4,530			4,530
Increase (decrease) in:				
Accounts payable	(1,477)		232	(1,245)
Accrued payroll	1,718			1,718
Other payables	588			588
Accrued vacation and sick leave	3,295		(33)	3,262
Due to other funds	10,473		(197)	10,276
Unearned revenue	6		(7)	(1)
Pension bonds payable	(11,107)			(11,107)
Workers' compensation liability	(3,293)			(3,293)
Litigation and self-insurance liability	1,066			1,066
<b>TOTAL ADJUSTMENTS</b>	<b>(5,230)</b>	<b>26,128</b>	<b>296</b>	<b>21,194</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 8,785</b>	<b>23,087</b>	<b>520</b>	<b>\$ 32,392</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>				
Pooled cash and investments	\$ 41,464	5,787		\$ 47,251
Other investments			8,193	8,193
Restricted assets		15,708		15,708
<b>TOTAL</b>	<b>\$ 41,464</b>	<b>21,495</b>	<b>8,193</b>	<b>\$ 71,152</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, 2007 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 11,555,116		\$ 11,555,116
Other investments		1,246,716	1,246,716
Interest receivable	159,484	20,533	180,017
<b>TOTAL ASSETS</b>	<u>11,714,600</u>	<u>1,267,249</u>	<u>12,981,849</u>
<b>NET ASSETS</b>			
Held in trust for investment trust fund participants	<u>\$ 11,714,600</u>	<u>1,267,249</u>	<u>\$ 12,981,849</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	Pooled Investment Trust Fund	Specific Investment Trust Fund	Total
ADDITIONS:			
Contributions to investment trust funds	\$ 38,390,174	1,679,789	\$ 40,069,963
Interest income	596,509	60,708	657,217
TOTAL ADDITIONS	<u>38,986,683</u>	<u>1,740,497</u>	<u>40,727,180</u>
DEDUCTIONS -			
Distribution from investment trust funds	<u>36,762,927</u>	<u>1,572,468</u>	<u>38,335,395</u>
CHANGE IN NET ASSETS	2,223,756	168,029	2,391,785
NET ASSETS HELD IN TRUST, JULY 1, 2006	<u>9,490,844</u>	<u>1,099,220</u>	<u>10,590,064</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2007	<u>\$ 11,714,600</u>	<u>1,267,249</u>	<u>\$ 12,981,849</u>

COUNTY OF LOS ANGELES  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS - AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Pooled cash and investments	\$ 1,778,916	109,478,159	110,151,984	\$ 1,105,091
Other investments	44,329	15,016	44,631	14,714
Taxes receivable	200,704	582,404	560,822	222,286
Interest receivable	950	6,238	3,193	3,995
<b>TOTAL ASSETS</b>	<b><u>\$ 2,024,899</u></b>	<b><u>110,081,817</u></b>	<b><u>110,760,630</u></b>	<b><u>\$ 1,346,086</u></b>
<b>LIABILITIES</b>				
Due to other governments	\$ 2,024,899	2,397,008	3,075,821	\$ 1,346,086
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,024,899</u></b>	<b><u>2,397,008</u></b>	<b><u>3,075,821</u></b>	<b><u>\$ 1,346,086</u></b>



# **STATISTICAL SECTION**

## STATISTICAL SECTION

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

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<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.	166
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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 SIX 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>	<u>2006-07</u>
<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	14,192,494
Restricted	913,613	907,155	928,616	1,152,845	1,378,439	1,443,083
Unrestricted (deficit)	(1,892,055)	(2,391,517)	(2,203,518)	(1,572,611)	(840,389)	(194,953)
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>	<u>15,440,624</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	2,190,999
Restricted	91,994	127,192	105,557	74,173	165,427	186,266
Unrestricted (deficit)	(748,183)	(734,942)	(590,882)	(624,577)	(444,450)	(640,691)
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>	<u>1,736,574</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	16,383,493
Restricted	1,005,607	1,034,347	1,034,173	1,227,018	1,543,866	1,629,349
Unrestricted (deficit)	(2,640,238)	(3,126,459)	(2,794,400)	(2,197,188)	(1,284,839)	(835,644)
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>	<u>17,177,198</u>

**Notes:**

- (1) Trend data is available for only the prior five 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 SIX FISCAL YEARS (in thousands)  
*(accrual basis of accounting)*

(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Expenses</b>						
Government activities:						
General government	\$ 611,203	764,588	650,096	666,778	795,290	807,155
Public protection	3,937,519	4,177,049	4,044,824	4,159,675	4,443,432	4,872,413
Public ways and facilities	208,299	227,776	222,416	249,065	360,980	282,827
Health and sanitation	1,795,060	1,888,141	1,918,831	1,941,315	2,151,515	2,223,695
Public assistance	4,505,319	4,604,757	4,383,626	4,398,391	4,465,520	4,539,458
Education	73,455	75,079	77,207	86,707	92,867	99,136
Recreation and cultural services	231,605	228,008	229,541	236,421	240,274	266,967
Interest on long-term debt	249,586	270,336	240,494	223,696	221,838	239,608
Subtotal governmental activities expenses	11,612,046	12,235,734	11,767,035	11,962,048	12,771,716	13,331,259
Business-type activities:						
Hospitals (2)	3,086,454	3,158,458	3,063,732	3,235,176	2,778,251	2,894,493
Aviation	4,618	4,617	5,155	5,747	5,236	5,761
Waterworks	39,857	42,448	45,473	43,444	67,563	97,504
Community Development Commission	198,340	223,808	222,207	217,560	202,298	211,077
Subtotal business-type activities expense	3,329,269	3,429,331	3,336,567	3,501,927	3,053,348	3,208,835
Total primary government expenses	14,941,315	15,665,065	15,103,602	15,463,975	15,825,064	16,540,094
<b>Program Revenues</b>						
Governmental activities:						
Charges for services						
General government	332,282	354,291	371,723	371,338	500,233	451,050
Public protection	981,002	1,021,186	1,055,700	1,112,288	1,118,277	1,189,730
Health and sanitation	375,484	385,490	357,229	378,324	469,450	518,893
Recreation and cultural services	154,704	152,908	157,486	159,999	165,980	173,531
Other charges for services	54,548	81,388	55,947	65,629	83,694	63,664
Subtotal governmental activities charges for services	1,898,020	1,995,263	1,998,085	2,087,578	2,337,634	2,396,868
Operating grants and contributions	6,243,962	6,373,405	6,362,285	6,551,225	6,801,256	6,980,549
Capital grants and contributions	27,534	38,471	59,650	44,072	64,258	25,135
Total governmental activities program revenue	8,169,516	8,407,139	8,420,020	8,682,875	9,203,148	9,402,552
Business-type activities:						
Charges for services						
Hospitals (2)	2,516,003	2,594,762	2,397,047	2,390,770	1,913,815	1,864,209
Other charges for services	46,958	50,187	57,150	68,151	90,604	93,770
Subtotal business-type activities charges for services	2,562,961	2,644,949	2,454,197	2,458,921	2,004,419	1,957,979
Operating grants and contributions	267,329	295,296	277,427	262,636	309,526	304,720
Capital grants and contributions	13,765	26,851	83,537	138,723	74,821	12,992
Total business-type activities program revenue	2,844,055	2,967,096	2,815,161	2,860,280	2,388,766	2,275,691
Total primary government revenues	11,013,571	11,374,235	11,235,181	11,543,155	11,591,914	11,678,243

Continued...

COUNTY OF LOS ANGELES  
 CHANGES IN NET ASSETS (UNAUDITED) - Continued  
 LAST SIX 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>	<u>2006-07</u>
<b>(1) Net (expense) / revenue:</b>						
Governmental activities	(3,442,530)	(3,828,595)	(3,347,015)	(3,279,173)	(3,568,568)	(3,928,707)
Business-type activities	(485,214)	(462,235)	(521,406)	(641,647)	(664,582)	(933,144)
Total primary government net expenses	<u>(3,927,744)</u>	<u>(4,290,830)</u>	<u>(3,868,421)</u>	<u>(3,920,820)</u>	<u>(4,233,150)</u>	<u>(4,861,851)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental Activities:						
Taxes	2,349,836	2,493,274	2,912,645	3,804,859	4,292,919	4,688,595
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	761,705
Investment earnings	154,439	102,573	57,807	137,382	244,005	335,851
Miscellaneous	148,622	136,702	186,406	130,904	171,049	259,357
Special Item - Contribution of Disney Hall Transfers (Net)	(550,302)	(538,115)	(712,834)	(686,549)	(989,117)	(1,049,213)
Subtotal governmental activities	<u>3,483,766</u>	<u>3,588,808</u>	<u>3,729,844</u>	<u>4,306,856</u>	<u>4,449,372</u>	<u>5,263,768</u>
Business-type activities:						
Taxes	2,550	2,772	2,845	701	743	3,782
Unrestricted grants and contributions	33	32	32	34	34	35
Investment earnings	4,415	4,373	1,452	6,416	9,703	18,043
Miscellaneous	50,860	58,403	53,401	54,103	58,804	50,443
Transfers (Net)	550,302	538,115	712,834	686,549	989,117	1,049,213
Subtotal business-type activities	<u>608,160</u>	<u>603,695</u>	<u>770,564</u>	<u>747,803</u>	<u>1,058,401</u>	<u>1,121,516</u>
Total primary government	<u>4,091,926</u>	<u>4,192,503</u>	<u>4,500,408</u>	<u>5,054,659</u>	<u>5,507,773</u>	<u>6,385,284</u>
<b>Changes in Net Assets</b>						
Government activities	41,236	(239,787)	382,829	1,027,683	880,804	1,335,061
Business-type activities	122,946	141,460	249,158	106,156	393,819	188,372
Total primary government	<u>\$ 164,182</u>	<u>(98,327)</u>	<u>631,987</u>	<u>1,133,839</u>	<u>1,274,623</u>	<u>1,523,433</u>

**Notes:**

- (1) Trend data is available for only the prior five 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 years 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  
 FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)  
 LAST SIX FISCAL YEARS (in thousands)  
 (modified accrual basis of accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
<b>General Fund</b>						
Reserved for:						
Encumbrances	\$ 277,146	316,118	289,174	333,499	352,523	415,001
Inventories	36,740	33,230	29,843	39,713	42,562	42,561
Assets unavailable for appropriation	44,879	33,410	31,548	27,415	26,970	20,718
Total Reserved Balance	358,765	382,758	350,565	400,627	422,055	478,280
Unreserved, designated for:						
Budget uncertainties	388,235	414,054	359,649	496,672	375,511	338,192
Program expansion	206,805	254,753	299,357	190,548	497,370	328,795
Health services				329,806	459,346	326,849
Capital projects					190,184	241,489
Unreserved, undesignated, reported in-						
General fund	558,549	646,165	878,156	909,076	793,812	1,366,839
Total Unreserved Balance	1,153,589	1,314,972	1,537,162	1,926,102	2,316,223	2,502,164
Total General Fund	1,512,354	1,697,730	1,887,727	2,326,729	2,738,278	3,080,444
<b>All Other Governmental Funds (2)</b>						
Reserved for:						
Encumbrances	451,630	339,018	297,961	372,272	414,475	379,556
Inventories	44,706	40,854	55,180	46,740	49,424	44,936
Housing programs	2,568	2,260	2,260	2,079	2,117	1,662
Debt service	253,065	236,921	231,438	259,493	508,379	467,444
Endowments & annuities	3,454	3,541	3,315	3,339	3,332	3,380
Assets unavailable for appropriation	25,221	31,606	34,244	34,017	46,872	32,638
Total Reserved Balance	780,644	654,200	624,398	717,940	1,024,599	929,616
Unreserved, designated for:						
Special revenue funds	188,128	186,612	190,899	242,539	309,291	441,196
Unreserved, undesignated, reported in:						
Special revenue funds	509,943	556,258	622,391	610,336	792,856	835,998
Capital projects funds	110,237	94,799	87,039	264,882	328,896	268,535
Total Unreserved Balance	808,308	837,669	900,329	1,117,757	1,431,043	1,545,729
Total All Other Governmental Funds	1,588,952	1,491,869	1,524,727	1,835,697	2,455,642	2,475,345
Total Governmental Fund Balance	\$ 3,101,306	3,189,599	3,412,454	4,162,426	5,193,920	5,555,789

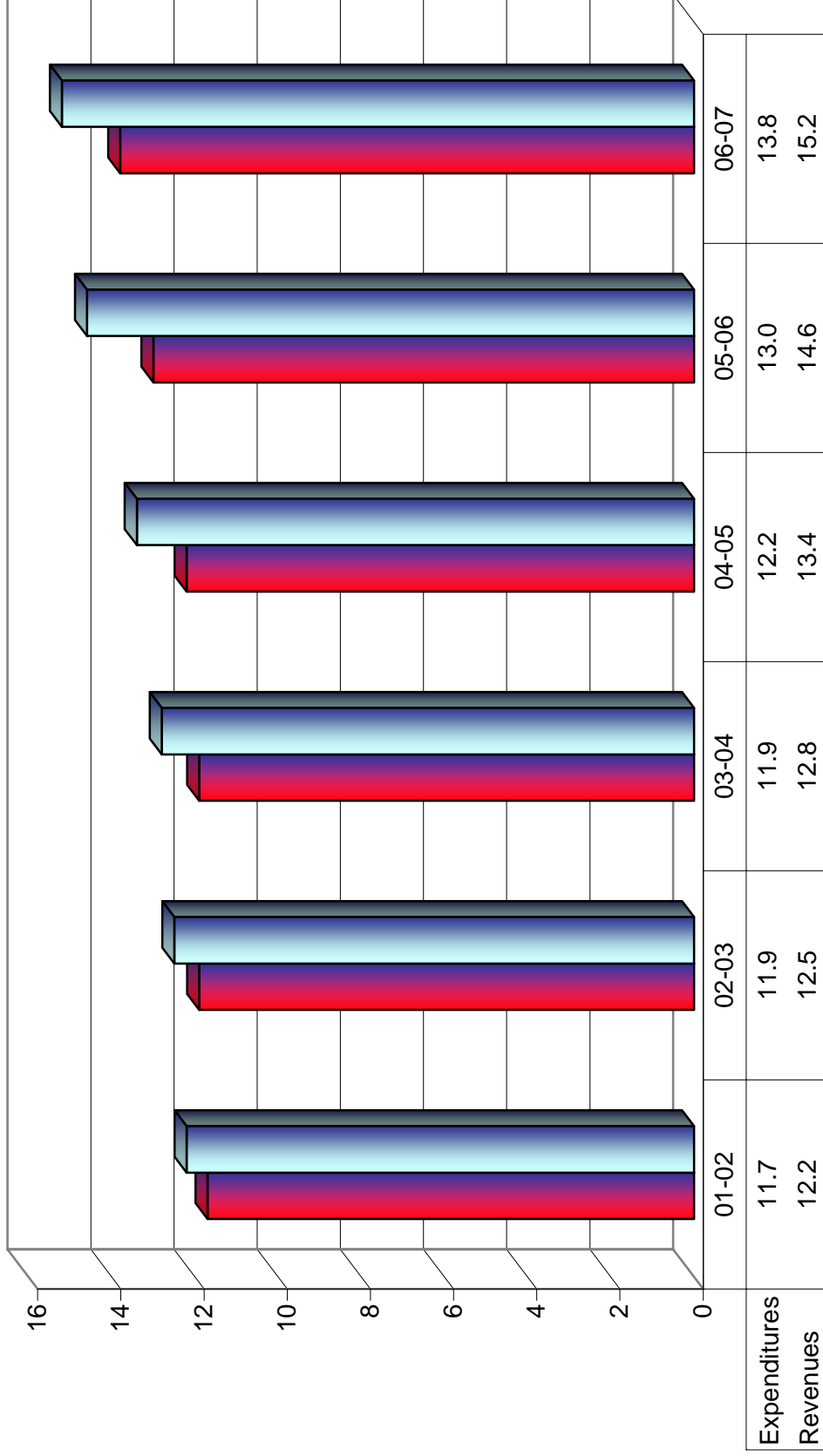
Notes:

- (1) Trend data is available for only the prior five 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 6 Fiscal Years



In Billions of Dollars

■ Expenditures ■ Revenues

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

	(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Revenues (by source)</b>							
Taxes	\$	2,282,620	2,422,005	2,830,843	3,704,985	4,145,704	4,567,655
Licenses, permits and franchises		59,712	67,478	71,176	73,450	77,004	77,690
Fines, forfeitures and penalties		264,713	262,604	275,744	294,714	309,962	316,174
Revenue from use of money and property:							
Investment income		153,830	102,109	57,654	136,833	243,197	334,865
Rents and concessions		60,181	57,992	71,029	69,253	69,388	80,874
Royalties		289	300	299	408	615	594
Intergovernmental revenues:							
Federal		3,252,597	3,198,572	3,148,842	2,763,670	2,745,903	2,835,932
State		4,170,053	4,331,478	4,292,677	4,275,176	4,650,492	4,613,192
Other		98,051	107,337	113,576	122,674	121,532	154,116
Charges for services		1,538,368	1,625,583	1,616,924	1,699,477	1,927,681	1,965,724
Proceeds from property owners		1,336	8,123	73			
Miscellaneous		295,902	294,278	328,914	277,000	324,060	291,293
<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>15,238,109</b>
<b>Expenditures (by function)</b>							
Current:							
General government		589,281	652,393	673,950	664,670	778,406	871,304
Public protection		3,795,429	3,768,650	3,934,320	4,111,311	4,413,646	4,955,338
Public ways and facilities		261,679	287,853	229,546	247,314	287,544	271,904
Health and sanitation		1,765,432	1,826,083	1,905,521	1,935,207	2,129,508	2,255,737
Public assistance		4,360,342	4,461,044	4,325,241	4,387,157	4,457,822	4,539,192
Education		72,542	74,013	79,285	85,066	92,105	99,115
Recreation and cultural services		235,188	225,329	231,210	226,768	247,845	265,029
Debt services							
Principal		241,737	269,349	280,274	345,956	390,745	304,888
Interest and other charges		220,801	206,119	182,385	181,948	126,030	211,386
Capital leases		8,220	14,345	13,830	11,449	29,624	25,936
Capital outlay		120,579	99,710	48,536	31,384	67,717	48,897
Total Expenditures		<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>	<b>13,848,726</b>
Excess of Revenues over Expenditures		<b>506,422</b>	<b>592,971</b>	<b>903,653</b>	<b>1,189,410</b>	<b>1,594,546</b>	<b>1,389,383</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in		294,162	295,168	303,956	416,981	516,492	540,377
Transfers out		(838,520)	(831,862)	(1,020,831)	(1,104,398)	(1,504,136)	(1,592,341)
Issuance of debt					7,700	389,423	326,245
Refunding bonds issued		29,000	160,325		434,471		
Payment to refunded bonds escrow agent		(29,000)	(160,325)		(434,471)		
Bond premium proceeds			8,513		37,629		
Capital leases		47,568	21,480	28,312	7,329	22,533	14,566
Sales of capital assets		5,292	2,023	7,765	6,828	12,636	818
Total other financing sources (uses)		<b>(491,498)</b>	<b>(504,678)</b>	<b>(680,798)</b>	<b>(627,931)</b>	<b>(563,052)</b>	<b>(1,027,514)</b>
Special Item-Proceeds from sale of receivables					188,493		
Net change in fund balance	\$	<b>14,924</b>	<b>88,293</b>	<b>222,855</b>	<b>749,972</b>	<b>1,031,494</b>	<b>361,889</b>
Debt service as a percentage of noncapital expenditures:		4.07%	4.11%	3.97%	4.40%	4.07%	3.93%

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

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

Fiscal Year	(2)		(3)	(4)	(5)	Total Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured					
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%	
2006 - 2007	905,276,182	45,783,429	10,638,106	(36,182,793)	925,514,924	1.00000%	

Notes:

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

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 Rates
	Los Angeles General	Los Angeles County Detention Facilities	Flood Control Districts	Los Angeles City Tax District No. 1	School Districts	Metropolitan Water District	
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
2006 - 2007	1.00000	.000663	.000052	.045354	.128276	.004700	1.179045

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 11,048 tax rate 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, 2007 AND JUNE 30, 1998 (in thousands)

Taxpayer	2007			1998		
	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.	\$ 3,575,648	1	0.41%	\$ 3,883,219	1	0.83%
Douglas Emmett Realty Fund	2,361,660	2	0.27%			
Maguire Thomas Partners	2,148,607	3	0.24%			
Chevron USA Inc.	1,960,019	4	0.22%	1,147,714	7	0.25%
BP West Coast Products	1,922,277	5	0.22%			
Exxon Mobil Corporation	1,511,845	6	0.17%	1,003,745	9	0.21%
AT&T California	1,510,195	7	0.17%			
Verizon California Inc.	1,449,450	8	0.16%			
Trizec LLC	1,429,020	9	0.16%			
Southern California Gas Company	1,351,867	10	0.15%			
Pacific Bell				1,694,477	4	0.36%
GTE California, Inc.				3,404,714	2	0.73%
Atlantic Richfield Co.				1,887,448	3	0.40%
Shuwa Investments Corporation				1,611,580	5	0.35%
MCA, Inc				1,214,454	6	0.26%
Tosco Corporation				1,111,689	8	0.24%
				848,546	10	0.18%
<b>Total</b>	<b>\$ 19,220,588</b>		<b>2.18%</b>	<b>\$ 17,807,586</b>		<b>3.81%</b>

**Note:**

(1) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$879,731,495 as of June 30, 2007 is based on Secured \$905,276,182 plus Unitary \$10,638,106 less exemptions of \$36,182,793. Total assessed value, \$466,983,838 as of June 30, 1998 is based on Secured \$479,497,077 plus Unitary \$12,668,474 less exemptions of \$25,181,713 (in thousands).

**Source:**

Los Angeles County Treasurer and Tax Collector

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

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Collections within the fiscal year of the levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1997 - 1998	\$ 5,570,515	\$ 5,374,125	96.5%	\$ 265,077	\$ 5,639,202	101.2%
1998 - 1999	5,760,686	5,549,836	96.3%	219,322	5,769,158	100.1%
1999 - 2000	6,078,979	5,852,946	96.3%	205,700	6,058,646	99.7%
2000 - 2001	6,441,176	6,228,309	96.7%	199,586	6,427,895	99.8%
2001 - 2002	6,964,486	6,760,147	97.1%	231,198	6,991,345	100.4%
2002 - 2003	7,415,691	7,182,974	96.9%	208,213	7,391,187	99.7%
2003 - 2004	8,241,631	8,031,587	97.5%	240,718	8,272,305	100.4%
2004 - 2005	8,895,871	8,655,953	97.3%	224,239	8,880,192	99.8%
2005 - 2006	9,582,359	9,322,047	97.3%	220,365	9,542,412	99.6%
2006 - 2007	10,521,025	10,213,017	97.1%	230,578	10,443,595	99.3%

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	
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	
2006-07	370	304,235	876,106	403,622	94,692	50,079	(40,818)	879,585	98,450	

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)	Per Personal Income (2)	Per Capita Per Capita (2)	
1997-98	1,273	549,030	56,865		564,977	12,689	5,788,614	2.28%	603	
1998-99	994	525,603	63,574		499,292	5,320	5,450,630	2.06%	559	
1999-00	746	496,364	64,025		423,894	3,360	5,202,810	1.86%	526	
2000-01	466	447,439	75,844		337,688	2,513	4,978,705	1.69%	508	
2001-02	382	300,318	126,684		542,234	2,086	4,633,434	1.54%	472	
2002-03	297	273,447	146,804		509,459	1,761	4,370,928	1.41%	438	
2003-04	239	240,831	170,319		469,756	1,499	4,086,692	1.24%	405	
2004-05	181	177,944	203,121	10,005	421,781	1,097	3,744,444	1.07%	366	
2005-06	136	160,648	12,662	8,909	363,177	675	3,530,891	0.95%	345	
2006-07	121	132,062	20,008	8,153	305,612	398	3,132,675	0.82%	303	

Notes:

- (1) Details regarding the County's outstanding debt can be found in the notes to the financial statements.  
 (2) See the "Demographic Statistics" table for personal income and population.

Source:  
 Auditor-Controller, County of Los Angeles

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

Fiscal Year	Population (1)	Assessed Value (1)	General Bonded Debt (2)	Ratio of General	
				Bonded Debt to Assessed Value	General Bonded Debt per Capita
1997-98	9,604	\$ 501,456,468	\$ 104,215	.000208	10.8512
1998-99	9,758	516,561,676	91,740	.000178	9.4015
1999-00	9,884	546,330,916	79,025	.000145	7.9952
2000-01	9,803	582,446,793	66,015	.000113	6.7342
2001-02	9,825	622,362,097	53,480	.000086	5.4433
2002-03	9,979	660,255,041	41,180	.000062	4.1267
2003-04	10,103	709,612,258	29,625	.000042	2.9323
2004-05	10,226	761,355,097	18,470	.000024	1.8062
2005-06	10,246	835,901,668	9,475	.000011	.9248
2006-07	10,332	925,514,924	370	.000000	.0358

**Notes:**

- (1) See "Demographics & Economic Statistics" table for population and "Revenue Capacity" table for assessed value.  
(2) Long-term general bonded debt outstanding includes Detention Facilities and Flood Control general obligation bonds. This column has been corrected from those of previous years to reflect only general obligation bonds.

**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, 2007

Full Cash Value (2006-07)

Population - (2007)

\$ 814,025,308,555 (1)  
10,331,939 (2)

	Percent Applicable	Debt May 1, 2007
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Los Angeles County	100%	8,395,000
Los Angeles County Flood Control District	100	113,560,000
Metropolitan Water District	46.196	165,896,765
Los Angeles Community College District	100	1,005,200,000
Other Community College Districts	Various	1,151,471,218
Beverly Hills Unified School District	100	140,344,198
Glendale Unified School District	100	148,150,000
Inglewood Unified School District	100	123,590,000
Long Beach Unified School District	100	247,115,000
Los Angeles Unified School District	100	6,504,880,000
Pasadena Unified School District	100	205,175,000
Pomona Unified School District	100	153,225,000
Other Unified School Districts	100	2,310,454,547
High School and School Districts	Various (3)	960,650,982
City of Los Angeles	100	1,411,898,000
City of Los Angeles Special Tax Lease Revenue Bonds	100	126,485,000
City of Industry	100	197,945,000
Other Cities	100	45,735,000
Special Districts	100	10,130,000
Community Facilities Districts	100	816,898,019
Los Angeles County Regional Park & Open Space Assessment District	100	304,235,000 (4)
1915 Act and Benefit Assessment Bonds - Estimate	100	220,803,406
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100	63,640,000
<b>TOTAL DIRECT AND OVERLAPPING TAX &amp; ASSESSMENT DEBT</b>		<b>16,435,877,135</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u></b>		
Los Angeles County General Fund Obligations	100	1,086,701,959 (5)
Los Angeles County Pension Obligations	100	737,082,395
Los Angeles County Office of Education Certificates of Participation	100	19,817,270
Community College District Certificates of Participation	Various (3)	99,399,667
Los Angeles Unified School District Certificates of Participation	100	402,219,455
Pomona Unified School District Certificates of Participation	100	65,910,000
Other Unified School District Certificates of Participation	100	454,915,698
High School and School District General Fund Obligations	Various (6)	177,847,310
City of Beverly Hills General Fund Obligations	100	217,015,000

(Continued)

COUNTY OF LOS ANGELES  
 ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued  
 JUNE 30, 2007

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT - Cont.:

City of Los Angeles General Fund & Judgment Obligations	100	1,492,290,000	
City of Long Beach General Fund Obligations	100	302,400,000	
City of Long Beach Pension Obligations	100	91,865,000	
City of Pasadena General Fund Obligations	100	407,699,972	
City of Pasadena Pension Obligations	100	134,145,000	
Other Cities' General Fund Obligations	100	1,192,924,853	
Los Angeles County Sanitation Districts General Fund Obligations	100	390,990,000	
Walnut Valley Water District General Fund Obligations	100	14,075,000	
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 7,287,298,579</b>	
Less: School District self-supporting bonds		(43,847,905)	
Cities' self-supporting bonds		(179,252,871)	
Walnut Valley Water District General Fund Obligations		(14,075,000)	
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$ 7,050,122,803</b>	

GROSS COMBINED TOTAL DEBT 23,723,175,714 (6)

NET COMBINED TOTAL DEBT \$ 23,485,999,938

RATIOS TO 2006-07 ASSESSED VALUATION

Direct Debt (\$8,395,000) .001%

Total Direct and Overlapping Tax and Assessment Debt 1.76%

RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)

Combined Gross Direct Debt (\$1,832,179,354) .22%

Net Combined Direct Debt (\$1,832,179,354) .22%

Gross Combined Total Debt 2.89%

Net Combined Total Debt 2.86%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$ 884,789

**Notes:**

- (1) This balance is reduced by homewoners exemptions of \$8,001,348,631 and excludes redevelopment incremental valuation of \$111,489,615,303.
- (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 refunding issue to be sold.
- (5) Excludes tax and revenue anticipation notes to be sold.
- (6) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Source:**

California Municipal Statistics - for general information purposes only.

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

Fiscal Year	(1)	(2)	(3)		Legal Debt Margin/ Debt Limit	Legal Debt Margin/ Debt Limit
	Assessed Value	Legal Debt Limit	Total net applicable debt	Legal Debt Margin		
1997 - 1998	\$ 501,456,468	6,268,206	57,825	6,210,381	99.08%	\$ 925,514,924
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%	
2000 - 2001	582,446,793	7,280,585	42,375	7,238,210	99.42%	\$ 11,568,937
2001 - 2002	622,362,097	7,779,526	36,505	7,743,021	99.53%	
2002 - 2003	660,255,041	8,253,188	30,225	8,222,963	99.63%	370
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%	\$ 11,568,567
2005 - 2006	835,901,668	10,448,771	8,395	10,440,376	99.92%	
2006 - 2007	925,514,924	11,568,937	370	11,568,567	100.00%	

COMPUTATION OF LEGAL DEBT MARGIN  
 June 30, 2007

Assessed valuation (net taxable)	\$ 925,514,924
Applicable percentage in computing capacity	1.25%
Total debt limit	\$ 11,568,937
Less: Total net applicable debt	370
Legal debt margin, June 30, 2007	\$ 11,568,567

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 SIX FISCAL YEARS  
 (1)

Fiscal Year	Marina del Rey Revenue Bonds				Regional Park and Open Space Special Assessment Bond Special				
	Revenue Collected	Debt Service Principal	Debt Service Interest	Total Debt Service	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
2006-07	(2)	-	-	-	78,930,000	21,475,000	16,020,653	37,495,653	2.11
Calabasas Landfill Bond Fees									
	Revenue Collected	Debt Service Principal	Debt Service Interest	Total Debt Service					
2005-06	\$ 4,092,212	1,100,000	685,849	1,785,849					
2006-07	3,034,497	1,265,000	1,652,634	2,917,634					
	(3)								

Notes:  
 (1) Trend data is available for only the prior five fiscal years, with the implementation of GASB 34.  
 (2) Optional Redemption occurred on 7/1/05 using Reserve and remaining Sinking Funds.  
 (3) Gross Operating Expenses were \$21,619,557 less \$8,447,208 depreciation = net expenditures of \$13,172,349. Revenue of \$16,206,846 is reduced by the net expenditures of \$13,172,349 to arrive at net revenue of \$3,034,497.



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
1998	9,604	\$ 253,516,000	\$ 26,397	1,583	6.5%
1999	9,758	263,987,000	27,053	1,618	5.9%
2000	9,884	279,050,000	28,232	1,651	5.3%
2001	9,803	294,508,000	30,043	1,682	5.7%
2002	9,825	301,003,000	30,636	1,711	6.8%
2003	9,979	310,044,000	31,070	1,736	7.0%
2004	10,103	329,048,000	32,569	1,742	6.5%
2005	10,226	349,868,000	34,214	1,734	5.3%
2006	10,246	370,860,000	36,196	1,708	4.5%
2007	10,332	379,824,000	36,762	1,673	4.4% (2) ****

Notes:

- (1) Public school enrollment.  
 (2) Year 2007 is an estimate as of May 2007.

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 2007 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 (6)**

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.
- (6) Information for 2007 & 2003 is not yet available.

**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>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>	<u>2006-07</u>
General Government	10,269	10,143	10,469	10,447	10,808	11,063	11,201	10,915	11,018	11,185
Public Protection	32,729	34,836	36,170	37,198	38,428	38,175	37,688	37,065	38,049	39,528
Health and Sanitation	25,369	25,327	26,311	27,107	27,737	27,056	26,079	26,322	26,717	27,072
Public Assistance	15,481	16,287	17,653	18,600	19,536	19,310	19,048	19,132	19,540	20,329
Education	1,550	1,559	1,600	1,628	1,666	1,706	1,722	1,722	1,828	1,871
Recreation and Cultural Services	2,104	2,186	2,317	2,282	2,352	2,406	2,388	2,324	2,393	2,649
<b>Total</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>	<b>102,634</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 the County's 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 SIX FISCAL YEARS

Function/Program	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 Estimated
<b>(1)</b> General Government						
Assessor - Number of re-appraisable transfers processed	215,147	239,501	243,472	242,036	221,858	189,000
Auditor Controller - Number of warrants issued monthly	431,730	415,317	400,928	389,807	360,394	230,800
Registrar Recorder - Number of registered voters	3,473,989	3,808,679	3,682,950	4,075,352	3,748,128	4,797,464
Public Protection						
Sheriff - Inmate population	19,100	17,400	17,400	17,900	19,000	20,000
Sheriff - Crime rate total <b>(2)</b>	326.08	315.98	315.68	304.50	297.89	299.83
Probation - Juvenile halls/camps population	3,700	3,700	3,600	3,600	3,500	4,000
Health and Sanitation						
Health Services - Average daily inpatient census	1,785	1,719	1,568	1,506	1,493	1,416
Health Services - Outpatient visits	3,088,000	2,731,000	2,587,000	2,606,000	2,656,000	2,660,000
Mental Health - Number of outpatient services to children and youth <b>(3)</b>	59,832	67,530	42,820	51,086	55,725	41,621
Public Assistance						
Children and Family Services - Child protective services caseloads	607,000	592,600	532,300	521,700	527,100	524,800
Children and Family Services - Adoption caseloads	58,700	38,700	32,200	32,600	26,996	22,584
Public Social Services - Average persons aided monthly thru CalWorks <b>(4)</b>	517,000	466,200	432,900	415,300	388,700	360,600
Public Social Services - Average number of indigents aided monthly	66,800	64,800	64,700	66,000	63,400	60,700
Community and Senior Services - Number of vulnerable adults served	21,200	23,355	24,513	25,766	32,082	36,000
Education						
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	15,000,000
Recreation and Culture						
Museum of Art - Total education program participants <b>(5)</b>	85,356	207,975	258,171	225,386	227,349	228,000
Museum of Natural History - Annual attendance <b>(6)</b>	411,298	923,834	934,636	914,426	867,138	626,406
Parks and Recreation - Total passive and active park users <b>(7)</b>	8,818,430	9,611,000	8,099,699	9,246,000	9,468,000	10,713,000

**Notes:**

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

**(2)** Represents number of offenses per 10,000 residents and refers to most serious crimes.

**(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)** Expected decline of attendance due to museum construction.

**(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, 2006-2007 and 2007-2008 Proposed Budget Books

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

Function/Program	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u> Estimated
Public Protection							
Animal Shelters	7		7	7	7	7	6
Public ways and facilities							
Mileage of maintained County roads	3,120	3,131	3,164	3,170	3,179	3,179	3,198
Miles of unincorporated County bikeways	n/a	134	134	135	139	139	141
Airports	5	5	5	5	5	5	5
Dams	15	15	15	15	15	15	15
Storm drains, in miles	2,708	2,732	2,754	2,777	2,782	2,782	2,865
Pumping plants	40	40	45	45	45	45	45
Health and Sanitation							
Hospitals	6	6	5	5	5	5	5
Health centers	39	22	18	18	18	18	18
Education							
Libraries	84	84	84	84	84	84	84
Bookmobiles	8	5	5	5	5	5	4
Recreation and Cultural services							
Museums	4	4	4	4	4	4	4
Arboretums and Botanic Gardens	4	4	4	4	4	4	4
Golf courses	19	19	19	19	19	19	19
Beaches	21	21	21	20	20	20	20
Boat Slips	6,000	6,000	5,246	5,246	5,246	5,246	5,246

Notes:

- (1) Trend data is available for only the prior five years, with the implementation of GASB 34.  
(2) No capital asset indicators are available for the General Government or Public Assistance functions.

Source:

2006-07 County of Los Angeles Annual Report, Dept of Public Works website, Sheriffs Dept website