

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
(See “Ratings” herein)

In the opinion of Sidley Austin Brown & Wood LLP, Bond Counsel, under existing law, assuming compliance with certain covenants in the documents pertaining to the Series 2005A Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2005A Bonds is not includable in the gross income of the holders of the Series 2005A Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2005A Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Series 2005A Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the Series 2005A Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2005A Bonds. See “Tax Matters” herein.

\$20,540,000
Los Angeles County Public Works Financing Authority
Revenue Bonds
(Los Angeles County Flood Control District) Series 2005A

Dated: Date of Delivery

Due: as shown on the inside cover page

The \$20,540,000 Los Angeles County Public Works Financing Authority Revenue Bonds (Los Angeles County Flood Control District) Series 2005A (the “Series 2005A Bonds”) are being issued by the Los Angeles County Public Works Financing Authority (the “Authority”) under the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended, and the Indenture of Trust (the “Original Indenture”), dated as of January 1, 2003, by and among the Authority, the Los Angeles County Flood Control District (the “District”) and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of June 1, 2005 (the “First Supplemental” and, together with the Original Indenture, the “Indenture”). The Series 2005A Bonds are secured by payments (the “Installment Payments”) made pursuant to an Installment Purchase Agreement, dated as of January 1, 2003, by and between the Authority and the District, as supplemented by the 2005A Supplement to the Installment Purchase Agreement, dated as of June 1, 2005 (collectively, the “Installment Purchase Agreement”). The Series 2005A Bonds are Additional Bonds (as defined herein) issued under the Original Indenture and are secured on a parity with the Authority’s outstanding \$119,615,000 Refunding Revenue Bonds (Los Angeles County Flood Control District) Series 2003A (the “Series 2003A Bonds”). See “Security and Sources of Payment for the Series 2005A Bonds - Additional Bonds” herein. The Series 2005A Bonds are being issued to finance the design, renovation, improvement and seismic retrofitting of the District’s headquarters building and to pay certain costs of issuance incurred in connection with the Series 2005A Bonds. See “Estimated Sources and Uses of Funds” herein.

The Series 2005A Bonds are secured solely by the assignment made to the Trustee by the Authority pursuant to the Indenture of the Installment Payments and other amounts available under the Installment Purchase Agreement. The District has pledged, under the Installment Purchase Agreement, for the payment of the Installment Payments thereunder, its allocable portion of the one percent general ad valorem property taxes levied and received by the District (the “Taxes”) and, to the extent that such Taxes are insufficient to pay the Installment Payments in any fiscal year, the revenues derived from any benefit assessments imposed by the District. The obligation of the District to make the Installment Payments is absolute and unconditional. See “Security and Sources of Payment for the Series 2005A Bonds” herein.

The Series 2005A Bonds will be delivered in book-entry form only, in denominations of \$5,000 or any integral multiple thereof, and, when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2005A Bonds. Individual purchases of the Series 2005A Bonds will be made in book-entry form only. Purchasers of the Series 2005A Bonds will not receive Bonds representing their ownership interests in the Series 2005A Bonds purchased. Principal of and interest on the Series 2005A Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2005A Bonds. See “The Series 2005A Bonds – Book-Entry Only System” herein and Appendix D - “Book-Entry Only System” attached hereto. Interest on the Series 2005A Bonds will be payable on each March 1 and September 1, commencing on September 1, 2005.

The Series 2005A Bonds are subject to optional, mandatory and extraordinary redemption prior to their maturity as described herein. See “The Series 2005A Bonds – Redemption” herein.

THE SERIES 2005A BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, AND PRINCIPAL, PREMIUM, IF ANY, AND INTEREST THEREON ARE PAYABLE SOLELY FROM THE INSTALLMENT PAYMENTS RECEIVED FROM THE DISTRICT BY THE AUTHORITY AS PROVIDED IN THE INDENTURE, AND THE AUTHORITY IS NOT OBLIGATED TO PAY SUCH PRINCIPAL, PREMIUM OR INTEREST EXCEPT FROM THE INSTALLMENT PAYMENTS.

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM THE REVENUES AS PROVIDED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Payment of the principal of and interest on the Series 2005A Bonds will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2005A Bonds. See “Bond Insurance” herein.



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

The Series 2005A Bonds were sold by competitive sale on June 30, 2005. The Series 2005A Bonds are offered when, as and if issued, delivered and received by the Underwriter, subject to the approval as to their validity and enforceability by Sidley Austin Brown & Wood LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority and the District by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel and by County Counsel of the County of Los Angeles. It is anticipated that the Series 2005A Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about July 13, 2005.

Dated: June 30 2005

MATURITY SCHEDULE
(Base CUSIP Number: 544738†)

\$20,540,000 Serial Bonds

<u>Year</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> †
2006	\$ 920,000	4.000%	2.50%	HP5
2007	710,000	4.000	2.65	HQ3
2008	735,000	4.000	2.70	HR1
2009	765,000	4.000	2.80	HS9
2010	795,000	4.000	2.90	HT7
2011	830,000	4.000	3.05	HU4
2012	865,000	4.000	3.15	HV2
2013	895,000	4.000	3.25	HW0
2014	935,000	4.000	3.40	HX8
2015	970,000	4.000	3.50	HY6
2016	1,010,000	4.000	3.60*	HZ3
2017	1,050,000	4.000	3.70*	JA6
2018	1,090,000	4.000	3.80*	JB4
2019	1,135,000	4.000	3.90*	JC2
2020	1,180,000	4.000	100.000	JD0
2021	1,230,000	4.000	100.000	JE8
2022	1,275,000	4.000	4.10	JF5
2023	1,330,000	4.100	4.15	JG3
2024	1,380,000	4.100	4.20	JH1
2025	1,440,000	4.125	4.25	JJ7

* Priced to the optional call date of March 1, 2015.

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LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
Revenue Bonds (Los Angeles County Flood Control District) Series 2005A

Board of Supervisors

Gloria Molina
First District, Chair

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Violet Varona-Lukens
Executive Officer-Clerk
Board of Supervisors

County Officials

David E. Janssen
Chief Administrative Officer

Raymond G. Fortner, Jr.
County Counsel

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

District Official

Donald L. Wolfe
Acting Director of Public Works

Public Resources Advisory Group
Financial Advisor

The Bank of New York Trust Company, N.A.
Trustee

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2005A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the District.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2005A Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the District since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2005A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Authority and the District.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2005A BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2005A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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\$20,540,000
Los Angeles County Public Works Financing Authority
Revenue Bonds
(Los Angeles County Flood Control District) Series 2005A

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

General

This Official Statement, including the cover page and the Appendices attached hereto (the “Official Statement”), provides certain information concerning the issuance by the Los Angeles County Public Works Financing Authority (the “Authority”) of its \$20,540,000 Revenue Bonds (Los Angeles County Flood Control District) Series 2005A (the “Series 2005A Bonds”). The Series 2005A Bonds will be issued under the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended, and the Indenture of Trust, dated as of January 1, 2003 (the “Original Indenture”), by and among the Authority, the Los Angeles County Flood Control District (the “District”) and The Bank of New York Trust Company, N.A., trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of June 1, 2005 (the “First Supplemental” and, together with the Original Indenture, the “Indenture”). The Series 2005A Bonds are secured by installment payments (the “Installment Payments”) made pursuant to an Installment Purchase Agreement, dated as of January 1, 2003, by and between the Authority and the District, as supplemented by the 2005A Supplement to the Installment Purchase Agreement, dated as of June 1, 2005 (collectively, the “Installment Purchase Agreement”). See “Security and Sources of Payment for the Series 2005A Bonds” herein. The Series 2005A Bonds are Additional Bonds (as defined herein) issued under the First Supplemental and secured on a parity with the Authority’s outstanding \$119,615,000 Refunding Revenue Bonds (Los Angeles County Flood Control District) Series 2003A (the “Series 2003A Bonds”). See “Security and Sources of Payment for the Series 2005A Bonds - Additional Bonds” herein.

The Series 2005A Bonds are being issued to finance the design, renovation, improvement and seismic retrofitting of the District’s headquarters building and to pay certain costs of issuance incurred in connection with the Series 2005A Bonds. See “Estimated Sources and Uses of Funds” and “The Project” herein.

The Series 2005A Bonds

The Series 2005A Bonds will be delivered in book-entry form only, in denominations of \$5,000 or any integral multiple thereof, and, when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2005A Bonds. Individual purchases of the Series 2005A Bonds will be made in book-entry form only. Purchasers of the Series 2005A Bonds will not receive Bonds representing their ownership interests in the Series 2005A Bonds purchased. Principal of and interest on the Series 2005A Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2005A Bonds. See “The Series 2005A Bonds - Book-Entry Only System” herein. The interest on the Series 2005A Bonds will be payable on each March 1 and September 1, commencing on September 1, 2005 (each an “Interest Payment Date”).

Security and Sources of Payment for the Series 2005A Bonds

The Series 2005A Bonds are secured for the benefit of the Owners of the Series 2005A Bonds and all other Bonds issued under the Indenture by all of the Authority’s right, title and interest in the Installment Purchase Agreement, including (i) all its rights to receive the Installment Payments and all other payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement, (ii) the right to take all actions and give all consents under the Installment Purchase Agreement, (iii) the right of access more particularly described in the Installment Purchase Agreement, and (iv) all right, title and interest of the Authority in certain funds and accounts (and the money and other property held therein) established pursuant to the Indenture or the Installment Purchase Agreement; provided, however, that the Authority shall retain the rights to indemnification and to payment or Additional Payments under the Installment Purchase Agreement. “Installment Payments” mean the installment payments made by the District pursuant to the Installment Purchase Agreement.

The District has pledged, under the Installment Purchase Agreement, for the payment of the Installment Payments thereunder, its allocable portion of the one percent general ad valorem property taxes levied and received by the District (the “Taxes”) and, to the extent that such Taxes are insufficient to pay the Installment Payments in any fiscal year, the revenues derived from any benefit assessments imposed by the District (the “Assessment Revenue”). The obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as the Purchase Price (as defined in the Installment Purchase Agreement) shall have been paid in full or provision for the payment thereof shall have been made pursuant to the Installment Purchase Agreement, the District will not discontinue or suspend any Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party to any agreement for any cause whatsoever. See “Security and Sources of Payment for the Series 2005A Bonds” herein and Appendix E - “Schedule of Installment Payments” attached hereto.

The District has covenanted under the Installment Purchase Agreement that it will not at any time issue any obligation or execute any agreement the payments under which and pursuant to which are payable from the Taxes or the Assessment Revenues senior to the payment by the District of the Installment Payments. The District may incur obligations payable on a parity with the Installment Payments from Taxes and Assessment Revenue or solely from either Taxes or Assessment Revenue in accordance with the terms of the Installment Purchase Agreement. See Appendix C - "Summary of Certain Provisions of the Principal Legal Documents" attached hereto. The Series 2005A Bonds are Additional Bonds issued under the First Supplemental and secured on a parity with the Authority's outstanding Series 2003A Bonds. See "Security and Sources of Payment for the Series 2005A Bonds - Additional Bonds" herein.

Bond Insurance

Payment of the principal of and interest on the Series 2005A Bonds will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2005A Bonds. See "Bond Insurance" herein and Appendix H - "Specimen Financial Guaranty Insurance Policy" attached hereto.

The District

The District was established in 1915 and encompasses approximately 2,760 square miles within the County. See Appendix A - "Los Angeles County Flood Control District" attached hereto.

The Authority

The Authority is a public agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993, as amended, by and among the District, the County of Los Angeles (the "County"), the Regional Park and Open Space District and the Community Facilities District No. 2 (Rowland Heights) (the "Agreement").

Continuing Disclosure

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2005A Bonds and the Authority will not provide any such information and the Authority shall have no liability to the Owners of the Series 2005A Bonds or any other person with respect to any such information. The District has undertaken the responsibility for the continuing disclosure of information to Owners of the Series 2005A Bonds as described herein. See "Continuing Disclosure" herein.

The District has covenanted to provide, or cause to be provided to each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriter of the Series 2005A Bonds in complying with the Rule. See "Continuing Disclosure" herein for a description of the specific nature of the annual report and notices of

material events and a summary description of the material terms of the disclosure undertaking pursuant to which such reports are to be made.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that the expectations will prove to be correct. The Authority and the District are not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

THE PROJECT

The Project consists of the design, renovation, improvement and seismic retrofitting of the District’s headquarters building located at 900 South Fremont Avenue, Alhambra, California 91803. The headquarters building is a 400,000 square-foot, 12-story office building, completed in 1971 and contains the administrative operations of the Public Works Department and the Department’s Emergency Operations Center. Approximately, \$20.5 million of the proceeds of the Series 2005A Bonds will be used to finance a portion of the Project. The remaining costs of the Project are expected to be financed primarily by a hazard mitigation grant from the Federal Emergency Management Agency in the amount of approximately \$9.75 million. The Project is expected to be completed in early 2007.

The project scope requires retrofitting the existing steel frame connections and column splices, which will require that the exterior glass and mullions to be removed and replaced with new material. Structural engineers inspected the headquarters building and found no damage after the 1994 Northridge earthquake. However, the District has determined it is prudent to retrofit the headquarters building to enhance the building’s ability to resist stronger earthquakes and provide uninterrupted operation.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2005A Bonds are expected to be applied as follows:

SOURCES:

Principal Amount of the Series 2005A Bonds	\$20,540,000.00
Net Original Issue Premium	<u>346,173.70</u>
Total Sources	<u>\$20,886,173.70</u>

USES:

Deposit to the Construction Fund	\$20,459,308.40
Costs of Issuance ⁽¹⁾	268,792.15
Underwriter's Discount	<u>158,073.15</u>
Total Uses	<u>\$20,886,173.70</u>

⁽¹⁾ Includes legal, financial advisor and trustee fees, bond insurance premium, printing costs, and other costs of issuance.

THE SERIES 2005A BONDS

General

The Series 2005A Bonds will be issued in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The principal of the Series 2005A Bonds will be payable on their respective maturity dates, as shown on the inside cover page hereof, and interest on the Series 2005A Bonds will be payable on each Interest Payment Date to the respective Owners thereof as shown in the books required to be kept by the Trustee on the fifteenth day of the calendar month prior to the applicable Interest Payment Date (the "Record Date"). The interest evidenced and represented by the Series 2005A Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Book-Entry Only System

The Series 2005A Bonds will be delivered in book-entry form only, in denominations of \$5,000 or any integral multiple thereof, and, when issued and authenticated, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2005A Bonds. Individual purchases of the Series 2005A Bonds will be made in book-entry form only. Purchasers of the Series 2005A Bonds will not receive Bonds representing their ownership interests in the Series 2005A Bonds purchased. Principal of and interest on the Series 2005A Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2005A Bonds. See Appendix D - "Book-Entry Only System" attached hereto.

Redemption

Extraordinary Redemption. The Series 2005A Bonds are subject to redemption prior to their respective maturity dates, upon notice as hereinafter provided, as a whole or in part by lot within each maturity in integral multiples of \$5,000 of principal in such order of maturity as will be selected by the District on any date, from payments made by the District from the proceeds from insurance, condemnation or eminent domain awards with respect to the Property or any part thereof, less any costs reasonably expended by the District to receive such proceeds under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Installment Purchase Agreement, at a redemption price equal to the sum of the principal amount or such part thereof evidenced and represented by the Series 2005A Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Optional Redemption. The Series 2005A Bonds maturing on or after March 1, 2016 are subject to optional redemption by the District prior to their respective maturity dates, upon notice as provided in the Indenture, as a whole or in part by lot within each maturity in integral multiples of \$5,000 in such order of maturity as will be selected by the District and designated in writing to the Trustee on any date on or after March 1, 2015, from any source of available funds, at a redemption price equal to the sum of the principal amount or such part thereof of the Series 2005A Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Selection of Bonds for Redemption. Whenever less than all the Outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee will select the Series 2005A Bonds of such maturity to be redeemed in whole or in part from the Outstanding Bonds of such maturity by lot, and the Trustee will promptly notify the Authority and the District in writing of the numbers of the Series 2005A Bonds so selected for redemption in whole or in part on such date.

Notice of Redemption. Notice of redemption will be given by mail in accordance with the Indenture to the respective Owners of any Series 2005A Bonds designated for redemption in whole or in part prior to their redemption date and to all securities depositories and securities information services selected by the District to comply with custom or the rules of any securities and exchange commission or brokerage board or otherwise as may be determined by it in its sole discretion. Each notice of redemption will state the date of notice, the redemption date, the redemption place (including the name and address of the Trustee) and the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all Series 2005A Bonds maturing on any one date are to be redeemed, the serial numbers of the Series 2005A Bonds to be redeemed by giving the individual number of each Bond or by stating that all Series 2005A Bonds between two stated numbers, both inclusive, have been called for redemption, will (in the case of any Bond called for redemption in part only) state the part of the principal amount thereof which is to be redeemed, and will state that the interest on the Series 2005A Bonds or parts thereof designated for redemption will cease to accrue from and after such redemption date and that on such redemption date there will become due and payable on each of the Series 2005A Bonds or parts thereof designated for redemption the redemption price evidenced and represented thereby.

Effect of Redemption. If notice of redemption has been duly given to the Owners as provided in the Indenture and money for the payment of the redemption price of the Series 2005A Bonds or parts thereof to be redeemed is held by the Trustee, then on the redemption date designated in such notice the Series 2005A Bonds or such parts thereof so called for redemption will become payable at the redemption price thereof as specified in such notice; and from and after the date so designated interest on the Series 2005A Bonds or such parts thereof so called for redemption will cease to accrue, such Series 2005A Bonds or such parts thereof will cease to be entitled to such benefit, protection or security hereunder and the Owners of such Series 2005A Bonds will have no rights in respect thereof except to receive payment of the redemption price of the Series 2005A Bonds or such parts to be redeemed. The Trustee will, upon surrender for redemption of any of the Series 2005A Bonds to be redeemed in whole or in part on their redemption dates, pay such Series 2005A Bonds or such parts thereof at the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005A BONDS

General

The Series 2005A Bonds are secured for the benefit of the Owners of the Series 2005A Bonds and all other Bonds issued under the Indenture by all of the Authority's right, title and interest in the Installment Purchase Agreement, including (i) all its rights to receive the Installment Payments and all other payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement, (ii) the right to take all actions and give all consents under the Installment Purchase Agreement, (iii) the right of access more particularly described in the Installment Purchase Agreement, and (iv) all right, title and interest of the Authority in certain funds and accounts (and the money and other property held therein) established pursuant to the Indenture or the Installment Purchase Agreement; provided, however, that the Authority shall retain the rights to indemnification and to payment of Additional Payments under the Installment Purchase Agreement. "Installment Payments" mean the installment payments made by the District pursuant to the Installment Purchase Agreement. See Appendix E - "Schedule of Installment Payments" attached hereto. The Series 2005A Bonds are Additional Bonds issued under the Original Indenture and are secured on a parity with the Authority's outstanding Series 2003A Bonds.

Installment Payments

Under the Installment Purchase Agreement, the District has pledged, for the payment of the Installment Payments, certain Revenues of the District. "Revenues" mean Taxes and, to the extent the Taxes are insufficient to pay the Installment Payments in any fiscal year, Assessment Revenue. The District has covenanted in the Installment Purchase Agreement that, with respect to Assessment Revenue it will determine annually the costs of the services that are financed by the benefit assessment imposed by the District and determine and impose the assessments (taking into account principal, interest and other obligations owed by the District) in an amount that is sufficient to pay the maximum Installment Payments payable in any fiscal year plus Maximum Annual Debt service (as defined herein) requirements for any indebtedness secured on a *pari passu* basis with the Installment Payments. Assessment Revenue may be limited by the

requirements of Proposition 218; see Appendix A – “Los Angeles County Flood Control District - District Revenues” attached hereto.

The District has also covenanted in the Installment Purchase Agreement to take such action as may be necessary to include all Installment Payments and Additional Payments in its annual budgets and to make the necessary annual appropriations for all such Installment Payments and Additional Payments. Installment Payments are scheduled to be paid as set forth in Appendix E - “Schedule of Installment Payments” attached hereto. The Installment Payments are designed to be sufficient to pay principal of and interest on the Series 2005A Bonds when due.

THE SERIES 2005A BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND PRINCIPAL AND INTEREST THEREON ARE PAYABLE SOLELY FROM THE INSTALLMENT PAYMENTS RECEIVED FROM THE DISTRICT BY THE AUTHORITY AS PROVIDED IN THE INDENTURE, AND THE AUTHORITY IS NOT OBLIGATED TO PAY SUCH PRINCIPAL OR INTEREST EXCEPT FROM THE INSTALLMENT PAYMENTS.

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM THE REVENUES AS PROVIDED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The obligation of the District to make the Installment Payments from Revenues is absolute and unconditional, and until such time as the Purchase Price (as defined in the Installment Purchase Agreement) shall have been paid in full or provision for the payment thereof shall have been made pursuant to the Installment Purchase Agreement, the District will not discontinue or suspend any Installment Payments required to be made by it when due, whether or not the Property or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Debt Service Coverage

The District has historically paid debt service on its outstanding bonds from Taxes and levied the benefit assessment in amounts sufficient to pay the District’s operating and maintenance expenses. The District may use amounts received from the benefit assessment to pay debt service on outstanding obligations, including the Series 2005A Bonds, if necessary. The benefit assessment may only be increased by the District pursuant to voter approval. See Appendix A – “Los Angeles County Flood Control District - District Revenues” attached hereto.

The following table sets forth the debt service coverage for the past five fiscal years.

HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE
(in thousands)

<u>Fiscal Year</u>	<u>Annual Debt Service</u>	<u>Taxes</u>	<u>Assessment Revenue</u>	<u>Total Available Revenue</u>	<u>Debt Service Coverage Ratio</u>
1999-00	\$18,428	\$51,233	\$107,207	\$158,440	8.60x
2000-01	18,419	56,718	107,700	164,418	8.93
2001-02	18,429	59,298	108,106	167,404	9.08
2002-03	18,424	63,102	108,903	172,005	9.34
2003-04	17,587	68,855	109,333	178,188	10.13

Source: Los Angeles County Flood Control District.

Additional Bonds

In accordance with the Indenture, the Authority, from time to time, may with the prior written consent of the District and shall upon the request of the District, by a Supplemental Indenture, authorize one or more series of Additional Bonds, secured by Installment Payments under the Installment Purchase Agreement, on parity with the Outstanding Bonds. Any Additional Bonds shall be issued as set forth in the Supplemental Indenture providing for such Additional Bonds. The Series 2005A Bonds are Additional Bonds issued under the Indenture and secured on parity with the Authority’s outstanding Series 2003A Bonds.

Additional Obligations

No Senior Obligations. The District has covenanted under the Installment Purchase Agreement that it will not at any time issue any obligation or execute any agreement the payments under which and pursuant to which are secured from the Taxes or the Assessment Revenues on a basis senior to the payment by the District of the Installment Payments.

Additional Obligations Payable from Taxes and Assessment Revenue. Under the Installment Purchase Agreement, the District may at any time issue any obligations of the District authorized, executed, issued and delivered by the District under and pursuant to applicable law, the interest and principal and redemption premium, if any, payments under and pursuant to which are payable from both Taxes and Assessment Revenue on a parity with the payment of the Installment Payments (“Parity Obligations”) as provided in the Installment Purchase Agreement; provided, the sum of Taxes and Assessment Revenue for any period of twelve (12) consecutive calendar months next preceding the date of the adoption by the Board of Supervisors of the Los Angeles County acting as the governing body of the Los Angeles County Flood Control District (the “Board of the District”) of the resolution authorizing the issuance of such Parity Obligations or the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and either a Certification of the District or a special report prepared by an Independent Certified Public Accountant on such calculation on file with

the District, will have produced a sum equal to at least the Maximum Annual Parity Debt Service on all Obligations to be outstanding after the issuance of such Parity Obligations or the execution of such Contract, as the case may be. "Maximum Annual Parity Debt Service" means, with respect to Parity Obligations and Contracts, Assessment Obligations or Tax Obligations, the greatest total Parity Debt Service, Assessment Debt Service or Tax Debt Service, as applicable, payable in any period commencing with the next ensuing Bond Year and terminating with a twelve-month period ending on March 1 pursuant to which Installment Payments are calculated (a "Bond Year") during the period commencing with the next ensuing Bond Year and terminating with the Bond Year in which payments are due under the last outstanding Parity Obligations and Contract, Assessment Obligation (as defined below) or Tax Obligation (as defined below), as applicable. "Contracts" means the Installment Purchase Agreement and all other installment or revenue payment contracts of the District authorized and executed by the District under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from both Taxes and Assessment Revenue on a parity with the payment of the Installment Payments.

Additional Obligations Payable from Assessment Revenue. The District may at any time issue any obligations the payments under and pursuant to which or execute any installment sale or purchase agreement the payments under and pursuant to which, as the case may be, are secured by a pledge of the Assessment Revenue ("Assessment Revenue Obligations") on a parity with the pledge by the District of the Assessment Revenue to the payment of the Installment Payments as provided in the Installment Purchase Agreement; provided, the Assessment Revenue for any period of twelve (12) consecutive calendar months next preceding the date of the adoption by the Board of the District of the resolution authorizing the issuance of such Assessment Revenue Obligations, as evidenced by both a calculation prepared by the District and either a Certification of the District or a special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, will have produced a sum equal to at least the Maximum Annual Assessment Debt Service on all Assessment Revenue Obligations, Parity Obligations and Contracts outstanding after the issuance of such Assessment Revenue Obligations. "Maximum Annual Assessment Debt Service" means, with respect to Assessment Obligations, the greatest total Assessment Debt Service, payable in any Bond Year during the period commencing with the next ensuing Bond Year and terminating with the Bond Year in which payments are due under the last outstanding Assessment Revenue Obligation.

Additional Obligations Payable from Taxes. The District may at any time issue any obligations the payments under and pursuant to which or execute any installment sale or purchase agreement the payments under and pursuant to which, as the case may be, are secured by a pledge of the Taxes ("Tax Obligations") on a parity with the pledge by the District of the Taxes to the payment of the Installment Payments as provided in the Installment Purchase Agreement; provided, the Taxes for any period of twelve (12) consecutive calendar months next preceding the date of the adoption by the Board of the District of the resolution authorizing the issuance of such Tax Obligations, as evidenced by both a calculation prepared by the District and either a Certification of the District or a special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, will have produced a sum equal to at least the Maximum Annual Tax Debt Service on all Tax Obligations, Parity Obligations and Contracts Outstanding after the issuance of such Tax Obligation. "Maximum Annual Tax Debt Service" means, with respect to Tax Obligations, the greatest total Tax Debt Service payable in

any Bond Year during the period commencing with the next ensuing Bond Year and terminating with the Bond Year in which payments are due under the last outstanding Tax Obligation.

Refunding and Subordinate Obligations. Notwithstanding the foregoing provisions, there will be no limitations on the ability of the District to (i) execute any agreement evidencing any Parity Obligations or Contracts, Assessment Revenue Obligations or Tax Obligations at any time to refund any outstanding Parity Obligations or Contracts, Assessment Revenue Obligations or Tax Obligations, as applicable, so long as the applicable maximum annual debt service is not increased thereby, or (ii) execute any contract or issue any obligations which are payable from Taxes, Assessment Revenue, or both on a subordinate basis to the payment by the District of the Installment Payments.

Additional Payments

In addition to the Installment Payments the District will pay to the Authority, or the Trustee, as applicable, as Additional Payments under the Installment Purchase Agreement such amounts in each year as will be required by the Authority for the payment in full of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Installment Purchase Agreement and of the Indenture, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority in connection with the Installment Purchase Agreement and the Indenture, the fees, costs and expenses of the Trustee in connection with the Series 2005A Bonds, all expenses and interest payable by the Authority to any Bond Insurer or any other document to the extent not otherwise paid pursuant to the Installment Purchase Agreement and all taxes, assessments and governmental charges of any nature whatsoever hereafter levied or imposed by any governmental authority against the Property or the Installment Payments and the other payments required to be made by the District under the Installment Purchase Agreement.

Rate Covenant

The District has covenanted in the Installment Purchase Agreement that it will determine annually the costs of the services that are financed by the benefit assessment imposed by the District and that it will determine and impose assessments (taking into account principal, interest and other obligations owed) in an amount that is sufficient to pay the maximum Installment Payments payable in any fiscal year plus maximum annual debt service requirements for any indebtedness secured on a *pari passu* basis with the Installment Payments.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to Appendix H for a specimen of MBIA's policy (the “Policy”).

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading “Bond Insurance” herein. Additionally, MBIA makes no representation regarding the Series 2005A Bonds or the advisability of investing in the Series 2005A Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2005A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Series 2005A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2005A Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2005A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Series 2005A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2005A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2005A Bonds the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2005A Bonds or presentment of such other proof of ownership of the Series 2005A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2005A Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2005A Bonds in any legal proceeding related to payment of insured amounts on the Series 2005A Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of

the insured amounts due on such Series 2005A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2005A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2005A Bonds. MBIA does not guaranty the market price of the

Series 2005A Bonds nor does it guaranty that the ratings on the Series 2005A Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005 MBIA had admitted assets of \$10.6 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2005A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be

incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event MBIA were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

THE DISTRICT

The Los Angeles County Flood Control District was established in 1915 and encompasses approximately 2,760 square miles within the County of Los Angeles. The District may acquire or contract to acquire lands, rights of way, easements, privileges and property of every kind and to construct, improve, maintain, repair and operate any and all improvements within or without the District related to its mandate. The District has implemented a range of flood control, water conservation and soil conservation and stabilization solutions throughout the District. Employees of the Public Works Department (the "Department") serve as staff for the District. See Appendix A - "Los Angeles County Flood Control District" attached hereto.

THE AUTHORITY

The Los Angeles County Public Works Financing Authority is a public agency duly organized and existing pursuant to the Agreement. The Authority is authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California to issue the Series 2005A Bonds. The Authority is administered by a governing board comprised of the members of the Board of Supervisors of the County who also constitute the members of the Board of Directors of the District.

RISK FACTORS

The following factors, along with all other information in this Official Statement and the Appendices hereto, should be considered by potential investors in evaluating the Series 2005A Bonds.

Remedies; Acceleration at Trustee's Discretion

The Installment Purchase Agreement provides that if the District defaults under the Installment Purchase Agreement the Trustee may exercise any and all rights and remedies available under the Installment Purchase Agreement, including the right to declare all Installment

Payments immediately due and payable. The Trustee may also accelerate the obligation of the Authority to pay the principal and interest owed on the Series 2005A Bonds in the event of a default under the Indenture.

Projections and Forecasts

The projections and forecasts regarding the future Revenues of the District contained in this Official Statement and the Appendices hereto are estimates, which have been prepared on the basis of certain assumptions and hypotheses. The Authority and the District make no representation or warranty of any kind with respect to the accuracy or completeness of these projections and forecasts. The projections and forecasts contained herein are based upon assumptions as to future events and, accordingly, are subject to varying degrees of uncertainty. Some assumptions inevitably will not materialize and, additionally, unanticipated events and circumstances may occur. The projections and forecasts included in this Official Statement and the Appendices hereto may vary from actual results in material and adverse respects.

Legislation; Initiative Measures

Legislation or initiative measures impacting property, property tax allocation or the rate or rates of assessment may effect the security of the Series 2005A Bonds. The implementation of any constitutional or legislative property tax decrease could reduce taxes or assessments, and accordingly, have an adverse impact on the ability of the District to make timely Installment Payments. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations which could adversely affect the security of the Series 2005A Bonds. In addition, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to make timely Installment Payments. The Authority has no power to levy and collect property taxes. See Appendix A – “Los Angeles County Flood Control District” attached hereto.

Reduction in Property Values

A reduction in land use or improvement value of property in the County caused by economic factors beyond the District and the Authority's control, such as the complete or partial destruction of such property caused by, among other unforeseen events, an earthquake, other natural disaster or civil unrest, could cause a reduction in Revenues. Such a reduction in Revenues could have an adverse effect on the District's ability to make timely Installment Payments.

TAX MATTERS

Federal Tax Exemption

Exclusion from Gross Income. In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants in the Indenture, the Installment Purchase Agreement and other documents relating to the Series 2005A Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding the use, expenditure and investment of proceeds of the Series 2005A Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2005A Bonds is not includable in the gross

income of the holders of the Series 2005A Bonds for federal income tax purposes. Failure to comply with such covenants and requirements with respect to the Series 2005A Bonds may cause the interest on the Series 2005A Bonds to be included in the gross income of the holders thereof retroactively to the date of issuance of the Series 2005A Bonds.

In the further opinion of Bond Counsel, interest on the Series 2005A Bonds is not treated as an item of tax preference in calculating the alternative minimum taxable income of individuals and corporations. Such interest, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

Ownership of, or the receipt of interest on tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Series 2005A Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Installment Purchase Agreement or other documents pertaining to the Series 2005A Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of the interest on the Series 2005A Bonds on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Bond Counsel.

Original Issue Premium. Certain of the Series 2005A Bonds may be purchased in the initial offering for an amount in excess of their principal amount (hereinafter, the “Premium Bonds”). The excess of the tax basis of a purchaser of a Premium Bond (other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Bond is “bond premium.” Bond premium is amortized for federal income tax purposes over the term of a Premium Bond based on the purchaser’s yield to maturity in the Premium Bond, except that in the case of a Premium Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond. A purchaser of a Premium Bond is required to decrease his or her adjusted basis in such Premium Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Premium Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of a Premium Bond, and with respect to the state and local tax consequences of owning and disposing of a Premium Bond.

Original Issue Discount. The initial public offering price of certain of the Series 2005A Bonds (collectively, the “Discount Bonds”) is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. The amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income, but is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability. Additionally, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner’s adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Future Legislation. Legislation affecting municipal obligations is continually being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Series 2005A Bonds will not have an adverse effect on the tax-exempt status of the Series 2005A Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Series 2005A Bonds.

State of California Tax Exemption

In the opinion of Bond Counsel, interest on the Series 2005A Bonds is exempt from personal income taxes imposed by the State of California.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2005A Bonds and the Authority will not provide any such information and the Authority shall have no liability to the Owners of the Series 2005A Bonds or any other person with respect to any such information.

The District has undertaken the responsibility for the continuing disclosure of information to Owners of the Series 2005A Bonds.

The District has covenanted for the benefit of the Owners and beneficial owners of the Series 2005A Bonds to cause to be provided Annual Reports to each Repository, including its audited financial statements and certain operating and other information as described in the Continuing Disclosure Agreement, dated as of June 1, 2005 (the “Continuing Disclosure Agreement”), by and between the District and the Authority, as dissemination agent (the “Dissemination Agent”). The District will, or will upon written direction cause the Dissemination Agent to, not later than 60 days after the District normally receives its audited financial statements from its auditors in each year but in no event later than February 1, commencing with the report for fiscal year 2004-05, provide to each Repository an Annual Report pursuant to the requirements of the Continuing Disclosure Agreement.

The District has covenanted to provide, or cause to be provided, to each Repository in a timely manner notice of the following “Listed Events” if determined by the District to be material: (1) principal and interest payment delinquencies, (2) non-payment related defaults, (3) unscheduled draws on the debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2005A Bonds, (7) modifications to rights of Owners, (8) contingent or unscheduled bond calls, (9) defeasances, (10) release, substitution or sale of property securing repayment of the Series 2005A Bonds and (11) rating changes. These covenants have been made in order to assist the Underwriter in complying with the Rule. The District has not failed in the past five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. See Appendix G - “Form of Continuing Disclosure Agreement” attached hereto.

CERTAIN LEGAL MATTERS

The validity of the Series 2005A Bonds and certain other legal matters are subject to the approving opinion of Sidley Austin Brown & Wood LLP, Bond Counsel. The proposed form of Bond Counsel’s opinion is contained in Appendix F attached hereto. Certain legal matters will be passed upon for the Authority and the District by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and by County Counsel of the County of Los Angeles.

FINANCIAL ADVISOR

Public Resources Advisory Group served as Financial Advisor in connection with the issuance of the Series 2005A Bonds. The Financial Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

To the best of their knowledge, neither the Authority nor the District is aware of any pending or threatened litigation concerning the validity of the Series 2005A Bonds or challenging any action taken by the Authority or District in connection with the authorization of the Indenture or any other documents relating to the Series 2005A Bonds to which the Authority or District is or is to become a party or relating to the performance by the Authority or District of any of their respective obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the District seeking damages. Included in these are a number of property damage and personal injury actions and other actions requiring the District to assume financial liability for damage to private property incurred during storm seasons. In the opinion of the County Counsel, such suits and claims as are presently pending will not impair the ability of the District to make the Installment Payments or otherwise meet its obligations under the Installment Purchase Agreement. See Appendix A – “Los Angeles County Flood Control District” attached hereto.

RATINGS

Moody's Investors Service Inc. (“Moody’s”), Standard & Poor's (“S&P”) and Fitch Ratings (“Fitch”) have assigned ratings of “Aaa,” “AAA,” and “AAA,” respectively, to the Series 2005A Bonds based on the understanding that the Policy will be issued by the Insurer simultaneously with the Series 2005A Bonds. Moody’s, S&P and Fitch have assigned underlying ratings of “Aa1,” “AA-,” and “AA,” respectively, to the Series 2005A Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the respective agencies at the following addresses: Moody's Investors Service Inc., 99 Church Street, New York, New York 10007, Standard & Poor's, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by and of the rating agencies, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2005A Bonds.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District, the County or the Authority and the purchasers or Owners of any of the Series 2005A Bonds.

The delivery of this Official Statement has been duly authorized by the Authority and the District. Additional information regarding this Official Statement may be obtained by contacting:

**GLENN BYERS
DIRECTOR OF PUBLIC FINANCE
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-7175**

APPENDIX A

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

General

The Los Angeles County Flood Control District (the “District”) was established in 1915 and encompasses approximately 2,760 square miles within the County of Los Angeles (the “County”). Employees of the Public Works Department (the “Department”) of the County serve as staff for the District. The District is separate from the Department and funds of each entity remain in separate accounts. The Department pays the District for the use of District equipment, materials and property used for County purposes.

The District’s topography is dominated by a broad flood plain lying between the Pacific Ocean and extending approximately twenty-five miles to the San Gabriel Mountains. A significant amount of precipitation is deposited along this mountain range during the fall and winter months of most years. The resulting runoff of water from the mountains onto the flood plain presents a danger to life and property in the area. Substantially all of the County’s population resides, and its assessed valuation is generated within, the District’s boundaries.

The District is empowered by the Los Angeles County Flood Control Act 1915, California Water Code, Appendix, Chapter 28 (the “Act”) to acquire or contract to acquire lands, rights of way, easements, privileges and property of every kind and to construct, improve, maintain, repair and operate any and all improvements within or without the District necessary to carry out the objectives and purposes of the Act. Pursuant to this authority, the District has implemented a range of solutions to the various flood control, water and soil conservation, watershed management, and stabilization problems throughout the District.

District Operations

General. The District’s administrative activities are directed by the Director of Public Works who serves concurrently as the Chief Engineer of the District. Approximately 1,330 employees of the Department provide direct services to the District through the programs described below. The District presently spends approximately \$68 million annually for maintenance of existing facilities, which include 15 major dams, 132 debris retention facilities, 24 retention-detention facilities, 178 debris-retaining inlets, 3 seawater barrier projects, 494 miles of channels, 2,616 miles of storm drains, 229 crib dams, 43 fire structures, 28 spreading grounds, 75 stream gauging stations, and 33 sediment placement sites, in addition to support facilities in the District.

Development Regulations. The District establishes design standards for the development of new projects. Such standards govern the preparation of plans, specifications, hydraulic and structural analyses, engineering reviews, geological and mechanical recommendations and construction cost estimates.

Flood Control and Drainage. The District is responsible for the operations of the County’s dams which includes the keeping of historical records, the physical maintenance and upkeep of the dams, debris basins, flood control channels, storm drains, spreading grounds, pumping plants and sea water barriers as well as the construction and maintenance of stream gauging stations, wells, access roads and trails. In addition to detailed dam information, the

District analyzes and reports weather data and performs flood forecasting, rainfall, evaporation, hydrologic and hydraulic studies and sedimentation management.

During a storm event certain employees are assigned to special storm duties, including protection of life and property and the collection of hydrological data for use in planning operations. A coordinated system of reservoir discharges from the District's dams is established at the beginning of a storm to provide flood control. Critical sections of the principal channels are patrolled by personnel during storms and standby employees are strategically located throughout the District to render emergency assistance.

Property Management. The District controls the development of flood plain maps and ordinances, manages a number of benefit assessment programs and reviews new land developments, building permits and drainage plans. The District also performs maintenance management studies, coordinates disaster reimbursements from State and/or federal agencies and is responsible for the appraisal, acquisition, leasing, or disposal of real estate, the processing of damage claims and the performance of engineering, title, permit and planning activities on rights of way to be acquired.

Services to Others. The District provides reimbursable and nonreimbursable services to the federal, State and local governments and private individuals. These services include construction of new projects in local areas, cooperative agreements with governmental agencies such as the Corps of Engineers, the State Water Resources Board or the California Department of Transportation and emergency flood and fire services.

Water Conservation. The District's water conservation program includes plans and provides technical supervision of the operation of water conservation facilities and barriers to sea water intrusion, studies of ground water hydrology and record of data, surveillance of water quality and the monitoring of continual testing and engineering.

Waste Management. The District has established a waste management program to prevent or remedy incidents of contamination of the District's channels, spreading grounds and dams.

Watershed Management. The District is responsible for planning and implementing watershed management projects that integrate the elements of natural resources, groundwater and stormwater conservation, improved stormwater runoff quality, and socioeconomic, environmental, and recreational features. In addition, this program and the Waste Management program ensures the District's efforts to comply with the Federal Clean Water Act.

Employee Relations and Collective Bargaining

In 1985, the employees of the District were transferred to the Department. All County employees working for the District are subject to the County Employee Relations Ordinance. Approximately 401 administrative employees of the District are not represented by labor organizations. Most of the remaining employees serving the District are represented by bargaining units of labor organizations. The District has experienced no major stoppages by County employees. The classifications of represented employees presently subject to collective bargaining agreements are set forth below:

**CLASSIFICATIONS OF REPRESENTED EMPLOYEES
SUBJECT TO COLLECTIVE BARGAINING AGREEMENTS
(2004-05)**

<u>Classifications</u>	<u>Number of Budget Positions</u>	<u>Date Majority of Agreements Expire</u> ⁽¹⁾
Administrative	206	09/30/06
Artisan and Blue Collar	995	09/30/06
Building Trades/Skilled Craftsmen, Mechanics	394	09/30/06
Clerical	335	09/30/06
Engineering	1,766	09/30/06

Source: County of Los Angeles.

⁽¹⁾ Expired agreements are mutually extended during negotiations for a new agreement.

Retirement Program

General. All permanent County employees, including those of the District, of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association (“LACERA”). LACERA was established in accordance with the County Employees Retirement Law of 1937 to administer the County's employee retirement trust fund (“Retirement Fund”). As of June 30, 2004, there were 86,237 active vested and non-vested members, 48,595 retired members, and 6,559 terminated vested (deferred) members.

The LACERA plans are structured as “defined benefit” plans in which benefit allowances are provided based on salary, length of service and age. County employees may participate in contribution based plans, or for those who began employment after January 4, 1982, in a non-contributory plan. With respect to contribution based plans, employee contributions to the retirement system are based on rates determined by LACERA’s actuary. Such contributions are based upon the date and age of entry into the plan and type of membership (general or safety). Safety members include County sheriff, fire and lifeguard employees.

Actuarial Valuation and UAAL. State law provides that the County contribute to the Retirement Fund on behalf of employees based on rates determined by the system's actuary. Such rates are required to be calculated in a triennial valuation. LACERA presently conducts annual interim valuations to assess changes in the Retirement Fund's portfolio.

The actuarial assumptions regarding investment returns, inflation rates, salary growth, demographic data and mortality impact the actuary’s valuation of the system. The valuation determines the amount needed to fund the normal retirement cost and any unfunded actuarial accrued liability (“UAAL”). UAAL is the actuarial accrued liability minus the actuarial value of assets of LACERA as of a particular valuation date. Contributions made by the County to fund the UAAL are amortized as a level percentage of the projected salaries of present and future members of LACERA over a 30-year period from the valuation date. By utilizing this level percentage of projected salaries methodology, the rolling 30-year amortization may cause the UAAL to increase over time.

On April 13, 2005, the Board of Investments approved an annual valuation dated as of June 30, 2004. This valuation reported that the UAAL increased to \$5.6 billion, resulting in a decrease of the funded ratio from 87.2% as of June 30, 2003 to 82.8% as of June 30, 2004. This reduction primarily results from losses on actuarial assets due to lower than assumed investment returns and recognition of losses deferred from prior years. The County recognizes investment gains and losses using a 3-year actuarial smoothing method. If in any year the actual investment return on the Retirement Fund's assets is lower or higher than the actuarial assumed rate of return (presently 7.75%), then the shortfall or excess is "smoothed," or spread, over a 3-year period.

Further Information. Additional information regarding LACERA and the retirement system is available in the official statement of the County of Los Angeles relating to its \$500,000,000 2005-06 Tax and Revenue Anticipation Notes, Series A in Appendix A thereto on pages A-2 through A-6, which is available from the nationally recognized municipal securities information repositories (the "NRMSIRs"). The NRMSIRs currently approved by the SEC are listed in the SEC website at <http://www.sec.gov/info/municipal/nrmsir.htm>. The information in such official statement in Appendix A on pages A-2 through A-6 regarding LACERA and the retirement system are incorporated herein by reference.

Budget Process

The District's Budget is prepared and submitted in accordance with the instructions and proceedings developed by the County Chief Administrative Officer. The Chief Administrative Officer presents the Proposed County and District Budgets to the Board of Supervisors, the governing body of the District. The Board of Supervisors is required by law to adopt a Proposed Budget no later than June 30 of each year. Absent the adoption of a Final Budget by June 30, the appropriations approved in the Proposed budget become effective for the new fiscal year until a Final Budget is adopted. After conducting public hearings and deliberating the details of the Budget, the Board of Supervisors adopts the final County and District Budgets. The Department and the Chief Administrative Office monitor actual expenditures and revenue receipts on a monthly basis to ensure that the Budget remains in balance throughout the fiscal year.

District Budget

The following table sets forth the District's general fund final budgets for fiscal years 2000-01 through 2003-04, the adopted budget for 2004-05 and a comparison of the changes from the fiscal year 2003-04 final budget to the fiscal year 2004-05 adopted budget.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
GENERAL FUND
Final Fiscal Year 2000-01 Through 2004-05 Budget
and Change From 2003-04 Final Budget**

	<u>Final 2000-01 Budget</u>	<u>Final 2001-02 Budget</u>	<u>Final 2002-03 Budget</u>	<u>Final 2003-04 Budget</u>	<u>Adopted 2004-05 Budget</u>	<u>Change from 2003-04 Final Budget Amount</u>	<u>Percent Increase (Decrease)</u>
REQUIREMENTS							
APPROPRIATIONS							
Services and Supplies	\$186,116,000	\$180,823,000	\$176,920,000	\$183,813,000	\$188,587,000	\$ 4,774,000	2.60%
Other Charges	20,980,000	20,985,000	23,268,000	21,071,000	19,682,000	(1,389,000)	(6.59)
Fixed Assets							
Buildings and Improvements	1,143,000	20,239,000	23,286,000	22,144,000	32,817,000	10,673,000	48.20
Equipment	93,000	50,000	50,000	50,000	73,000	23,000	46.00
Land	<u>200,000</u>	--	--	<u>557,000</u>	--	<u>(557,000)</u>	(100.00)
Sub-total Fixed Assets	1,436,000	20,289,000	23,336,000	22,751,000	32,890,000	10,139,000	44.57
Residual Equity Transfer	1,134,000	2,416,000	2,052,000	2,118,000	1,874,000	(244,000)	(11.52)
Appropriation for Contingency	--	--	<u>3,125,000</u>	<u>5,995,000</u>	<u>53,000</u>	<u>(5,942,000)</u>	<u>(99.12)</u>
Total Financing Uses	<u>\$209,666,000</u>	<u>\$224,513,000</u>	<u>\$228,701,000</u>	<u>\$235,748,000</u>	<u>\$243,086,000</u>	<u>\$ 7,338,000</u>	<u>3.11</u>
Reserves							
Designations	--	--	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	--	--
Total Requirements	<u>\$209,666,000</u>	<u>\$ 224,513,000</u>	<u>\$240,701,000</u>	<u>\$247,748,000</u>	<u>\$255,086,000</u>	<u>\$ 7,338,000</u>	<u>2.96</u>
AVAILABLE FUNDS							
Fund Balance	\$ 17,708,000	\$ 18,392,000	\$ 10,248,000	\$ 12,586,000	\$ 15,101,000	\$ 2,515,000	19.98
Revenue	25,397,000	38,908,000	37,486,000	46,628,000	56,210,000	9,582,000	20.55
Benefit Assessment	107,061,000	107,608,000	107,588,000	108,344,000	108,503,000	159,000	0.15
Property Taxes	53,500,000	55,605,000	59,425,000	68,190,000	61,893,000	(6,297,000)	(9.23)
Cancel							
Reserve/Designation	<u>6,000,000</u>	<u>4,000,000</u>	<u>12,829,000</u>	<u>12,000,000</u>	<u>13,379,000</u>	<u>1,379,000</u>	<u>11.49</u>
Total Available Funds	<u>\$209,666,000</u>	<u>\$224,513,000</u>	<u>\$227,576,000</u>	<u>\$247,748,000</u>	<u>\$255,086,000</u>	<u>\$ 7,338,000</u>	<u>2.96</u>

Assessed Valuation

The following table sets forth the changes in assessed valuation for the Los Angeles County Flood Control District from fiscal years 1999-00 through 2003-04.

CHANGE IN ASSESSED VALUATION

<u>Fiscal Year</u>	<u>Secured Valuation</u>	<u>Net Change from Prior Fiscal Year</u>	<u>Percent Change</u>
1999-00	\$502,392,467,420	\$28,490,808,047	6.01%
2000-01	537,144,469,417	34,752,001,997	6.92
2001-02	573,661,126,147	36,516,656,730	6.80
2002-03	612,436,173,869	38,775,047,722	6.76
2003-04	661,445,462,230	49,009,288,361	8.00
2004-05	715,598,712,391	54,153,250,161	8.19

Source: County of Los Angeles Auditor-Controller.

District Revenues

General. The District presently has two primary sources of revenue. The District receives a share of the *ad valorem* property taxes collected by the County and a benefit assessment placed on the property tax roll.

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

The County levies a one-percent property tax on behalf of all taxing agencies in the County. The taxes collected are allocated based on a formula established by State law enacted in 1979 and amended periodically. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new constructions, change of ownership, and inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than County-wide or less than citywide special districts.

In addition to the one percent property tax levied by the County, the District is empowered to levy a tax each year upon the taxable real property in the District sufficient to pay the interest on outstanding voter approved bonds and the portion of the principal that is due, and the portion of principal and interest which will become due before the time for the next general

tax levy. Such tax is levied and collected on real property at the same time and in the same manner as the general tax levy for County purposes and, when collected, is paid into the County Treasury to the credit of the District.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10 percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10 percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for recording in the County Recorder's office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvements or possessory interests, belonging or assessed to the assessee.

The following table provides a summary of the District's share of the one percent property tax levy during the past five fiscal years.

**FLOOD CONTROL GENERAL FUND SHARE OF
COUNTY ONE PERCENT TAX LEVY
Fiscal Year 1999-2000 through Fiscal Year 2003-04**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Taxes Collected Through June 30⁽¹⁾</u>	<u>Percent Collected</u>
1999-00	\$50,550,899	\$48,640,708	96.22%
2000-01	53,971,177	52,120,192	96.57
2001-02	57,699,053	55,797,258	96.70
2002-03	61,543,485	59,559,206	96.78
2003-04	65,777,089	64,012,014	97.32

Source: County of Los Angeles Auditor-Controller.

⁽¹⁾ Does not include the collection of delinquencies from prior years or any accruals in anticipation of such collections.

Benefit Assessment. The benefit assessment is authorized by Chapter 6.4 (commencing with Section 54703), Part 1, Division 2, Title 5 of the California Government Code. At the November 6, 1979 election, a majority of those voting approved a ballot measure which

authorized a benefit assessment in future years to supplement other revenues sufficient to keep the existing flood protection system in a safe and effective condition, to respond to emergencies and to finance the construction of urgently needed flood control improvements.

The benefit assessment is levied and collected at the same time and in the same manner as the general tax levy for County purposes. The benefit assessment is calculated each year by the District based on the location, use, type of improvement and assessment rate of each parcel within the District and has no maximum limit. However, Proposition 218 (as defined below) limits the District’s ability to levy additional property related benefit assessments or to increase existing benefit assessments without voter approval. The average benefit assessment for a single family residence is presently \$28.85.

The benefit assessment levy presently provides 48 percent of the District’s funding for operations and maintenance expenses and none of the District’s funding for debt service on outstanding obligations. The following table sets forth the benefit assessment levies and collections during the past five fiscal years.

BENEFIT ASSESSMENT LEVIES AND COLLECTIONS

<u>Fiscal Year</u>	<u>Levy</u>	<u>Amount Collected</u> ⁽¹⁾	<u>Percent Collected</u>
1999-00	\$107,154,340	\$104,036,404	97.09%
2000-01	107,360,031	104,313,028	97.16
2001-02	107,575,247	104,835,002	97.45
2002-03	108,478,279	105,813,583	97.54
2003-04	108,589,560	106,190,680	97.79

Source: County of Los Angeles Auditor-Controller

⁽¹⁾ Does not include the collection of delinquencies from prior years or any accruals in anticipation of such collections.

Right to Vote on Taxes Initiative-Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 adds Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County and the District, to levy and collect existing and future taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective on July 1, 1997.

Proposition 218 provides for broad initiative powers to reduce or repeal taxes, assessments, fees and charges. This initiative power is not limited by the terms of Proposition 218 to taxes, assessments or fees and charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. However, other than any impact resulting from the exercise of this initiative power, presently the Authority does not believe that Proposition 218’s potential impact on the financial condition of the District will adversely affect the Authority’s ability to pay the principal of and interest with respect to Bonds as and when due.

Article XIID of Proposition 218 adds several new requirements making it generally more difficult for local agencies to levy “assessments” for municipal services and programs. “Assessment” is defined in Proposition 218 and SB 919 to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. The District’s existing benefit assessments are not subject to property owner approval under Proposition 218 because they were imposed prior to Proposition 218. Proposition 218 limits the District’s ability, however, to levy additional property related benefit assessments or to increase existing benefit assessments without voter approval. See Appendix B – “Financial Statements of the Los Angeles County Flood Control District for the Fiscal Year Ended June 30, 2004” Note 8.

Additional implementing legislation pertaining to Proposition 218 may be introduced in the State legislature from time to time. In addition, other initiative measures relating to assessments may be approved by the voters. No assurance can be given regarding the terms any such legislation or initiative measures or their potential impact on the District.

Financial Statements

The following table sets forth the revenues, expenditures and changes in fund balances for the District for the past five fiscal years.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund for the Fiscal Years 1999-00 through 2003-04
(in thousands)

	<u>Fiscal Year</u> <u>1999-00</u>	<u>Fiscal Year</u> <u>2000-01</u>	<u>Fiscal Year</u> <u>2001-02</u>	<u>Fiscal Year</u> <u>2002-03</u>	<u>Fiscal Year</u> <u>2003-04</u>
REVENUES:					
Taxes	\$ 51,233	\$ 56,718	\$ 59,298	\$63,102	\$68,855
Licenses and permits	627	598	731	535	231
Fines, forfeitures and penalties	1,531	1,474	1,474	1,667	2,763
Interest	6,730	8,212	4,382	2,079	919
Rents and royalties	4,325	5,693	6,248	6,133	6,802
Intergovernmental revenues:					
Federal	8,598	5,250	3,313	2,347	5,240
State	4,674	2,198	1,502	1,106	1,695
Other	1,553	1,530	--	2,232	2,396
Charges for services					
Benefit assessments	107,207	107,700	108,106	108,903	109,333
Other charges for services	4,547	(1,095)	(554)	6,100	2,364
Miscellaneous	--	<u>9,702</u>	<u>1,061</u>	<u>855</u>	<u>1,554</u>
TOTAL REVENUES	<u>\$191,025</u>	<u>\$197,980</u>	<u>\$185,561</u>	<u>\$195,059</u>	<u>\$202,152</u>
EXPENDITURES:					
Current:					
Services and supplies	\$177,703	\$166,801	\$179,747	\$171,922	\$176,207
Other charges	1,927	2,147	5,972	4,579	2,961
Debt Service	--	--	--	--	--
Capital Outlay	<u>610</u>	<u>1,909</u>	<u>950</u>	<u>3,535</u>	<u>2,168</u>
TOTAL EXPENDITURES	<u>\$180,240</u>	<u>\$170,857</u>	<u>\$186,669</u>	<u>\$180,036</u>	<u>\$181,336</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	\$ 10,785	\$ 27,123	(\$1,108)	\$ 15,023	\$ 20,816
OTHER FINANCING SOURCES (USES):					
Sales of fixed assets	1,263	106	206	243	708
Operating transfers from other funds	--	--	--	1,700	--
Operating transfers to other funds	<u>(\$18,353)</u>	<u>(\$18,311)</u>	<u>(\$18,228)</u>	<u>(\$18,402)</u>	<u>(\$17,521)</u>
OTHER FINANCING SOURCES (USES) NET	(\$17,090)	(\$18,205)	(\$18,022)	(\$16,459)	(\$16,813)
EXCESS (DEFICIENCY) OF					
REVENUES AND OTHER SOURCES					
OVER EXPENDITURES AND OTHER USES	(\$6,305)	\$ 8,918	(\$19,130)	(\$1,436)	\$ 4,003
BEGINNING FUND BALANCE, JULY 1	\$139,724	\$133,529	\$142,199	\$117,387	\$115,048
PRIOR PERIOD ADJUSTMENT⁽¹⁾	1,480	510	(4,131)	--	--
CONTRIBUTION TO COUNTY OF					
LOS ANGELES⁽²⁾	(\$1,370)	(\$758)	(\$1,551)	(903)	(1,306)
FUND BALANCE, JUNE 30	<u>\$133,529</u>	<u>\$142,199</u>	<u>\$117,387</u>	<u>\$115,048</u>	<u>\$117,745</u>

Source: Component Unit Financial Statements.

⁽¹⁾ Prior period adjustments for Fiscal Year 1999-00 and Fiscal Year 2000-01 consist of adjustments to litigation accruals of \$1,480 and federal disaster revenue accruals of \$510, respectively. The prior period adjustment for Fiscal Year 2001-02 consist of adjustments for litigation and self insurance and accrued property tax revenues in accordance with GASB Interpretation No. 6.

⁽²⁾ See Appendix B – “Financial Statements of the Los Angeles County Flood Control District for the Fiscal Year Ended June 30, 2004” Note 2.

Investments

The Treasurer and Tax Collector (the “Treasurer”) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of May 31, 2005, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$ 6.964
Schools and Community Colleges	8.826
Independent Public Agencies	<u>1.155</u>
Total	<u>\$16.945</u>

Of these entities, the involuntary participants accounted for approximately 93.19%, and all discretionary participants accounted for 6.81% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 15, 2005, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report dated June 24, 2005, the May 31, 2005 book value of the Treasury Pool was approximately \$16.945 billion and the corresponding market value was approximately \$16.907 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer’s Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. They also review each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller’s Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved

policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The Treasury Pool is highly liquid. As of May 31, 2005, approximately 64.34% of the pool investments mature within 60 days, with an average of 131.20 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Pool as of May 31, 2005.

<u>Type of Investment</u>	<u>% of Treasury Pool</u>
U.S. Government and Agency Obligations	38.85%
Certificates of Deposit	23.12
Commercial Paper	31.87
Bankers Acceptances	0.00
Municipal Obligations	0.22
Corporate Notes & Deposit Notes	5.94
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00

Effective January 1, 1996, Section 27131 of the Government Code requires all counties investing surplus funds to establish a County Treasury Oversight Committee. On January 16, 1996, the Board of Supervisors approved the establishment of the County Treasury Oversight Committee and subsequently confirmed the five Committee members nominated by the Treasurer in accordance with that Section. The Committee, which meets quarterly, is required to review and monitor for compliance the investment policies prepared by the Treasurer.

Outstanding Indebtedness

In 1970, the voters of the District authorized \$252,000,000 of Election 1970 general obligation bonds. All of the authorization of the Election 1970 general obligation bonds have been issued. As of July 1, 2005, the District will have \$2,265,000 of its Election 1970 general obligation bonds outstanding. 1970 general obligation debt of the District is payable from special ad valorem property taxes and may not be used to pay any other debt obligations of the District.

The following table sets forth the District's outstanding Election 1970 GO Bonds, including refunding bonds thereof, and refunding revenue bonds as of July 1, 2005.

OUTSTANDING OBLIGATIONS OF THE DISTRICT
(as of July 1, 2005)

<u>Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
Election 1970			
Series M	\$ 13,000,000	\$ 680,000	May 2007
Series N	14,000,000	1,310,000	November 2007
1993 Refunding	\$ 50,290,000	\$ 275,000	May 2006
Refunding Revenue			
Bonds Series 2003A	<u>143,195,000</u>	<u>119,615,000</u>	March 2017
TOTALS	<u>\$220,485,000</u>	<u>\$121,880,000</u>	

Source: Los Angeles County Auditor-Controller's Office.

Overlapping Debt

Set forth below is an estimated direct and overlapping debt report prepared by California Municipal Statistics Inc., dated May 1, 2005. The report is included for general informational purposes only. The District has not reviewed the report for completeness or accuracy and makes no representations in connection therewith.

**ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(as of May 1, 2005)**

2004-05 Assessed Valuation: \$727,943,995,528 (Land and Improvements)
 Redevelopment Incremental Valuation: 69,952,143,211
 Adjusted Assessed Valuation: \$657,991,852,317

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 5/1/05</u>
Los Angeles County	98.537%	\$ 23,126,634
Los Angeles County Flood Control District	100.	121,880,000 (2)
Metropolitan Water District of Southern California	47.622	199,150,442
Los Angeles Community College District	99.927	738,140,764
Other Community College Districts	Various	526,518,302
Los Angeles Unified School District	99.929	4,481,775,678
Other Unified School Districts	Various	2,734,875,871
High School Districts	Various	402,400,273
School Districts	Various	351,049,922
City of Los Angeles	99.939	1,418,114,422
City of Los Angeles Special Tax Obligations	99.939	159,037,928
Other Cities	Various	266,891,222
Special Districts	Various	12,090,031
Community Facilities Districts	Various	631,413,095
Los Angeles County Metropolitan Transit Benefit Assessment District	100.	100,410,000
Los Angeles County Regional Park and Open Space Assessment District	98.537	344,574,035
1915 Act Bonds	Various	<u>197,473,185</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$12,708,921,804
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	98.537%	\$1,377,926,572
Los Angeles County Pension Obligations	98.537	1,301,528,324
Los Angeles County Superintendent of Schools Obligations	98.537	23,418,741
Community College District General Fund Obligations	Various	124,175,197
Unified School District General Fund Obligations	Various	1,213,983,666
High School and School District General Fund Obligations	Various	127,297,233
City of Los Angeles General Fund and Judgment Obligations	99.939	1,234,499,496
Other City General Fund Obligations	Various	1,786,616,080
Los Angeles County Sanitation District General Fund Obligations	Various	409,792,088
Other Special District General Fund Obligations	Various	<u>16,999,538</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$7,616,236,935
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		54,535,303
Other self-supporting obligations		<u>244,657,389</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$7,317,044,243
 GROSS COMBINED TOTAL DEBT		 \$20,325,158,739 (3)
NET COMBINED TOTAL DEBT		\$20,025,966,047

- (1) Based on redevelopment adjusted all property assessed valuation (\$669,362,359,963).
 (2) Excludes issue to be sold.
 (3) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Land and Improvement Assessed Valuation:

Direct Debt (\$121,880,000)	0.02%
Total Direct and Overlapping Tax and Assessment Debt	1.75%

Ratios to Adjusted All Property Assessed Valuation:

Gross Combined Total Debt	3.04%
Net Combined Total Debt	2.99%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$1,608,262

Source: California Municipal Statistics, Inc.

General Litigation

There are a number of lawsuits and claims pending against the District. Included in these are a number of property damage, personal injury and environment-related actions. In the opinion of the County Counsel, such suits and claims as are presently pending will not impair the ability of the District to make debt service payments on the Series 2005A Bonds or otherwise meet its outstanding debt obligations.

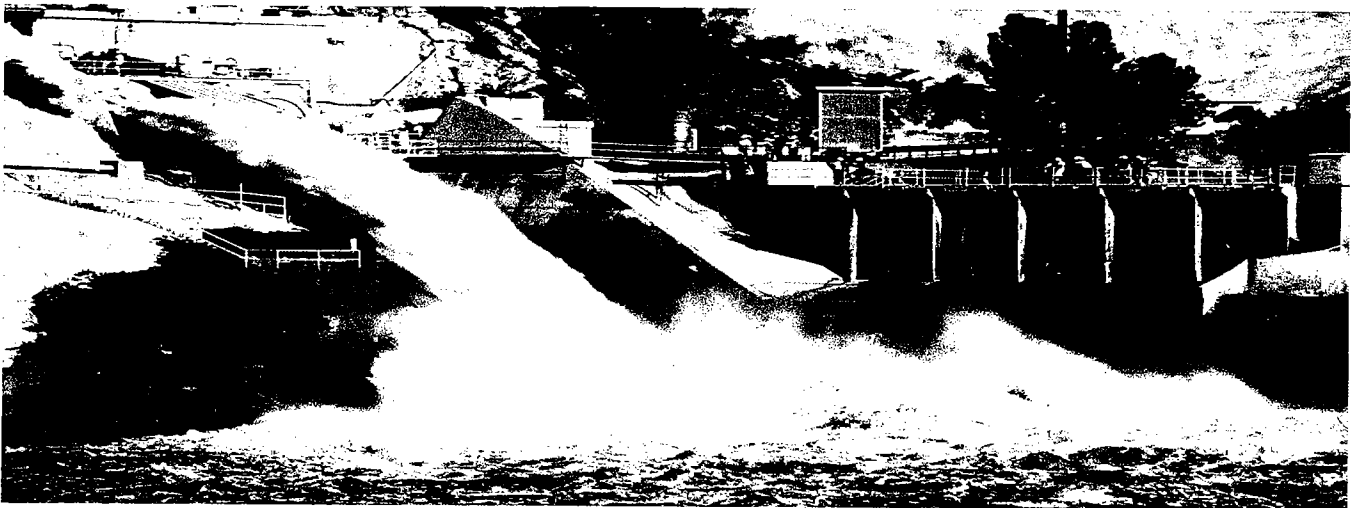
APPENDIX B

**FINANCIAL STATEMENTS OF THE LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**





Los Angeles County ♦ Flood Control District



***Annual Financial Report
Fiscal Year Ended June 30, 2004
Interim Director Donald L. Wolfe***





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To the County of Los Angeles Board of Supervisors

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

We have audited the financial statements of the governmental activities and each major fund of the Los Angeles County Flood Control District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and the District's management and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
December 23, 2004



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Fifth District

Violet Varona-Lukens
Executive Officer
Board of Supervisors

CONTRIBUTING COUNTY OFFICIALS

Donald L. Wolfe
Interim Director of Public Works

David E. Janssen
Chief Administrative Officer

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Raymond G. Fortner, Jr.
County Counsel

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Annual Financial Report
Fiscal Year Ended June 30, 2004

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To the County of Los Angeles Board of Supervisors

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Los Angeles County Flood Control District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis identified in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Los Angeles, California
December 23, 2004



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**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Los Angeles County Flood Control District (District) financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements, notes, and supplementary information.

The District is a component of a larger governmental unit, the County of Los Angeles (County). We also encourage readers to use the Comprehensive Annual Financial Report of the County of Los Angeles to provide perspective on the government-wide statements and on how the District is a component of those statements.

FINANCIAL HIGHLIGHTS

At the end of the current year, the net assets (total assets less total liabilities) of the District were \$142 million.

During the year, the District's net assets increased by \$49 million. The increase was a result of the District's governmental activities. The District has no business-type activities to report.

At the end of the current year, the District's General Fund reported a total fund balance of \$118 million. The amount of unreserved and undesignated fund balance was \$8 million.

The District's capital assets balance, \$154 million at year-end, increased by \$33 million during the year. Infrastructure assets are reflected only to the extent that they were acquired since July 1, 2001. Retroactive infrastructure reporting has been deferred until future years as discussed on pages 27 and 28.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information (RSI). The basic financial statements are comprised of the following three components:

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

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
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 District's finances in a manner similar to a private sector business.

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

The Statement of Activities presents information showing how the District'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 this statement 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 of the District report on one category, governmental activities, as the District has no business-type activities or discreetly presented component units that the District is financially accountable for.

Governmental Activities - All of the District's basic services are included here. Property taxes and benefit assessments finance almost all of the District's Flood Control activities.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements are designed to provide more detailed information about the District's significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. The District has two kinds of funds:

Governmental Funds – All of the District's basic services are included in the governmental funds which focus on how resources flow in and out and show the balances remaining at year-end that are available for spending. The Governmental Funds Statements provide a detailed short-term view that helps readers determine whether there are more or fewer financial resources that can be spent in the near future on the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we show the relationship between governmental activities and governmental funds using the reconciliations on pages 16 and 19 and the Notes to the Basic Financial Statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Fiduciary Funds – These funds are used to report assets held in an agency capacity for others and cannot be used to support the District's activities. The District's 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. The notes can be found beginning on page 22 of this report.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's budget and actual revenues and expenditures on a budgetary basis. The RSI can be found on pages 36 through 39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide data is available and presented under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The District does not have business-type activities to report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$142 million at the close of the most recent fiscal year (see Table 1).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 1

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

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Current and other assets	\$143,593	\$137,320
Capital assets	<u>153,945</u>	<u>120,663</u>
Total assets	<u>\$297,538</u>	<u>\$257,983</u>
Current and other liabilities	\$ 13,271	\$ 7,729
Long-term liabilities	<u>141,989</u>	<u>156,999</u>
Total liabilities	<u>155,260</u>	<u>164,728</u>
Net assets:		
Invested in capital assets, net of related debt	16,000	(33,487)
Restricted net assets	3,313	4,769
Unrestricted net assets	<u>122,965</u>	<u>121,973</u>
Total net assets	<u>142,278</u>	<u>93,255</u>
Total liabilities and net assets	<u>\$297,538</u>	<u>\$257,983</u>

Capital Assets, Net of Related Debt

The District's capital assets, net of related debt, are \$16 million. This reflects an increase of \$49 million over the previous year (negative \$33 million). The increase resulted from the purchase of infrastructure assets (\$33 million) and payment of debt (\$16 million). As discussed below, the District has not yet recorded infrastructure assets acquired prior to July 1, 2001. However, the District has issued debt in previous years to acquire such infrastructure assets. At June 30, 2004, the District reported Bonds Payable of \$138 million that were related to unrecorded infrastructure assets. Accordingly, this category of net assets will continue to be significantly less until the District records the retroactive infrastructure assets associated with the outstanding debt.

The District began to capitalize newly acquired infrastructure assets during the 2001-02 fiscal year in accordance with GASB 34. However, infrastructure assets acquired prior to July 1, 2001, are not yet reflected in the financial statements. The District is in the process of evaluating infrastructure assets that were acquired in prior years to ensure that they are reported by the year ending June 30, 2006, as required by GASB 34 for government agencies with annual revenues of \$100 million or more.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Restricted Net Assets

The District's restricted net assets at year-end were \$3 million. The asset restriction is imposed by bond covenants that require reserves over the repayment period of the bond amortization schedule.

Unrestricted Net Assets

The largest portion of the District's net assets is classified as unrestricted. This amount, \$123 million, may be used to meet the District's ongoing financial requirements.

Governmental Activities

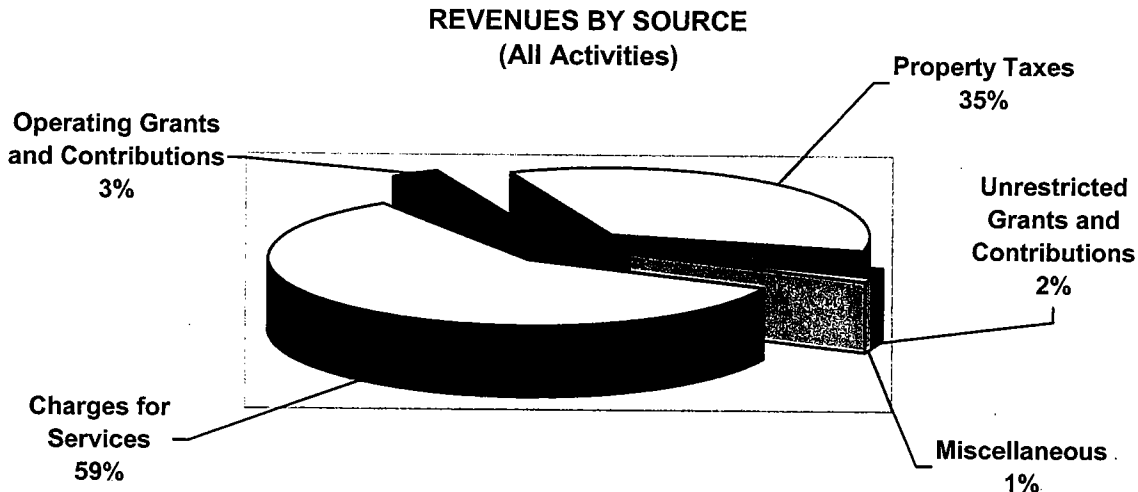
Table 2 indicates the changes in net assets for the governmental activities.

Table 2

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

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues:		
Charges for services	\$120,566	\$123,053
Operating grants and contributions	5,600	1,194
Capital grants and contributions	533	1,448
General revenues:		
Property taxes	72,723	69,518
Unrestricted grants and contributions	3,197	3,042
Investment earnings	957	2,183
Miscellaneous	2,269	8,001
Total revenues	\$205,845	\$208,439
Expenses:		
Public protection	\$149,317	\$148,450
Contributions to Los Angeles County	1,306	903
Interest on long-term debt	6,199	9,293
Total expenses	\$156,822	\$158,646
Changes in net assets	\$ 49,023	\$ 49,793
Net assets – beginning	93,255	43,462
Net assets – ending	\$142,278	\$ 93,255

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



The District's net assets increased by \$49 million during the fiscal year. Following are the major factors that contributed to the net asset changes:

- Revenues from governmental activities decreased by \$3 million (1%) over the prior year. The most significant changes in revenue were experienced in the following areas:
 - Charges for services were \$2 million (2%) lower than the previous year due to previous year's receipt of a reimbursement from the City of Redondo Beach for the Greenflag Drain project.
 - Operating grants and contributions were \$4 million (369%) higher than the previous year due to reimbursements received from the Federal Emergency Management Agency (FEMA) for the 1994 Earthquake Disaster and 1993 Storm Disaster projects and the District headquarters seismic retrofit project.
 - Property taxes were \$3 million (5%) higher than the previous year, which is consistent with the ongoing growth in the real estate market and continued upward trends in Los Angeles County's assessed property values within the District.
 - Investment earnings decreased by \$1 million (56%) as a result of the decrease in the yield from the County's Treasury Pool from 2.16% in the previous year to 1.37% in the current year. The District deposits all cash receipts in the County's Treasury Pool and the County manages the day-to-day investments of the District.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- Miscellaneous revenues were \$6 million (72%) lower than the previous year. This is mainly due to: (1) previous year's recognition of a \$5 million premium on the revenue refunding bonds issued on January 1, 2003 (issuance and redemption costs were offset against a premium of \$8.5 million for a net increase of \$5 million), and (2) previous year's transfer of \$2 million from the County General Fund to the District for refurbishment costs of the District's headquarters. The decreases from the previous year were partially offset by the current year's net gain on sale of easements and revenue from sale of electricity from the San Gabriel Hydroelectric Plant to the Southern California Edison Company.
- Governmental activity expenses remained at about the same level as the previous year with the exception of interest on long-term debt. Interest on long-term debt decreased by \$3 million due to scheduled debt service payments.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Types of governmental funds reported by the District include the General, Debt Service, and Capital Projects Funds. The focus of the District'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 District'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.

As of the end of the current fiscal year, the District's governmental funds reported a combined fund balance of \$121 million, an increase of \$1 million from the previous year's fund balance. The current year-end fund balance consists of \$94 million in reserves to indicate the extent that the funds have been committed or are otherwise unavailable for spending and \$19 million in designations have been set aside for specific infrastructure improvements. The remaining \$8 million is unreserved and undesignated and is available for spending for flood control purposes.

Revenues from the District's governmental funds, primarily the General Fund, were \$206 million, an increase of \$4 million (2%) from the previous year. The benefit assessment revenue, included as charges for services, of \$109 million was the major source of revenue for the governmental funds. The other significant source of revenue for the governmental funds was property taxes, which were \$73 million. Property taxes increased \$3 million (4%) over the previous year. Together, these two revenue sources account for 88% of total revenues for all the governmental funds. Expenditures for the governmental funds totaled \$204 million, decreasing by \$10 million (5%) from the previous year. In the current year, revenues for governmental activities exceeded expenditures by \$2 million.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

Table 3 is a summary of current year budgetary changes and actual results for the District's General Fund revenues and other financing sources (in thousands).

Table 3

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive (Negative)
Taxes	\$4,864	\$ 68,190	\$ 69,036	\$ 846
Intergovernmental revenues	-	18,484	9,331	(9,153)
Charges for services	-	110,927	111,392	465
All other revenues	-	15,259	12,802	(2,457)
Other sources and transfers	-	150	708	558
Long-term debt proceeds	-	10,152	-	(10,152)
Changes in reserves/designations	-	-	5,003	5,003
Total	\$4,864	\$223,162	\$208,272	\$(14,890)

Changes from Amounts Originally Budgeted

During the year, the budgeted tax revenues were increased by \$5 million. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

Actual Revenues/Financing Source Compared With Final Budget Amounts

Actual revenues and other financing sources recognized by the District's General Fund were \$15 million less than budget. The variance mainly resulted from the following:

- A delay in the reimbursements from FEMA for the District headquarters seismic retrofit project (\$7 million) and from Caltrans for various projects (\$2 million). It is anticipated that the construction phase of the District headquarters seismic retrofit project will commence next fiscal year, and the FEMA reimbursement for this project will be rebudgeted then.
- Investment yield declined during the year. As mentioned previously, the County's Treasury Pool yields decreased from 2.16% in the previous year to 1.37% in the current year.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- Long-term debt proceeds (\$10 million) not realized. The long-term debt proceeds will be rebudgeted next fiscal year to finance the construction phase of the District headquarters seismic retrofit project.
- Reserves totaling \$5 million were decreased as a result of the cancellation of existing contracts and purchase orders, resulting in additional unreserved funds.

Budgetary Summary - Expenditures/Other Financing Uses

Table 4 is a summary of current year budgetary changes and actual results for the District's General Fund expenditures, contributions to Los Angeles County, and contingencies (in thousands).

Table 4

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive
Public Protection	-	\$227,635	\$204,450	\$23,185
Contributions to Los Angeles County	-	2,118	1,306	812
Contingencies	4,864	5,995	-	5,995
Total	\$4,864	\$235,748	\$205,756	\$29,992

Changes from Amounts Originally Budgeted

During the year, the District's General Fund contingencies were increased by \$5 million as a result of actual tax revenues exceeding the original budget. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. As indicated previously, the revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures and other financing uses of the District's General Fund were \$30 million lower than budgeted. The variance in the public protection category resulted from changes in the District's project schedule that occurs as a result of various circumstances that delay the award of a project for construction. Project delays are anticipated and an inventory of projects is kept to replace projects that remain in the planning stage or are delayed. The majority of the variance in public protection resulted from the delay in the: (1) construction phase of the District headquarters seismic retrofit project (\$17 million), (2) construction phase of the Eaton Yard improvement project (\$2 million), and (3) District headquarters refurbishment project (\$1 million).

Contributions to Los Angeles County were \$1 million less than budgeted. The variance is a result of the contribution actually needed from the District to the County for

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

equipment purchases. The District provides a residual equity transfer annually to the County to finance new equipment purchases that are owned by the County and utilized by the District for flood control activities.

Contingency appropriations of \$6 million were not utilized. The amount budgeted in this account was not eligible to be spent. The contingency appropriations were established to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes in excess of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had \$154 million invested in capital assets including land, buildings and improvements, infrastructure, and equipment (see Table 5).

The District's capital assets increased \$33 million (27%) from the prior fiscal year:

**Table 5
Changes in Capital Assets, Net of Depreciation (in thousands)**

	Current Year	Prior Year	Increase (Decrease)
Land	\$ 4,438	\$ 4,438	\$ 0
Buildings and improvements (B&I)	44,757	45,908	(1,151)
Infrastructure	54,140	38,875	15,265
Equipment	281	116	165
Construction-in-progress - B&I	2,941	2,314	627
Construction-in-progress - infrastructure	47,388	29,012	18,376
Total	\$153,945	\$120,663	\$33,282

Current year infrastructure costs were capitalized for projects that remained in progress at the end of the year. The value of construction-in-progress at June 30, 2004, was \$47 million and the value will remain classified within the Construction-in-Progress category until the assets are completed.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

This year's infrastructure asset additions of \$18 million were as follows (assets addition values are shown before depreciation is deducted):

Channel Improvements

- Puddingstone Channel – Invert Access Ramp @ Canyon View Drive (\$175,000)
- Tujunga Wash Central Bridge (\$157,000)
- Santa Clara River – Invert Access Ramps @ PD T771, PD T832, and PD T911 (\$347,000)
- Triunfo Creek/PDT 728 – Invert Access Ramp @ U/S Lindero Canyon (\$124,000)
- Forbes Spreading Grounds – Rubber Dam (\$377,000)
- Los Cerritos Channel (\$363,000)
- Flood Maintenance Channel Landscape Improvements – West Area (\$368,000)

Dam Improvement

- Big Dalton Dam (\$192,000)

Debris Basin

- Verdugo Debris Basin Enlargement (\$539,000)

Flood Pump Plant

- Alamitos Bay Pump Plant (\$346,000)

Flood Spreading Grounds

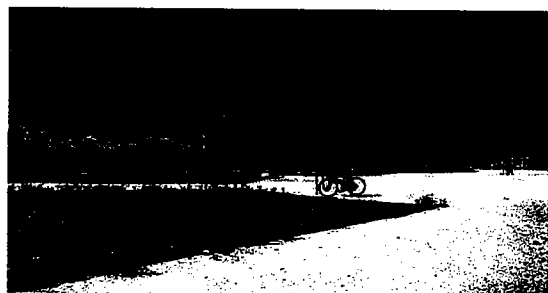
- San Gabriel & Rio Hondo Coastal Basin Spreading Ground (\$2,908,000)
- Rio Hondo Coastal Basin Spreading Ground (\$420,000)

Storm Drain Improvements

- Baldwin Park Drain (\$2,300,000)
- Project No. 3650, Lines D, E, and F (\$1,001,000)
- Valleydale School Drain (\$1,237,000)
- Temple Avenue, Sunkist Avenue, and Amar Road Drains (\$3,005,000)
- Bond Issue 527, Line A & Private Drain 502, Line A and B (\$564,000)
- Colorado Lagoon, Marine Stadium, and Branford Pit (\$1,065,000)
- Project 504 Line E, Project 411 Line B, and Ince Boulevard Drain (\$420,000)
- Various storm drain improvement projects (\$2,408,000)



San Gabriel & Rio Hondo Coastal Basin Spreading Ground



Rio Hondo Coastal Basin Spreading Ground



Project No. 3650

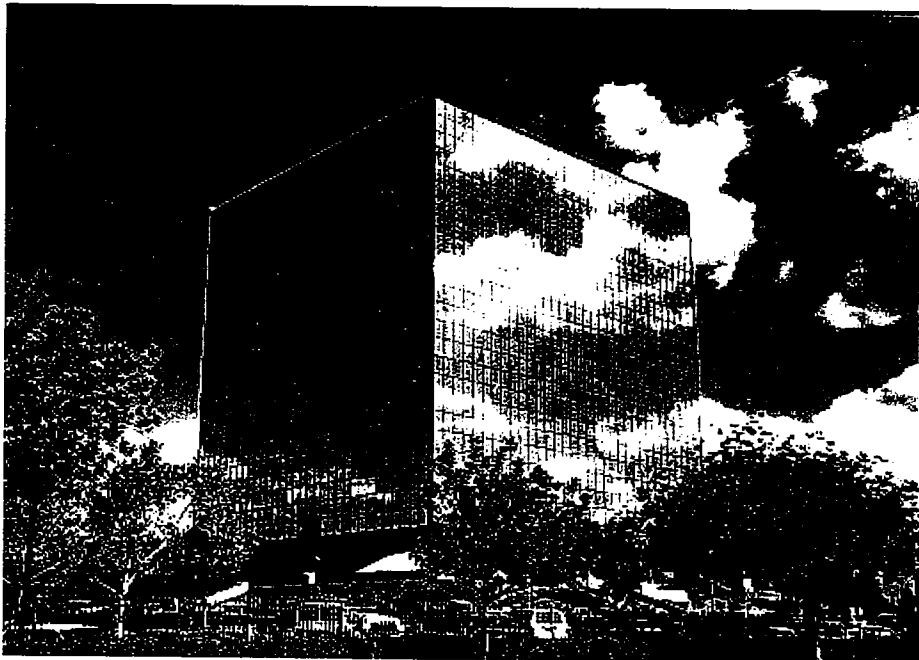
**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Debt Administration

At June 30, 2004, the District had \$138 million in long-term debt. The District's long-term debt consisted of \$6 million in voter-approved general obligation bonds and \$132 million in revenue bonds. The District's long-term debt decreased by \$16 million (10%) in the current year as a result of scheduled debt service payments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803-1331.



Thomas A. Tidemanson
Public Works Headquarters

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004 (in thousands)**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Pooled cash and investments (Notes 1 and 3)	\$ 119,002
Advances to other funds	6,712
Other investments (Note 3)	2
Taxes receivable	15,393
Interest receivable	308
Other receivables	2,176
Capital assets: (Notes 1 and 4)	
Land and construction-in-progress	\$ 54,767
Other capital assets, net of depreciation	99,178
Total capital assets	153,945
TOTAL ASSETS	297,538
LIABILITIES	
Accounts payable	7,379
Accrued interest payable	1,861
Deferred revenue	4,031
Noncurrent liabilities: (Notes 5 and 7)	
Due within one year	20,105
Due in more than one year	121,884
TOTAL LIABILITIES	155,260
NET ASSETS	
Invested in capital assets, net of related debt	16,000
Restricted for:	
Capital projects	101
Debt service	3,212
Unrestricted	122,965
TOTAL NET ASSETS	\$ 142,278

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)**

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Public protection	\$ 149,317	120,566	5,600	533	\$ (22,618)
Contributions to Los Angeles County	1,306				(1,306)
Interest on long-term debt	6,199				(6,199)
Total	\$ 156,822	120,566	5,600	533	(30,123)
General revenues:					
Property taxes					72,723
Grants and contributions not restricted to special programs					3,197
Investment earnings					957
Miscellaneous					2,269
Total general revenues					79,146
Change in net assets					49,023
Net assets - July 1, 2003					93,255
Net assets - June 30, 2004					\$ 142,278

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004 (in thousands)**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:				
Pooled cash and investments (Notes 1 and 3)	\$ 115,850	3,053	99	\$ 119,002
Advances to other funds	6,712			6,712
Other investments (Note 3)			2	2
Taxes receivable	6,548	969		7,517
Interest receivable	301	7		308
Assessments receivable	7,876			7,876
Other receivables	2,176			2,176
TOTAL ASSETS	\$ 139,463	4,029	101	\$ 143,593
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 7,379			\$ 7,379
Deferred revenue	14,339	759		15,098
TOTAL LIABILITIES	\$ 21,718	759		\$ 22,477
FUND BALANCES:				
Reserved for:				
Encumbrances	\$ 87,511			\$ 87,511
Other	3,008			3,008
Debt Service		3,270		3,270
Unreserved:				
Designated	19,478			19,478
Undesignated	7,748		101	7,849
TOTAL FUND BALANCES	\$ 117,745	3,270	101	\$ 121,116
TOTAL LIABILITIES AND FUND BALANCES	\$ 139,463	4,029	101	\$ 143,593

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

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

Fund balance of total governmental funds (page 15) \$ 121,116

**Amounts reported for governmental activities in the Statement of
Net Assets are different because:**

**Capital assets used in governmental activities are not financial
resources and therefore are not reported in governmental funds:**

Land	\$	4,438	
Construction-in-progress		50,329	
Buildings and improvements - net		44,757	
Equipment - net		281	
Infrastructure - net		54,140	153,945

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

Deferred revenue		11,067	
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Accrued interest payable is not recognized in governmental funds		(1,861)	
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**The following long-term liabilities are not due and payable in the
current period and therefore are not reported in the funds:**

Bonds and notes payable		(137,945)	
Litigation/self insurance		(4,044)	(141,989)

Net assets of governmental activities (page 13)		\$ 142,278	
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The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 68,855	3,834		\$ 72,689
Licenses and permits	231			231
Fines, forfeitures, and penalties	2,763	39		2,802
Interest	919	30	8	957
Rents and royalties	6,802			6,802
Intergovernmental revenues:				
Federal	5,240			5,240
State	1,695			1,695
Other	2,396			2,396
Charges for services	111,697			111,697
Miscellaneous	1,554			1,554
TOTAL REVENUES	202,152	3,903	8	206,063
EXPENDITURES:				
Current public protection:				
Services and supplies	176,207		60	176,267
Other charges	2,961	2		2,963
Principal		16,205		16,205
Interest		6,667		6,667
Capital outlay	2,168			2,168
TOTAL EXPENDITURES	181,336	22,874	60	204,270
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,816	(18,971)	(52)	1,793

Continued...

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	\$ 708			\$ 708
Transfers in		17,587		17,587
Transfers out	(17,521)		(66)	(17,587)
Contributions to Los Angeles County	(1,306)			(1,306)
OTHER FINANCING SOURCES (USES)	<u>(18,119)</u>	<u>17,587</u>	<u>(66)</u>	<u>(598)</u>
NET CHANGE IN FUND BALANCES	2,697	(1,384)	(118)	1,195
FUND BALANCE - BEGINNING	<u>115,048</u>	<u>4,654</u>	<u>219</u>	<u>119,921</u>
FUND BALANCE - ENDING	<u>\$ 117,745</u>	<u>3,270</u>	<u>101</u>	<u>\$ 121,116</u>

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)**

Net change in fund balances - total governmental funds (page 18) \$ 1,195

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays 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	\$ 37,544	
Less - current year depreciation expense	(4,268)	33,276

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources, thus, the change in net assets differs from the change in fund balance	6
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Revenue timing differences result in less revenue in Government-wide Statements	(931)
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Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	16,205
--	--------

Accrued interest for bonds payable; this is the net change in accrued interest for the current period	468
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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 litigation/self insurance	(1,196)
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Change in net assets of governmental activities (page 14)	\$ 49,023
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The notes to the basic financial statements are an integral part of this statement.

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

	<u>AGENCY FUNDS</u>
ASSETS	
Pooled cash and investments (Notes 1 and 3)	<u>\$ 3,236</u>
TOTAL ASSETS	<u><u>\$ 3,236</u></u>
LIABILITIES	
Deposits payable	<u>\$ 3,236</u>
TOTAL LIABILITIES	<u><u>\$ 3,236</u></u>

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

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)**

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments (Notes 1 and 3)	\$ 3,175	2,827	(2,766)	\$ 3,236
TOTAL ASSETS	<u>\$ 3,175</u>	<u>2,827</u>	<u>(2,766)</u>	<u>\$ 3,236</u>
LIABILITIES				
Deposits payable	\$ (3,175)	(2,891)	2,830	\$ (3,236)
TOTAL LIABILITIES	<u>\$ (3,175)</u>	<u>(2,891)</u>	<u>2,830</u>	<u>\$ (3,236)</u>

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Los Angeles County Flood Control District (District) is empowered to carry out the objectives of the Los Angeles County Flood Control Act. Its objectives are to provide for the control and conservation of flood, storm, and other wastewater; and to protect from damage from such flood or storm waters the harbors, waterways, public highways, and property within the District. District powers are exercised through the Los Angeles County Board of Supervisors (Board), which acts as the District's governing body. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining when to issue bonds authorized by the voters of the District.

Reporting Entity

District management has determined that the Public Works Financing Authority (PWFA) should be included in the basic financial statements of the District as a blended component unit. The PWFA is dependent upon the District for funding. The PWFA is a public agency organized pursuant to a Joint Exercise of Powers Agreement between the District and the County dated May 18, 1993. The PWFA is empowered to finance District capital assets through the issuance of bonds.

Blended component units are entities 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. The District does not have any component units that should be discretely presented. Additional financial information for the PWFA may be obtained from the Department of Public Works at 900 South Fremont Avenue, Alhambra, California, 91803.

The District is included as a blended component unit in the County financial reporting entity and is included in the County's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004. The financial resources and operations of the District are accounted for in the fund types discussed below.

Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

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

Financial reporting incorporates all GASB pronouncements.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. The Statement of Net Assets and Statement of Activities display information about the District, except for fiduciary activities.

Basis of Accounting

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Proceeds of long-term debt are recorded as a liability rather than as another financial source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

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

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually and in the aggregate for governmental funds.

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for governmental and fiduciary fund categories are presented.

The District reports on the following major governmental funds:

- General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except those required to be accounted for in another fund.

- Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of flood control structures financed by general long-term debt.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

- Fiduciary Funds (Agency Funds)

The Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental entities, or other funds.

Basis of Accounting

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance operations during the year. Secured and unsecured property taxes and benefit assessments estimated to be collectable in future years are recorded as receivables and deferred revenue. The accrual of property tax revenues is generally limited to the extent that collection occurs within 60 days after the balance sheet date.

Interest income and charges for current services are accrued when earned and determined available. Changes in the fair value of investments are recognized as revenues at the end of each year. Federal and State grants are recorded as revenue when determined to be available, entitlement occurs, and related eligible expenditures are incurred. Revenues that are not accrued include licenses, permits, and miscellaneous revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt, which is recognized when payment is due.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Noncurrent portions of long-term receivables due from governmental funds are reported on the District's balance sheet and are offset by deferred revenue. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

As a result of its spending measurement focus, expenditure recognition for governmental fund types excludes transactions involving noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State's Government Code and Revenue and Taxation Code. Property is assessed at full cash or market value (with some exceptions). Pursuant to such legislation, the Board levies a property tax to support general operations of the various jurisdictions (ad valorem tax). This tax is limited to one percent (1%) of full cash value of property and collections are distributed in accordance with statutory formulae. The District receives an apportionment from the property tax levy which is a major source of District revenue.

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 the 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 is delinquent with penalties after December 10; the second is due February 1 and is 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.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 and become delinquent, if unpaid, on August 31. Unsecured property tax receivables are reduced by an amount estimated to be uncollectible, which is based on a five-year historical average collection percentage.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Benefit Assessments

The District, as authorized by the State's Government Code, levies an assessment on each parcel of real property within the District, except on property owned by Federal, State, or local government agencies. The assessment, as approved by the Board, is levied in proportion to benefits received and determined on the basis of the proportionate stormwater runoff from each parcel. The purpose of benefit assessments is to cover the cost of providing flood control services within the District not offset by other available revenues.

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying financial statements reflect the fair value of investments. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

All cash and investment balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. Each fund's share in the pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to various funds based on the fund's average cash and investment balance, as provided by Government Code Section 53647.

The fair value of pooled investments is determined annually and based on current market prices. 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 rather than market value.

Capital Assets

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

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital outlays are recorded as expenditures of the General and Capital Project Funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The District'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 that 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.

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

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Infrastructure	10 to 50 years

Pursuant to GASB Statement No. 34, an extended period of deferral (fiscal year beginning July 1, 2005) is available before the requirement to record and depreciate infrastructure assets acquired prior to July 1, 2001, is effective. As a result, the governmental activities column in the accompanying government-wide financial statements as of June 30, 2004, does not reflect infrastructure assets obtained or completed prior to July 1, 2001. The accompanying government-wide financial statements include infrastructure assets that were capitalized as of July 1, 2001. Infrastructure assets are depreciated upon completion. A schedule of capital assets is presented in Note 4.

2. TRANSACTIONS WITH THE COUNTY

Pursuant to an agreement between the District and the County, the County is responsible for providing all necessary employees to the District for purposes of performing all District functions. Costs related to these employees are billed to the District based upon actual time spent providing services to the District. Supply pool and equipment costs are also billed based upon actual usage by the District. Accordingly, the District has no supplies inventory or employee-related liabilities (e.g., pension, compensated absences, and workers' compensation). For the year ended June 30, 2004, the County's billings to the District's General Fund approximated \$87,092,000. Costs associated with shared equipment that are

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

2. TRANSACTIONS WITH THE COUNTY-Continued

funded through the Department of Public Works Internal Service Fund are recorded in the District's financial statements as "Contribution to the County of Los Angeles." For the year ended June 30, 2004, this contribution from the District's General Fund was \$1,306,000.

The District has numerous transactions with the other funds of the County in order to finance operations, provide services, purchase assets and apportion property taxes. To the extent that certain transactions between the District and these funds had not been paid or received as of June 30, 2004, the net balances of interfund amounts receivable or payable have been converted to cash for financial statement presentation.

On April 16, 1990, the District entered into a cost-sharing agreement with the County relative to the Public Works headquarters building. The agreement provides for the County to make rental payments to the District in exchange for its occupancy of the headquarters. Furthermore, the County has agreed to pay for its proportionate share of the headquarters' operating costs. For the year ended June 30, 2004, County rental payments to the District totaled \$4,620,000.

The District issued certificates of participation in 1987 to acquire the headquarters. These certificates of participation were defeased and replaced with refunding bonds in August 1993. The 1993 refunding bonds were refunded in January 2003 (see Note 5). The District's management has no intention of selling the headquarters. However, in the event the headquarters were to be sold, the proceeds of the sale in excess of any outstanding indebtedness would be shared by the District and the County in proportion to each entity's share of the headquarters' cost.

3. CASH AND INVESTMENTS

Pooled Cash and Investments

As provided for by the Government Code, certain cash balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. As of June 30, 2004, the District's share of the total pooled cash and investments included in the Statement of Net Assets and Balance Sheet under "pooled cash and investments" was \$119,002,000, which represents approximately 0.80% of the total pool. The "pooled cash and investments" reported on the Statement of Fiduciary Net Assets was \$3,236,000.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

3. CASH AND INVESTMENTS-Continued

Interest earned on pooled investments is deposited monthly based upon the average daily deposit balance during the allocation period. Investment gains and losses are proportionately shared by the entities participating in the pool as an increase or reduction in interest earnings. The net unrealized loss on the District's proportionate share of investments held in the Treasurer's Pool was \$352,000 as of June 30, 2004. Statutes authorize the pool to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

Investments are managed by the County Treasurer, who provides status reports on a monthly basis to the Board. In addition, the County Treasury Oversight Committee reviews and monitors the County's investment policy. The Committee membership includes the Treasurer and Tax Collector, Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative.

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk. Credit risk information for the entire County Treasurer Pool is presented in Note 4 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land	\$ 4,438			\$ 4,438
Construction-in-progress - buildings and improvements	2,314	629	(2)	2,941
Construction-in-progress - infrastructure	29,012	30,850	(12,474)	47,388
Subtotal	35,764	31,479	(12,476)	54,767
Capital assets, being depreciated:				
Buildings and improvements	64,925			64,925
Equipment	1,588	274	(43)	1,819
Infrastructure	42,096	18,316		60,412
Subtotal	108,609	18,590	(43)	127,156
Less accumulated depreciation:				
Buildings and improvements	19,017	1,151		20,168
Equipment	1,472	101	(35)	1,538
Infrastructure	3,221	3,051		6,272
Subtotal	23,710	4,303	(35)	27,978
Total capital assets, being depreciated, net	84,899	14,287	(8)	99,178
Total capital assets, net	\$120,663	45,766	(12,484)	\$153,945

Depreciation Expense

Depreciation expense was charged to functions/programs of the Flood Control District as follows (in thousands):

Governmental activities:

Public protection	\$ 4,303
Total depreciation expense, governmental activities	\$ 4,303

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

5. LONG-TERM OBLIGATIONS

Long-term obligations of the District consist of general obligation bonds, capital construction and refunding bonds, and other liabilities (Note 7).

General Obligation Bonds

Pursuant to the Los Angeles County Flood Control Act and subject to voter approval, the District is authorized to issue bonds. The proceeds from the sale of bonds were used for the construction of storm drain systems. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the District. The District's general obligation bonds outstanding at June 30, 2004, are summarized as follows (in thousands):

\$252,000 authorized 1970, \$252,000 issued; due in annual installments through 2008; interest at 4.0% to 8.2%	\$5,600
\$60,000 refunding bonds authorized 1993, \$50,290 issued; due in annual installments through 2006; interest at 2.6% to 5.15%	<u>555</u> <u>\$6,155</u>

Aggregate debt service requirements to maturity of general obligation bonds as of June 30, 2004, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,890	\$ 269
2006	1,185	103
2007	710	43
2008	370	9
Total	<u>\$ 6,155</u>	<u>\$ 424</u>

Capital Construction and Refunding Bonds

On January 30, 2003, the Los Angeles County Public Works Financing Authority issued \$143,195,000 in refunding revenue bonds, maturing on various dates between 2004 and 2017, with an average interest rate of 3.34%. These bonds were issued to refund the outstanding principal amount of \$147,565,000 of capital construction and refunding bonds issued in 1993 at an interest rate of 5%.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

5. LONG-TERM OBLIGATIONS-Continued

The District's capital construction and refunding bonds outstanding at June 30, 2004, are summarized as follows (in thousands):

\$143,195 issued in 2003; due in annual installments through 2017; average interest at 3.34% \$131,790

Aggregate maturity of capital construction and refunding bonds as of June 30, 2004, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 12,175	\$ 5,407
2006	12,475	5,102
2007	12,860	4,728
2008	13,245	4,342
2009	13,740	3,845
2010-2014	62,905	9,027
2015-2017	4,390	370
Total	<u>\$131,790</u>	<u>\$32,821</u>

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the fiscal year ended June 30, 2004 (in thousands):

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Maturities</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable	\$154,150		(16,205)	\$137,945	\$16,065
Other Liabilities (Note 7)	<u>2,849</u>	<u>1,195</u>		<u>4,044</u>	<u>4,040</u>
Total	<u>\$156,999</u>	<u>1,195</u>	<u>(16,205)</u>	<u>\$141,989</u>	<u>\$20,105</u>

6. INTERFUND TRANSACTIONS

Interfund transfers were made during the year from the General and Capital Projects Funds to the Debt Service Fund in accordance with long-term debt covenants. Interfund transfers to/from other funds for the year ended June 30, 2004, are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$17,521
Capital Projects Fund	Debt Service Fund	66
Total		<u>\$17,587</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

7. RISK MANAGEMENT

The District has programs to address public liability and property damage. There have been no settlements related to these programs that exceeded insurance coverage during Fiscal Year 2003-04. The District bears the risk for all loss exposure in excess of insurance coverage. 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 District utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities.

As of June 30, 2004, the District's best estimate of these probable judgment liabilities is \$4,044,000. Changes in the reported liability since June 30, 2002, resulted from the following (in thousands):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2002-03	\$3,511	\$3,578	(\$4,240)	\$2,849
2003-04	\$2,849	\$4,058	(\$2,863)	\$4,044

8. PROPOSITION 218

In November 1996, voters approved the "Right to Vote on Taxes Act" (Proposition 218), which limits the District's ability to levy additional property-related benefit assessments without owner approval. In September 1998, the Board approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218. The District's existing benefit assessments are exempt under Proposition 218. However, any future increases to property-related benefit assessments may be subject to property owner approval.

9. SUBSEQUENT EVENTS

State Water Resources Control Board

On September 3, 2003, the Board authorized the settlement of a lawsuit on behalf of the District against the State Water Resources Control Board and the Regional Water Quality Control Board that challenged the adoption of total maximum daily loads (TMDLs) which set a discharge limit of zero trash in the Los Angeles River and Ballona Creek and Wetland. However, that settlement was effectively made void as a result of a tentative judicial order that required the State to redraft the TMDL discharge limit requirements. The State subsequently filed an appeal challenging

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

9. SUBSEQUENT EVENTS- Continued

the judicial order; the case is currently under consideration by the appeals court. The TMDL requirements cited in the lawsuit for the Los Angeles River and Ballona Creek and Wetland are only a small portion (of the 92 TMDL requirements) with which the District will soon need to comply. Currently, there are five TMDLs in effect in the County, at least two TMDLs are expected to become effective in 2005, and several more are being developed by the Regional Board. The District is currently taking measures to comply with the current and forthcoming TMDL requirements. The overall financial impact of these programs on the District will be significant.

San Gabriel Dam and Reservoir Post-Fire Sediment Removal

On October 21, 2003, the Board approved a project and adopted the plans to address the sediment removal related to the 2002 fire damage in the Angeles National Forest. On March 16, 2004, the Board awarded a \$34,170,000 five-year contract for the sediment removal project. The District funded \$10 million of the contract in Fiscal Year 2003-04 and will fund the remainder of the contract over the next 3 ½ to 5 years.

State Budget

The State's final budget for Fiscal Year 2004-05 includes a \$1.3 billion annual diversion of local property tax revenues for the benefit of the State General Fund. The District will be diverting \$5.9 million annually in property tax revenues to the State for the next two fiscal years beginning with Fiscal Year 2004-05. This diversion is part of a broader agreement that was on the November 2004 Statewide Ballot as Proposition 1A. The proposition was approved in the November 2004 election and, along with the diversion provision, it also provides for limits on future State diversions of property taxes. At this time, the impact of further State budget curtailments and their impact to the District have not been determined.

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND AND DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	GENERAL FUND				DEBT SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:								
Taxes	\$ 63,326	\$ 68,190	\$ 69,036	\$ 846	\$ 2,846	\$ 2,846	\$ 3,802	\$ 956
Licenses and permits	550	550	231	(319)				
Fines, forfeitures, and penalties	1,318	1,318	2,763	1,445	14	14	39	25
Interest/Investment income	5,000	5,000	1,452	(3,548)	57	57	48	(9)
Rents and royalties	8,181	8,181	6,802	(1,379)				
Intergovernmental revenues:								
Federal	12,563	12,563	5,240	(7,323)				
State	4,169	4,169	1,695	(2,474)				
Other	1,752	1,752	2,396	644				
Charges for services	110,927	110,927	111,392	465				
Miscellaneous	210	210	1,554	1,344				
TOTAL REVENUES	207,996	212,860	202,561	(10,299)	2,917	2,917	3,889	972
EXPENDITURES:								
Current - public protection:								
Services and supplies	184,395	183,813	180,513	(3,300)				
Other charges	21,303	21,071	20,482	(589)				
Capital assets	21,937	22,751	3,455	(19,296)				
Debt Service:								
Principal					4,803	4,803	4,803	
Interest					485	485	485	
TOTAL EXPENDITURES	227,635	227,635	204,450	(23,185)	5,288	5,288	5,288	
REVENUES OVER/(UNDER) EXPENDITURES	(19,639)	(14,775)	(1,889)	12,886	(2,371)	(2,371)	(1,399)	972

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND AND DEBT SERVICE FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2004 (in thousands)

	GENERAL FUND				DEBT SERVICE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
OTHER FINANCING SOURCES (USES):								
Sales of fixed assets	\$ 150	\$ 150	\$ 708	\$ 558				
Transfers out	(2,118)	(2,118)	(1,306)	812				
Long-term debt proceeds	10,152	10,152		(10,152)				
Appropriation for contingencies	(1,131)	(5,995)		5,995	\$ (109)	\$ (109)		\$ 109
Changes in reserves and designations			5,003	5,003	1,041	1,041	1,041	
OTHER FINANCING SOURCES (USES)-NET	7,053	2,189	4,405	2,216	932	932	1,041	109
NET CHANGE IN FUND BALANCE	(12,586)	(12,586)	2,516	15,102	(1,439)	(1,439)	(358)	1,081
FUND BALANCE, JULY 1, 2003	12,586	12,586	12,586		1,439	1,439	1,439	
FUND BALANCE, JUNE 30, 2004	\$ -	\$ -	\$ 15,102	\$ 15,102	\$ -	\$ -	\$ 1,081	\$ 1,081

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

In accordance with the provisions of Section 29000-29144 of the State's Government Code, commonly known as the County Budget Act, a District budget must be adopted on or before August 30 for each fiscal year. Budgets are adopted for the General Fund and the Debt Service Fund on a basis of accounting which is different from generally accepted accounting principles (GAAP). Note 2 indicates specific differences between the two bases of accounting as of June 30, 2004. The major areas of difference are as follows:

- Under the budgetary basis, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the District 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.
- Under the budgetary basis, encumbrances and other reserves are also recorded as other financing uses at the time they are established. For encumbrances, this occurs at the time contracts or purchase agreements are entered into. Under the GAAP basis, these obligations are only recognized when goods are received or services are rendered. Other reserves are also recognized as other financing uses to indicate that certain assets are not available for appropriation. Cancellations of encumbrances and other fund balance reserves are recorded as other financing sources for budgetary purposes.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- Under the GAAP basis, investment income includes the effect of changes in the fair value of investment. Under the budgetary basis, investment income is recognized prior to the effect of such fair value changes.

Expenditures are controlled at the object level for all District budgets, except for fixed asset expenditures, which are controlled at the subobject level. Expenditures did not exceed the related appropriations within any fund at June 30, 2004.

Encumbrances are set aside appropriations related to purchase orders or contracts for goods or services and are recorded to assure budgetary control and accountability in the General Fund and Capital Projects Fund. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately expected to result if the unperformed purchase orders or contracts in process at year-end are completed. Encumbrances outstanding at year-end do not

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-Continued

1. BUDGETARY DATA-Continued

constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balances for subsequent year expenditures (see Note 2).

Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance as provided for in the County Budget Act.

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP

The District's Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual on Budgetary Basis for the 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 (GAAP) of accounting and differ from the amounts presented on the budgetary basis of accounting. The following schedule is a reconciliation of the budgetary and GAAP basis fund balances as of June 30, 2004 (in thousands):

	General Fund	Debt Service Fund
Fund Balance – Budgetary Basis	\$ 15,102	\$1,081
Reserves and Designations	109,997	2,206
Subtotal	125,099	3,287
Adjustments:		
Change in Accounts Payable Accruals	(2,538)	
Change in Revenue Accruals	(4,816)	(17)
Fund Balance – GAAP Basis	\$117,745	\$3,270



APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF
THE PRINCIPAL LEGAL DOCUMENTS**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Sale Agreement, Installment Purchase Agreement and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2005A Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

“2005A Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to the 2005A Supplement.

“2005A Project” means those certain additions, betterments, extensions and improvements to the District’s Property, which shall be part of the Project and the Property.

“2005A Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms of the 2005A Supplement as provided in the 2005A Supplement.

“2005A Supplement” means the 2005A Supplement to Installment Purchase Agreement, dated as of June 1, 2005 by and between the District and the Authority.

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Additional Bonds” means bonds issued pursuant to the Indenture other than the Series 2003A Bonds and Series 2005A Bonds.

“Additional Payments” means the payments to be made by the District pursuant to the Installment Purchase Agreement provisions described under the heading “INSTALLMENT PURCHASE AGREEMENT--Additional Payments” below.

“Assessment Debt Service” means, for any Bond Year, with respect to all Assessment Revenue Obligations, Parity Obligations and Contracts the sum of (1) the interest accruing during such Bond Year on all outstanding Assessment Revenue Obligations and Parity Obligations assuming that all outstanding serial Assessment Revenue Obligations and Parity Obligations are retired as scheduled and that all outstanding term Assessment Revenue Obligations and Parity Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Assessment Revenue Obligations or Parity Obligations, as applicable), (2) that portion of the principal amount of all outstanding serial Assessment Revenue Obligations and Parity Obligations maturing on the next succeeding principal payment date that would have accrued during such Bond Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Assessment Revenue Obligations and Parity Obligations required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Bond Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Bond Year if such Installment Payments were deemed to accrue daily in equal amounts from, in

each case, the next preceding payment date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that if any of such Assessment Revenue Obligations or Parity Obligations or if the Installment Payments due under any of such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Assessment Revenue Obligations or Parity Obligations or such Contracts, for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the average variable interest rate borne over the preceding twelve (12) months by Outstanding Assessment Revenue Obligations, Parity Obligations or Contracts bearing interest payable pursuant to a variable interest rate formula, except that if no such Assessment Revenue Obligations, Parity Obligations or Contracts are Outstanding, shall be assumed to be the average rate quoted in The Bond Buyer 25 Revenue Bond Index over the preceding twelve (12) months, or such successor or replacement index comparable to that to be utilized in determining the interest rate for the indebtedness then proposed to be issued; provided that Assessment Debt Service on Parity Obligations and Contracts shall only include that portion of Assessment Debt Service on Parity Obligations and Contracts required to be paid from Assessment Revenue to the extent Taxes will not be available in an amount sufficient therefor.

“Assessment Revenue Obligation” shall have the meaning set forth for such term under the heading “INSTALLMENT PURCHASE AGREEMENT – Additional Obligations” below.

“Assessment Revenue” means the revenues derived from any benefit assessment imposed by the District.

“Board of the District” means the Board of Supervisors of the District.

“Bond Insurers” means the Series 2003A Bond Insurer, the Series 2005A Bond Insurer, if any, and any issuer of a municipal bond insurance policy with respect to Additional Bonds.

“Bonds” means the Series 2003A Bonds, the Series 2005A Bonds and any Additional Bonds authorized by the Indenture and at any time Outstanding.

“Bond Year” means a twelve-month period ending on March 1 pursuant to which Installment Payments are calculated.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) any day on which an Bond Insurer or banks located in the cities in which the Principal Corporate Trust Office of the Trustee are located, are not required or authorized to be closed or (iii) any day on which the New York Stock Exchange is closed.

“Certification” or “Request” means, with respect to the District, an instrument in writing signed on behalf of the District by the Assistant Deputy Director of Public Works, Finance, of the District or another official designated by the Treasurer and Tax Collector of the District and authorized by such Treasurer and Tax Collector to act on behalf of the District under or with respect to the Indenture or the Installment Purchase Agreement and all other agreements related thereto and, with respect to the Authority, an instrument in writing signed on behalf of the Authority by the Assistant Deputy Director of Public Works, Finance, of the District or another official designated by the Treasurer of the Authority and authorized by such Treasurer to act on behalf of the Authority under or with respect to the Indenture or the Installment Purchase Agreement and all other agreements related thereto.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the District and the Authority delivered with respect to the Series 2005A Bonds.

“Construction Fund” means the fund by that name established pursuant to the Indenture.

“Contracts” means the Installment Purchase Agreement and all other installment or revenue payment contracts of the District authorized and executed by the District under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from both Taxes and Assessment Revenue on a parity with the payment of the Installment Payments under the Installment Purchase Agreement.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District or the Authority and related to the authorization, execution and delivery of the Installment Purchase Agreement and the Indenture and the related sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the financial advisor, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original sale, execution and delivery of the Bonds.

“Debt Service” means, for any Bond Year, the sum of (1) the interest accruing during such Bond Year on all outstanding Parity Obligations, assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Parity Obligations), (2) that portion of the principal amount of all outstanding serial Parity Obligations maturing on the next succeeding principal payment date that would have accrued during such Bond Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Parity Obligations required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Bond Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Bond Year if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding payment date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that if any of such Parity Obligations or if the Installment Payments due under any of such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Parity Obligations or such Contracts, for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the average variable interest rate borne over the preceding twelve (12) months by Outstanding Parity Obligations or Contracts bearing interest payable pursuant to a variable interest rate formula, except that if no such Parity Obligations or Contracts are Outstanding, shall be assumed to be the average rate quoted in The Bond Buyer 25 Revenue Bond Index over the preceding twelve (12) months, or such successor or replacement index comparable to that to be utilized in determining the interest rate for the indebtedness then proposed to be issued.

“Defeasance Securities” means (1) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”); (2) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities; (3) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book entry form; (4) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P (if however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition); (5) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (a) U.S. Export-Import Bank (Direct obligations or fully guaranteed certificates of beneficial ownership); (b) Farmers Home Administration (Certificates of beneficial ownership); (c) Federal Financing Bank; (d) General Services Administration (Participation certificates); (e) U.S. Maritime Administration (Guaranteed Title XI financing) and (f) U.S. Department of Housing and Urban Development (Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds).

“Deposit Date” means the immediately preceding February 1 for each March 1 Interest Payment Date and the immediately preceding August 1 for each September 1 Interest Payment Date, commencing August 1, 2003.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

“Fitch” means Fitch Ratings, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Authority, with the approval of the District, by notice to the Bond Insurers and the Trustee.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District.

“Installment Payment Fund” means the fund by that name established pursuant to the Indenture.

“Installment Purchase Agreement Event of Default” means an event described under the heading “INSTALLMENT PURCHASE AGREEMENT – Installment Purchase Agreement Events of Default.”

“Interest Fund” means the fund by that name established pursuant to the Indenture.

“Law” means the Los Angeles County Flood Control District Act (California Water Code, Chapter 28) and all laws amendatory thereof or supplemental thereto.

“Maximum Annual Assessment Debt Service” means, with respect to Assessment Obligations, the greatest total Assessment Debt Service, payable in any Bond Year during the period commencing with the next ensuing Bond Year and terminating with the Bond Year in which payments are due under the last outstanding Assessment Obligation.

“Maximum Annual Parity Debt Service” means, with respect to Parity Obligations and Contracts, Assessment Obligations or Tax Obligations, the greatest total Parity Debt Service, Assessment Debt Service or Tax Debt Service, as applicable, payable in any Bond Year during the period commencing with the next ensuing Bond Year and terminating with the Bond Year in which payments are due under the last outstanding Parity Obligations and Contract, Assessment Obligation or Tax Obligation, as applicable.

“Maximum Annual Tax Debt Service” means, with respect to Tax Obligations, the greatest total Tax Debt Service payable in any Bond Year during the period commencing with the next ensuing Bond Year and terminating with the Bond Year in which payments are due under the last outstanding Tax Obligation.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Authority, with the approval of the District, by notice to the Bond Insurers and the Trustee.

“Net Proceeds” means the proceeds from insurance or from actual or threatened condemnation or eminent domain actions with respect to the Property or any part thereof, less any costs reasonably expended by the District to receive such proceeds.

“Obligations” means all Parity Obligations, Contracts, Assessment Revenue Obligations and Tax Obligations.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the District.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except —

- (1) Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and
- (3) Bonds in lieu of and in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under the Indenture.

“Owner” means the registered owner of any Bond.

“Parity Debt Service” means, for any Bond Year, with respect to all Obligations, the sum of (1) the interest accruing during such Bond Year on all outstanding Obligations, assuming that all outstanding serial Obligations are retired as scheduled and that all outstanding term Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Obligations), (2) that portion of the principal amount of all outstanding serial Obligations maturing on the next succeeding principal payment date that would have accrued during such Bond Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, and (3) that portion of the principal amount of all outstanding term Obligations required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Bond Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be; provided, that if any of such Obligations bear interest payable pursuant to a variable interest rate formula, the interest rate on such Obligations, for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the average variable interest rate borne over the preceding twelve (12) months by Outstanding Obligations bearing interest payable pursuant to a variable interest rate formula, except that if no such Obligations are Outstanding, shall be assumed to be the average rate quoted in The Bond Buyer 25 Revenue Bond Index over the preceding twelve (12) months, or such successor or replacement index comparable to that to be utilized in determining the interest rate for the indebtedness then proposed to be issued.

“Parity Obligations” means all obligations of the District authorized, executed, issued and delivered by the District under and pursuant to applicable law, the interest and principal and redemption premium, if any, payments under and pursuant to which are payable from both Taxes and Assessment Revenue on a parity with the payment of the Installment Payments.

“Parity Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts.

“Permitted Investments” means, if and to the extent permitted by law and by any policy guidelines promulgated by the Authority:

- (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

- (2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself); U.S. Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration (certificates of beneficial ownership), Federal Financing Bank, General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), U.S. Department of Housing and Urban Development (project notes, local authority bonds, new communities debentures-U.S. government guaranteed debentures, U.S. public

housing notes and bonds-U.S. government guaranteed public housing notes and bonds), Government National Mortgage Association (GNMA-guaranteed mortgage-backed bonds, GNMA-guaranteed pass-through obligations), and Federal Housing Administration Debentures;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): Federal Home Loan Bank System (senior debt obligations), Federal Home Loan Mortgage Corporation (“FHLMC”) (participation certificates, senior debt obligations), Federal National Mortgage Association (“FNMA”) (mortgage-backed securities and senior debt obligations), Student Loan Marketing Association (senior debt obligations), Resolution Funding Corp. (obligations) or Farm Credit System (consolidated system-wide bonds and notes);

(4) bonds or notes issued by any state or municipality which are rated by S&P and Moody’s in one of the two highest rating categories assigned by such agencies;

(5) repurchase agreements that are either (i) fully flexible with withdrawal permitted on not more than three days notice; or (ii) with a term not in excess of 30 days, and in each case with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated “A” or better by S&P and Moody’s, provided that (a) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (b) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (c) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, (d) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States; (e) the repurchase securities are free and clear of any third-party lien or claim; and (f) there shall have been delivered to the Trustee, the Authority, the District and the Bond Insurers an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds; or (iii) any other repurchase agreement acceptable to the Bond Insurers;

(6) investment agreements, including guaranteed investment contracts (“GICs”), forward purchase agreements and reserve fund put agreements acceptable to the Bond Insurers;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAA-m; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee on behalf of the Owners has a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(10) commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P;

(11) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A-3” or better by Moody’s and “A-1” or “A” or better by S&P;

(12) obligations of a bank or other financial institution rated at least “Aa3” by the Rating Agencies; and

(13) any other investments approved in writing by the Authority and the Bond Insurers, provided that such investment does not adversely affect the ratings of any Rating Agency then rating the Bonds.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee in Los Angeles, California or such other place as the Trustee designates in writing to the Authority, the District and the Owners.

“Principal Fund” means the fund by that name established pursuant to the Indenture.

“Project” means those certain additions, betterments, extensions or improvements to the District’s Property, including the 2005A Project, the acquisition, design, construction, improvement and installation of which is to be paid for by the proceeds of any Additional Bonds, as set forth or as provided in a supplement to the Installment Purchase Agreement executed in connection with such Additional Bonds.

“Property” means the real property of the District described in the Installment Purchase Agreement, and the personal property located thereon and the Project and 2005A Project.

“Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority, including the 2005A Purchase Price, under the terms of the Installment Purchase Agreement as provided in the Installment Purchase Agreement.

“Rating Agencies” means Fitch, Moody’s and S&P; provided, however, that if either of Fitch or Moody’s does not rate investments or obligations of a type described in any of classes (1) through (13) of the definition of “Permitted Investments,” a rating by such entity shall not be required.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Record Date” means, with respect to each Interest Payment Date, the fifteenth day of the calendar month prior to the applicable Interest Payment Date.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Revenues” means the revenues pledged under the provisions of the Installment Purchase Agreement described under the heading “INSTALLMENT PURCHASE AGREEMENT—Pledge of Revenues” below.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or Moody’s) designated by the Authority, with the approval of the District, by notice to the Bond Insurers and the Trustee.

“Series 2005A Rebate Requirement” means the Rebate Requirement defined in the Series 2005A Tax Certificate.

“Series 2005A Tax Certificate” means that tax certificate and agreement executed by the Authority and the District at the time of the execution and delivery of the Series 2005A Bonds relating to the requirements of Section 148 of the Code, as such certificate may be amended or supplemented.

“State” means the State of California.

“Supplemental Indenture” means any supplement to the Indenture then in full force and effect which has been duly executed and delivered by the Authority, the District and the Trustee amendatory of or supplemental to the Indenture; but only if and to the extent such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Debt Service” means, for any Bond Year, with respect to all Tax Obligations, Parity Obligations and Contracts the sum of (1) the interest accruing during such Bond Year on all outstanding Tax Obligations and Parity Obligations assuming that all outstanding serial Tax Obligations and Parity Obligations are retired as scheduled and that all outstanding term Tax Obligations and Parity Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Tax Obligations or Parity Obligations, as applicable), (2) that portion of the principal amount of all outstanding serial Tax Obligations and Parity Obligations maturing on the next succeeding principal payment date that would have accrued during such Bond Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Tax Obligations and Parity Obligations required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Bond Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Bond Year if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding payment date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that if any of such Tax Obligations or Parity Obligations or if the Installment Payments due under any of such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Tax Obligations or Parity Obligations or such Contracts, for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the average variable interest rate borne over the preceding twelve (12) months by Outstanding Tax Obligations, Parity Obligations or Contracts bearing interest payable pursuant to a variable interest rate formula, except that if no such Tax Obligations, Parity Obligations or Contracts are Outstanding, shall be assumed to be the average rate quoted in The Bond Buyer 25 Revenue Bond Index over the preceding twelve (12) months, or such successor or replacement index comparable to that to be utilized in determining the interest rate for the indebtedness then proposed to be issued.

“Tax Obligations” shall have the meaning set forth for such term under the heading “INSTALLMENT PURCHASE AGREEMENT – Additional Obligations.”

“Taxes” means the District’s allocable portion of the 1% general, ad valorem taxes levied and received by the District.

THE SALE AGREEMENT

Purchase and Sale of the Property. The District agrees to sell, and by the Sale Agreement grants sells and conveys to the Authority, and the Authority agrees to purchase, and by the Sale Agreement purchases, from the District, the Property (as more particularly described in the Sale Agreement together with all improvements and personal property located thereon) at the sale price set forth in the Sale Agreement.

Ownership. The District covenants under the Sale Agreement that it is title owner of and holds title in fee simple to the Property.

Governing Law. The Sale Agreement provides that it is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

INSTALLMENT PURCHASE AGREEMENT

Purchase of the Property. The Authority agrees under the Installment Purchase Agreement to sell to the District and the District agrees under the Installment Purchase Agreement to purchase from the Authority, the Project at the Purchase Price set forth in the Installment Purchase Agreement (payable in installments in accordance with the Installment Purchase Agreement) and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Acquisition, Design, Construction, Improvement and Installation of the Project. The Authority by the Installment Purchase Agreement agrees to cause the Project to be acquired, designed, constructed, improved and installed by the District or its designee as its agent. The District shall enter into contracts and, as agent for the Authority, provide for the complete acquisition, design, construction, improvement and installation of the Project. The District by the Installment Purchase Agreement agrees that it will cause the acquisition, design, construction, improvement and installation of the Project to be diligently performed after the deposit of funds with the Trustee pursuant to the Indenture. It is by the Installment Purchase Agreement expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project in excess of the amount deposited in the Construction Fund and that all such excess costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Construction Fund are sufficient to cover all such costs and expenses.

Purchase Price.

(a) The Purchase Price to be paid by the District to the Authority is the sum of the principal amount of the District's obligations under the Installment Purchase Agreement plus the interest to accrue on the unpaid balance of such principal amount from the effective date of the Installment Purchase Agreement over the term of the Installment Purchase Agreement, subject to prepayment as provided in the Installment Purchase Agreement.

(b) The principal amount of the payments to be made by the District under the Installment Purchase Agreement is equal to the principal amount of the Bonds.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in the provisions of the Installment Purchase Agreement described under the heading "-- Installment Payments" below, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations under the Installment Purchase Agreement.

Installment Payments. The District shall, subject to any rights of prepayment provided in the Installment Purchase Agreement, pay the Authority the Purchase Price, without offset or deduction of any kind, in installment payments with interest and principal thereon, the interest components being due semiannually on the Interest Payment Dates and the principal components being due annually on March 1 in accordance with the Installment Purchase Agreement.

Notwithstanding anything contained in the Installment Purchase Agreement, the District shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Agreement. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Installment Payments is a special obligation of the District payable solely from the Revenues as provided in the Installment Purchase Agreement, and does not constitute a debt of the District, the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make the Installment Payments from Revenues is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Purchase Agreement). The District will not discontinue or suspend any Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Pledge of Revenues. The District agrees under the Installment Purchase Agreement to pledge, and by the Installment Purchase Agreement pledges, for payment of the Installment Payments under the Installment Purchase Agreement, in the following order of priority, (i) the Taxes, and (ii) to the extent the Taxes are insufficient to pay the Installment Payments in any fiscal year, the Assessment Revenue (collectively, the “Revenues”).

Application of Revenues.

(a) The District agrees under the Installment Purchase Agreement to pay the Purchase Price for the Property by making Installment Payments, which the District agrees to pay to the Trustee, for the benefit of the Authority, for deposit into the Installment Payment Fund held by the Trustee under the Indenture and which, in the aggregate, shall be in an amount sufficient for the payment in full of all obligations to the Owners of the Bonds from time to time Outstanding under the Indenture.

(b) The Installment Payments payable by the District under the Installment Purchase Agreement shall be due on March 1 and September 1 of each year. In order to secure its obligation to make Installment Payments, the District agrees and covenants that it shall deposit the Installment Payment next coming due with the Trustee on or before each Deposit Date, for application to the Installment Payment Fund. The District’s obligation to make such deposits shall be discharged to the extent of amounts already on deposit in the Installment Payment Fund immediately prior to the deposit to be made on the Deposit Date and which are available to pay interest or principal, respectively, with respect to the Bonds on the next Interest Payment Date.

Additional Obligations.

(a) The District shall not at any time issue any obligation the payments under and pursuant to which or execute any agreement the payments under which and pursuant to which, as the case may be, are secured from the Taxes or the Assessment Revenues on a basis senior to the payment by the District of the Installment Payments.

(b) The District may at any time issue any Parity Obligations the payments under and pursuant to which or execute any Contract the Parity Payments under and pursuant to which, as the case may be, are payable on a parity with the payment by the District of the Installment Payments as provided in the Installment Purchase Agreement; provided, the sum of Taxes and Assessment Revenue for any period of twelve (12) consecutive calendar months next preceding the date of the adoption by the Board of the District of the resolution authorizing the issuance of such Parity Obligations or the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and either a Certification of the District or a special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least the Maximum Annual Parity Debt Service on all Obligations to be outstanding after the issuance of such Parity Obligations or the execution of such Contract, as the case may be.

(c) The District may at any time issue any obligations the payments under and pursuant to which or execute any installment sale or purchase agreement the payments under and pursuant to which, as the case may be, are secured by a pledge of the Assessment Revenue (“Assessment Revenue Obligations”) on a parity with the pledge by the District of the Assessment Revenue to the payment of the Installment Payments as provided in the Installment Purchase Agreement; provided, the Assessment Revenue for any period of twelve (12) consecutive calendar months next preceding the date of the adoption by the Board of the District of the resolution authorizing the issuance of such Assessment Revenue Obligations, as evidenced by both a calculation prepared by the District and either a Certification of the District or a special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least the Maximum Annual Assessment Debt Service on all Assessment Revenue Obligations, Parity Obligations and Contracts outstanding after the issuance of such Assessment Revenue Obligations.

(d) The District may at any time issue any obligations the payments under and pursuant to which or execute any installment sale or purchase agreement the payments under and pursuant to which, as the case may be, are secured by a pledge of the Taxes (“Tax Obligations”) on a parity with the pledge by the District of the Taxes to the payment of the Installment Payments as provided in the Installment Purchase Agreement; provided, the Taxes for any period of twelve (12) consecutive calendar months next preceding the date of the adoption by the Board of the District of the resolution authorizing the issuance of such Tax Obligations, as evidenced by both a calculation

prepared by the District and either a Certification of the District or a special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least the Maximum Annual Tax Debt Service on all Tax Obligations, Parity Obligations and Contracts Outstanding after the issuance of such Tax Obligation.

(e) Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the District to (i) execute any agreement evidencing any Parity Obligations or Contracts, Assessment Revenue Obligations or Tax Obligations at any time to refund any outstanding Parity Obligations or Contracts, Assessment Revenue Obligations or Tax Obligations, as applicable, or (ii) execute any contract or issue any obligations which are payable from Taxes, Assessment Revenue, or both on a subordinate basis to the payment by the District of the Installment Payments.

Additional Payments. In addition to the Installment Payments the District shall pay to the Authority, or the Trustee, as applicable, as Additional Payments under the Installment Purchase Agreement such amounts in each year as shall be required by the Authority for the payment in full of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Installment Purchase Agreement and of the Indenture, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority in connection with the Installment Purchase Agreement and the Indenture, the fees, costs and expenses of the Trustee in connection with the Bonds, all expenses and interest payable by the Authority to the Bond Insurer or any other document to the extent not otherwise paid pursuant to the Installment Purchase Agreement and all taxes, assessments and governmental charges of any nature whatsoever hereafter levied or imposed by any governmental authority against the Property or the Installment Payments and the other payments required to be made by the District under the Installment Purchase Agreement. Such Additional Payments shall be billed to the District by the Authority or Trustee from time to time, together with a statement certifying that the amount so billed has been paid by the Authority for one or more of the items above described, or that such amount is then payable by the Authority for one or more of such items, and all amounts so billed shall be due and payable by the District to or upon the order of the Authority within thirty (30) days after receipt of the bill by the District. The District by the Installment Purchase Agreement consents to and agrees to pay, as Additional Payments, directly to the Trustee, within thirty (30) days of a receipt of a bill therefore, the fees and expenses of the Trustee payable under the Indenture.

Rate Covenant. The District by the Installment Purchase Agreement covenants that it shall determine annually the costs of the services that are financed by the benefit assessment imposed by the District and that it shall determine and impose assessments (taking into account principal, interest and other obligations owed) in an amount that is sufficient to pay the maximum Installment Payments payable in any fiscal year plus maximum annual debt service requirements for any indebtedness secured on a pari passu basis with the Installment Payments.

Compliance with Installment Purchase Agreement and Ancillary Agreements. Subject to certain provisions of the Installment Purchase Agreement, the District will punctually pay the Installment Payments in strict conformity with the terms of the Installment Purchase Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Installment Purchase Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Installment Purchase Agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of God, tempest, storm, earthquake, war, terrorism, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Installment Purchase Agreement and the Indenture that, subject to the right of the Authority to assign its rights under the Installment Purchase Agreement, each of the agreements, conditions,

covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the Property by the District pursuant to, and in accordance with, and as authorized under the Law.

Use of Proceeds of Series 2005A Bonds. The District and the Authority agree that the proceeds of the Series 2005A Bonds in an amount associated with the principal components of the Installment Payments payable under the 2005A Supplement will be used by the District, as agent for the Authority, to finance the acquisition, design, construction, improvement and installation of the 2005A Project and to establish the Costs of Issuance Fund under the Indenture.

Against Encumbrances. The District will not make any pledge of or place any lien on any of the Revenues, except as provided in the Installment Purchase Agreement.

The District will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District, in, upon, about or relating to the Property and will keep the Property free of any and all liens against any portion of the Property or the Authority's interest therein. In the event any such lien attaches to or is filed against any portion of the Property or the Authority's interest therein, the District will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the District desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the District will forthwith pay or cause to be paid and discharged such judgment. The District will, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Property or the Authority's interest therein.

Tax Covenants. The District and the Authority by the Installment Purchase Agreement covenant that it shall comply with the tax covenants and agreements set forth in the Indenture as if such provisions were set forth at length in the Installment Purchase Agreement.

Prompt Acquisition, Design, Construction, Improvement and Installation of the Project. The District will take all necessary and appropriate steps to acquire, design, construct, improve and install the Project, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Maintenance and Operation of the Property; Budget; Insurance.

(a) The District will maintain and preserve under the Installment Purchase Agreement the Property in good repair and working order at all times and will operate the Property in an efficient and economical manner and will pay all costs of maintaining and operating the Property as they become due and payable.

(b) The District shall determine under the Installment Purchase Agreement annually the costs of the services that are financed by the benefit assessment imposed by the District and that it shall determine and impose assessments (taking into account the Taxes receivable and principal, interest and other obligations owed) in an amount that is sufficient to pay the maximum Installment Payments payable in any fiscal year plus Maximum Annual Debt Service requirements for any indebtedness secured on a pari passu basis with the Installment Payments.

(c) The District shall take under the Installment Purchase Agreement such actions as may be necessary to include all Installment Payments and Additional Payments due under the Installment Purchase Agreement in its annual budgets and to make the necessary annual appropriations for all such Installment Payments and Additional Payments. The covenants on the part of the District in the Installment Purchase Agreement contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every official of the Districts to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the District to carry out and perform the covenants on the part of the District contained in the Installment Purchase Agreement.

(d) The District agrees under the Installment Purchase Agreement that it will secure and maintain, insurance including but not limited to casualty and title insurance, covering such risks and in such amounts as, in its judgment, are adequate to protect it and its properties and operations, including the Project. The District shall annually deliver to the Trustee a certificate to the effect that the insurance required pursuant to the Installment Purchase Agreement is in effect.

Compliance with Contracts. The District agrees under the Installment Purchase Agreement to comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Property and all other contracts affecting or involving the Property to the extent that the District is a party thereto.

Accounting Records; Financial Statements and Other Reports.

(a) The District agrees under the Installment Purchase Agreement to keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Property and the Project, which records shall be available for inspection by the Authority and the Trustee (who shall have no duty to so inspect) at reasonable hours and under reasonable conditions.

(b) The District agrees under the Installment Purchase Agreement to prepare and file with the Trustee, as a supplement to the financial statements of the County, annually within ten (10) months after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2005), financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no duty to review such financial statements.

Payment of Taxes and Compliance with Governmental Regulations. The District agrees under the Installment Purchase Agreement to pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Property or any part thereof when the same shall become due. The District agrees under the Installment Purchase Agreement to duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Property or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Insurance; Eminent Domain Proceeds. If all or any part of the Property shall be taken by eminent domain proceedings or the District shall receive proceeds of any insurance, including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof, the Net Proceeds thereof shall be applied, at the option of the District, to the prepayment of the Installment Payments as provided in the Installment Purchase Agreement or shall be used to substitute other components for the condemned components of the Property pursuant to a supplement to the Installment Purchase Agreement.

Acquisition of Bonds by District. All Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered by the District to the Trustee for cancellation pursuant to the Indenture.

Further Assurances. The District agrees under the Installment Purchase Agreement to adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Installment Purchase Agreement and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Installment Purchase Agreement.

Prepay. The District may prepay, from the Net Proceeds as provided in the Installment Purchase Agreement, all or any part (in integral multiples of \$5,000) of the principal components of the unpaid Installment Payments in such order of payment dates as shall be selected by the District on any date at a prepayment price equal to the sum of the principal components prepaid plus, accrued interest thereon to the date of prepayment.

(b) The District may prepay, from any source of available funds, all or any portion of the principal components of the unpaid 2005A Installment Payments becoming due on or after March 1, 2016, as a whole or in

part (in integral multiples of \$5,000) in such order of payment dates as shall be selected by the District, on any date on or after March 1, 2015, at prepayment price of the principal amount represented by the principal components of 2005A Installment Payments to be prepaid, together with accrued interest to the date of prepayment.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations under the 2005A Supplement until the 2005A Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

Method of Prepayment. Before making any prepayment pursuant to the foregoing prepayment provisions, the District shall give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than thirty (30) nor more than seventy-five (75) days from the date such notice is given.

Installment Purchase Agreement Events of Default. If one or more of the following Installment Purchase Agreement Events of Default shall happen—

(1) if default shall be made in the due and punctual payment of any Installment Payment when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required in the Installment Purchase Agreement to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority or the Trustee; or

(3) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Remedies in General. Upon the occurrence and during the continuance of any Installment Purchase Agreement Event of Default under the Installment Purchase Agreement, the Authority, at its option, may take such action as it deems necessary or appropriate including, without limitation, any of the following remedial steps:

(a) Declare all Installment Payments to be due and payable immediately.

(b) Exercise any or all rights and remedies given by the Installment Purchase Agreement or available under the Installment Purchase Agreement or given by or available under any other instrument of any kind securing the District's performance under the Installment Purchase Agreement.

(c) Take any action at law or in equity to collect the payments required under the Installment Purchase Agreement then due, for damages or for specific performance or otherwise to enforce performance and observance of any obligations, agreement or covenant of the District under the Installment Purchase Agreement.

Any such action by the Authority, however, is subject to the condition that if, at any time after such action and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all Installment Payments, the payment of which is overdue, with interest on such overdue principal component of such overdue Installment Payments at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Authority with respect to the Bonds (other than in the payment of the Installment Payments due and payable solely by reason of such action) shall have been made good or cured to the satisfaction of the Authority or provisions deemed by the Authority to be adequate shall have been made therefor, then, and in every such case, the Authority may, rescind and annul such action and its consequences and waive such default; but no such rescission

and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All moneys in the Installment Payment Fund upon the date of the declaration of acceleration by the Authority as provided in the Installment Purchase Agreement and all moneys thereafter received shall be applied in the following order –

First, to the payment of the costs and expenses of the Authority if any, in carrying out the provisions of the Installment Purchase Agreement relating to Installment Purchase Agreement Events of Default and remedies, including reasonable compensation to its agents, accountants and counsel and costs and expenses, including any indemnification expenses, of the Trustee;

Second, to the payment of the interest components on the entire principal components of the unpaid Installment Payments, and, if the amount available shall not be sufficient to pay in full any such interest components coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal components of the Installment Payments which have become due, whether on the due date or upon prepayment, in the order of the due dates of each Installment Payment, with interest on the overdue principal and interest components of the unpaid Installment Payments to be paid at the rate or rates of interest then applicable to such Installment Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Installment Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal component due on such date, without any discrimination or preference.

Non-Waiver. Nothing in any other provision of the Installment Purchase Agreement shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates or upon prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Installment Purchase Agreement.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the Law or by the Installment Purchase Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Installment Purchase Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Installment Purchase Agreement or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Discharge of Obligations.

(a) If the District shall pay or cause to be paid all the Installment Payments at the times and in the manner provided in the Installment Purchase Agreement, the right, title and interest of the Authority in the Installment Purchase Agreement and the obligations of the District under the Installment Purchase Agreement shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal components of Installment Payments in integral multiples of \$5,000 shall on their payment dates or dates of prepayment be deemed to have been paid within the meaning of and with the effect expressed in the foregoing paragraph (a) if the District pays such Installment Payments and the prepayment premium, if applicable, in the manner provided in the Installment Purchase Agreement.

(c) All or any portion of unpaid principal components of Installment Payments in integral multiples of \$5,000 shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in the foregoing paragraph (a) if (i) notice is provided by the District to the Trustee as required by the Indenture, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form), the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the Installment Payments on and prior to their payment dates or their dates of prepayment, as the case may be and the accrued interest thereon and prepayment premiums, if applicable, on such Installment Payments, and (iii) an opinion of nationally recognized bond counsel is filed with the Trustee to the effect that the action taken pursuant to this paragraph (c) will not cause the interest component on the Installment Payments so paid to be includable in gross income for federal income tax purposes.

(d) After the payment of all Installment Payments and any applicable prepayment premium as provided in the foregoing, and payment of the fees and expenses of the Trustee, the Trustee, upon request of the District, shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and the Authority and shall execute and deliver to the District and the Authority all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over and deliver to the District, as an overpayment of Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Installment Payments and shall be applied by the Trustee pursuant to the Indenture.

Amendments.

(a) The Installment Purchase Agreement, and the rights and obligations of the Authority and the District under the Installment Purchase Agreement, may be amended at any time by an amendment thereto which shall become binding upon execution by the Authority and the District, but only with the prior written consent of the Owners of a majority of the principal evidenced by the Bonds then Outstanding, provided that no such amendment shall (i) extend the payment date of any Installment Payments, reduce the interest component or principal component of any Installment Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected or, (ii) reduce the percentage of the principal evidenced by the Bonds the consent of the Owners of which is required for the execution of any amendment of the Installment Purchase Agreement.

(b) The Installment Purchase Agreement, and the rights and obligations of the District and the Authority under the Installment Purchase Agreement, may also be amended at any time by an amendment thereto which shall become binding upon execution by the District and the Authority without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the District to be observed or performed in the Installment Purchase Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the District, or to surrender any right or power reserved in the Installment Purchase Agreement to or conferred in the Installment Purchase Agreement on the Authority or the District, and which in either case shall not materially adversely affect the interests of the Bond Insurer or the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Installment Purchase Agreement or in regard to questions arising under the Installment Purchase Agreement which the Authority or the District may deem

desirable or necessary and not inconsistent with the Installment Purchase Agreement, and which shall not materially adversely affect the interests of the Bond Insurer or the Owners;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest components of Installment Payments;

(iv) to provide for the execution and delivery of Additional Bonds in accordance with the provisions of the Indenture or to provide for modification of the Project; or

(v) to make such other changes in the Installment Purchase Agreement or therein or modifications hereto as the Authority or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Bond Insurer or the Owners.

Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained in the Installment Purchase Agreement, expressed or implied, is intended to give to any person other than the District, the Authority or the Trustee any right, remedy or claim under or pursuant hereto, and any agreement or covenant required in the Installment Purchase Agreement to be performed by or on behalf of the District or the Authority shall be for the sole and exclusive benefit of the other party and the Trustee.

Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Authority is named or referred to in the Installment Purchase Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Authority, and all agreements and covenants required by the Installment Purchase Agreement to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, but nothing contained in the Installment Purchase Agreement shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement.

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required by the Installment Purchase Agreement to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity of the Installment Purchase Agreement. The District and the Authority by the Installment Purchase Agreement declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of the Installment Purchase Agreement irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of the Installment Purchase Agreement or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Assignment. The Installment Purchase Agreement and any rights under the Installment Purchase Agreement may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the District.

Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term of the Installment Purchase Agreement the Installment Payments and all other payments required under the Installment Purchase Agreement, free of any deductions and without abatement, diminution or set-off whatsoever.

California Law. The Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State of California.

INDENTURE

Denominations, Medium, Method and Place of Payment and Dating of Bonds. The Bonds shall be issued initially in the form of fully registered Bonds. The Series 2005A Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. Any Additional Bonds shall be issued as set forth in the Supplemental Indenture providing for such Additional Bonds. The interest on and principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America. The interest on the Bonds shall be payable on their respective Interest Payment Dates by check mailed by first class mail on the date such interest is due by the Trustee to the respective Owners thereof as shown in the books required to be kept by the Trustee pursuant to the provisions of the Indenture on the Record Date (except that in the case of an Owner of \$1,000,000 or greater in aggregate principal amount of Outstanding Bonds, such payment may, at such Owner's written request, be made by wire transfer of immediately available funds in accordance with instructions provided by such Owner to an account at a financial institution in the United States of America), and the principal of the Bonds shall be payable on their respective maturity dates or upon redemption prior thereto upon surrender thereof by the respective Owners thereof at the Principal Corporate Trust Office of the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest on and principal of such Bond shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability with respect to such Bond to the extent of the sum or sums so paid. All Bonds paid pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

The Series 2005A Bonds shall be dated their date of delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof by the Trustee, unless such date of authentication is on or after the sixteenth (16th) day of the month next preceding an Interest Payment Date, in which case they shall bear interest from such Interest Payment Date, or unless such date of authentication is on or prior to August 15, 2005, in which case they shall bear interest from their date of delivery.

Execution of Bonds. (a) The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of the Chairman of the Board of the Authority and attested by the facsimile or manual signature of its Secretary or Treasurer, or an Assistant Secretary or an Assistant Treasurer, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been executed and delivered, such Bonds may, nevertheless, be executed and delivered as in the Indenture provided, and may be issued as if the persons who signed and sealed such Bonds had not ceased to hold such offices. Any Bond may be signed and sealed on behalf of the Authority by such persons as at the time of the execution of such Bond shall be duly authorized or hold the proper office in the Authority, although at the date borne by such Bond such person may not have been so authorized or have held such office.

(b) The Bonds shall bear thereon a certificate of authentication, in the form set forth in the Indenture, executed by the Trustee. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Indenture, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Indenture and that the Owner thereof is entitled to the benefits of the Indenture.

Transfer and Exchange of Bonds. All Bonds are transferable or exchangeable by the Owner thereof, in person or by an agent duly authorized in writing by the Owner, at the Principal Corporate Trust Office of the Trustee in the books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds of authorized denominations of the same maturity date representing the same aggregate principal amount without charge to the Owner, except that the Trustee shall require the payment by any Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with

respect to such transfer or exchange. All Bonds surrendered pursuant to the provisions of this Section shall be cancelled by the Trustee and shall not be redelivered.

The Trustee shall not be required to transfer or exchange any Bond selected for redemption in whole or in part from and after the date that such Bond has been selected for redemption in whole or in part under the Indenture.

Bond Registration Books. The Trustee will keep at its office sufficient books for the registration of the ownership, transfer or exchange of the Bonds, which books shall be available for inspection by the Authority, the District or any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions during regular business hours; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of the Bonds in such books as provided in the Indenture. The ownership of any Bonds shall be proved by the books required to be kept by the Trustee pursuant to the provisions of the Indenture.

Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate and deliver definitive Bonds without delay, and in that case, upon demand of the Owner of any temporary Bonds, such definitive Bonds shall be exchanged without cost to such Owner for temporary Bonds at the office of the Trustee upon surrender of such temporary Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefit, protection and security under the Indenture as the definitive Bonds authenticated and delivered under the Indenture. All temporary Bonds surrendered pursuant to the provisions of the Indenture shall be cancelled by the Trustee and shall not be redelivered.

Bonds Mutilated Destroyed Lost or Stolen. If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like tenor and maturity date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated, and every mutilated Bond so surrendered to the Trustee shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee shall authenticate and deliver a new Bond of like tenor and maturity date in lieu of and in substitution for the destroyed, lost or stolen Bond. The Trustee may require payment from the Owner of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under the Indenture and of the expenses which may be incurred by it under the Indenture. Any replacement Bond authenticated and delivered under the provisions of the Indenture in lieu of and in substitution for any mutilated, destroyed, lost or stolen Bond shall be equally and proportionately entitled to the benefit, protection and security of the Indenture with all other Bonds authenticated and delivered under the Indenture; and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and the replacement Bond shall be treated as one and the same. Notwithstanding the foregoing provisions, rather than authenticating and delivering a new Bond for a mutilated, destroyed, lost or stolen Bond which has been called for redemption or the maturity date of which has occurred, the Trustee may make payment of the principal amount of such mutilated, destroyed, lost or stolen Bond directly to the Owner thereof under such regulations as the Trustee may prescribe upon receipt of indemnity satisfactory to the Trustee.

Costs of Issuance Fund. The Trustee shall deposit a portion of the proceeds of the Series 2005A Bonds in the Series 2005A Account in the Costs of Issuance Fund. All money in the Series 2005A Account of Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series 2005A Bonds upon receipt of a Request of the Authority filed with it, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and each of which shall be accompanied by an original invoice or invoices or a written certification from the Authority of the Authority's payment of an invoice when such requisition is in reimbursement thereof. On January 1, 2005, or upon the earlier Request of the Authority, any

remaining proceeds of the Series 2005A Bonds in the Series 2005A Account of the Costs of Issuance Fund shall be transferred to the Series 2005A Account of the Construction Fund.

Construction Fund. The Trustee by the Indenture agrees to establish and maintain a Construction Fund until all items constituting any Project have been acquired, designed, constructed, improved and installed by the District, or until the amounts therein are expended towards such acquisition, design, construction, improvement or installation and receipt of a Request of the District requesting the Construction Fund be closed. All money in the Construction Fund shall be applied by the Trustee as stated in a Request of the District as described below for the payment of the cost of the acquisition, design, construction, improvement or installation of the Project and the expenses incidental thereto (including reimbursement to the District for any such cost or expenses paid by it).

The Trustee shall deposit proceeds of the Series 2005A Bonds in the Series 2005A Account in the Construction Fund, which account the Trustee shall establish and maintain within the Construction Fund.

Except for the foregoing specified transfers, before any payment of money is made from the Construction Fund by the Trustee, the District shall file with the Trustee a Request of the District showing with respect to each payment of money to be made –(i) the name and address of the person to whom payment is due; (ii) the amount of money to be paid; and (iii) the purpose for which the obligation to be paid was incurred.

Each such Request of the District shall state and shall be sufficient evidence to the Trustee -- (i) that an obligation in the stated amount has been properly incurred by the District and that such obligation is a proper charge against the Construction Fund; and (ii) that there has not been filed with or served upon the District a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in such Request of the District which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

When the acquisition, design, construction, improvement and installation of all items constituting the Project have been completed, the District shall deliver to the Trustee a Certification of the District stating the fact and date of the completion of such acquisition, design, construction, improvement and installation and stating that all the costs of the acquisition, design, construction, improvement and installation and the expenses incidental thereto have been determined and paid (or that all such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Construction Fund is to be maintained in the full amount of such claim until such dispute is resolved as evidenced by a certification of the District).

The Trustee shall then transfer any remaining balance of money in the Construction Fund (but less the amount of any such retention) to the Installment Payment Fund, unless the District provides an Opinion of Counsel to the effect that another use of such moneys will not cause the interest on the Bonds to be included in the gross income of the Owners thereof for federal income tax purposes, in which case, such moneys may be expended by the District as provided in such opinion.

Assignment of Installment Payments. The Authority by the Indenture assigns to the Trustee for the benefit of the owners of the Bonds, without recourse, all its right, title and interest in the Installment Purchase Agreement, including (i) all its rights to receive the Installment Payments and all other payments scheduled to be paid by the District under and pursuant to the Installment Purchase Agreement, (ii) the right to take all actions and give all consents under the Installment Purchase Agreement, (iii) the right of access more particularly described in the Installment Purchase Agreement and (iv) all right, title and interest of the Authority in the funds and accounts (and the money and other property held therein) established pursuant to the Indenture or the Installment Purchase Agreement; provided, however, that the Authority shall retain the rights to indemnification and to payment or Additional Payments under the Installment Purchase Agreement. The assignment under the Indenture is to the Trustee solely in its capacity as Trustee under the Indenture and is subject to the provisions of the Indenture. The Trustee is not responsible for any representations, warranties or covenants of the Authority under the Installment Purchase Agreement.

All Installment Payments shall be paid directly by the District to the Trustee and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof. All Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms of the

Indenture and shall be deposited by it as and when received in the Installment Payment Fund, which fund the Trustee by the Indenture agrees to establish and maintain so long as any Bonds are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the District until deposited in the funds provided in the Indenture, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners. The District and the Authority by the Indenture pledge and grant a lien on and a security interest in the Installment Payment Fund to the Trustee for the benefit of the Owners.

Deposit of Money in the Installment Payment Fund. The Trustee shall deposit the money contained in the Installment Payment Fund at the following respective times in the following respective funds in the manner and in the priority hereinafter provided, each of which funds the Trustee by the Indenture agrees to establish and maintain so long as any Bonds are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Indenture; provided, that any amounts in the Installment Payment Fund not required to pay the principal of and interest on the Bonds shall be transferred on the Business Day immediately following each Interest Payment Date, if the District so directs, to the Series 2005A Rebate Account, and after the above deposits are completed, to the District for use by the District for any lawful purpose:

Interest Fund. The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund that amount of money representing the portion of the Installment Payments constituting the interest components becoming due and payable to but not including such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds to but not including their respective Interest Payment Dates.

Principal Fund. The Trustee, on each maturity date, shall deposit in the Principal Fund that amount of money representing the portion of the Installment Payments constituting the principal components becoming due and payable on such maturity date. All moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds on their respective maturities.

Redemption Fund. The Trustee, at the time that any redemption is paid to the Trustee pursuant to the Installment Purchase Agreement, shall deposit in the Redemption Fund the amount of such redemption. All money in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by the Bonds to be redeemed on their respective redemption dates.

Compliance with Indenture. The Trustee covenants under the Indenture will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture; and the Authority and the District covenant under the Indenture that neither the Authority nor the District will suffer or permit any default by them to occur under the Indenture, but each will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by them.

Compliance with or Amendment of Installment Purchase Agreement. The Authority and the District covenant under the Indenture that they will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by them, and will enforce the Installment Purchase Agreement against the other party thereto in accordance with its terms.

The Authority and the District covenant under the Indenture that they will not alter, amend or modify the Installment Purchase Agreement without the prior written consent of the Trustee. The Trustee shall give such consent only (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power therein reserved to the District, (ii) to cure, correct or supplement any ambiguous or defective provision contained therein, (iii) to resolve questions arising thereunder as the parties thereto may deem necessary or desirable and which do not adversely affect the interests of the Owners of the Bonds, (iv) to modify the description of the Project to reflect accurately the Project as it may be amended in accordance with of the Installment Purchase Agreement, or (v) if the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding to such alterations, amendments or modifications; provided, that no such alteration, amendment or modification shall extend an Interest Payment Date, reduce the rate of interest represented by a Bond, extend the time of payment of the principal of or interest on a Bond or reduce the amount of

principal of a Bond without the prior written consent of the Owner of any Bond so affected, nor shall any such alteration, amendment or modification reduce the percentage of Owners whose consent is required for the execution of any alteration, amendment or supplement.

Any supplement, amendment or modification entered into pursuant to clause (iii) of the immediately preceding paragraph shall not, for purposes of the Indenture, be deemed to adversely affect the interest of the Owners so long as (i) all Bonds are insured by a bond insurance policy, (ii) the Bond Insurers shall have given their written consent to such supplement, amendment or modification, and (iii) the Bond Insurers shall at the time of such consent be rated in the highest rating category by S&P and Moody's.

Observance of Laws and Relations. The Authority, the District and the Trustee covenant under the Indenture that they will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

Tax Covenants.

(a) The Authority and the District by the Indenture covenant with the holders of the Bonds that, notwithstanding any other provisions of the Indenture, they shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Authority and the District shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) The Authority and the District shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the Authority or the District, that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Bonds are outstanding, the Authority and the District, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The Authority and the District shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as "governmental bonds."

(c) The Authority and the District shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority and the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) The Authority and the District shall not make any use of the proceeds of the Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) In furtherance of the foregoing tax covenants of the Indenture, the Authority and the District covenant that they will each comply with the provisions of the Series 2005A Tax Certificate. These covenants shall survive payment in full or defeasance of the Series 2005A Bonds.

(f) The Trustee shall establish a special fund within the Rebate Fund designated the “Series 2005A Rebate Account” (the “Series 2005A Rebate Account”). All amounts at any time on deposit in the Series 2005A Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the “Series 2005A Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien under the Indenture and shall be governed by the provisions of the Indenture described under this heading “—Tax Covenants” and by the Series 2005A Tax Certificate. The Trustee shall be deemed conclusively to have complied with the Series 2005A Rebate Requirement if it follows the directions of the District, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District with the Series 2005A Rebate Requirement.

(g) Within 45 days of the end of each Bond Year (as such term is defined in the Series 2005A Tax Certificate), (1) the District shall calculate or cause to be calculated with respect to the Series 2005A Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (2) upon the District’s written direction, the Trustee shall deposit to the Series 2005A Rebate Account from deposits from the District, if and to the extent required, amounts sufficient to cause the balance in the Series 2005A Rebate Account to be equal to the “rebate amount” so calculated.

(h) The Trustee shall not be required to deposit any amount to the Series 2005A Rebate Account in accordance with the foregoing paragraph (g) if the amount on deposit in the Series 2005A Rebate Account prior to the deposit required to be made under the foregoing paragraph (g) and paragraph (i) that follows equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Series 2005A Rebate Account to the extent permitted under paragraph (n) that follows.

(i) The District shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to deposit any amount to the Series 2005A Rebate Account in accordance with the foregoing paragraph (g), with respect to all or a portion of the proceeds of the Series 2005A Bonds (including amounts treated as proceeds of the Series 2005A Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Series 2005A Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the Authority under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the District shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Series 2005A Rebate Account in accordance with the foregoing paragraph (g).

(j) Any funds remaining in the Series 2005A Rebate Account after redemption of all the Bonds and any amounts described in clause (2) of paragraph (k) that follows, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to the District.

(k) Upon the Authority’s or the District’s written direction, but subject to the exceptions contained in the foregoing paragraph (i) to the requirement to calculate the “rebate amount” and make deposits to the Series 2005A Rebate Account, the Trustee shall pay to the United States, from amounts on deposit in the Series 2005A Rebate Account, (1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and (2) not later than 60 days after the payment of all Series 2005A Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(l) Each payment required to be made pursuant to the foregoing paragraph (k) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall

be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the Authority and provided to the Trustee.

(m) In the event that, prior to the time any payment is required to be made from the Series 2005A Rebate Account, the amount in the Series 2005A Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the District equal to such deficiency into the Series 2005A Rebate Account prior to the time such payment is due.

(n) In the event that immediately following the calculation required by the foregoing paragraph (g), but prior to any deposit made under said paragraph, the amount on deposit in the Series 2005A Rebate Account exceeds the “rebate amount” calculated in accordance with said paragraph, upon written instructions from the District, the Trustee shall withdraw the excess from the Series 2005A Rebate Account and credit such excess to the Series 2005A Installment Payment Account in the Installment Payment Fund.

(o) The Authority and the District shall retain records of all determinations made under the Indenture until six years after the complete retirement of the Series 2005A Bonds.

(p) Notwithstanding anything in the Indenture to the contrary, the Series 2005A Rebate Requirement shall survive the payment in full or defeasance of the Series 2005A Bonds.

(q) Notwithstanding any provision of the Indenture, if the District shall provide to the Trustee an Opinion of Counsel that any specified action required by the foregoing is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2005A Bonds, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of the foregoing, and the covenants under the Indenture shall be deemed to be modified to that extent.

Other Liens. The District will keep the Property and all parts thereof free from judgments and liens and free from all claims, demands or encumbrances of whatever nature or character, and free from any claim or liability which might interfere with the District in utilizing the Property or any portion thereof. The District will notify the Trustee within five (5) Business Days of receipt by the District of notice of any lien, claim or liability encompassed by this paragraph. The Trustee at its option (after first giving the District ten (10) Business Days’ written notice to comply therewith and failure of the District to so comply within such period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided that in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the District from liability for or on account of its failure to observe or perform any of the agreements, conditions, covenants or terms contained in the Indenture required to be observed or performed by it, or from its liability under the Indenture to defend the validity of the Indenture and to observe and perform all such agreements, conditions, covenants and terms.

So long as any Bonds are Outstanding, the District covenants under the Indenture that it will not create or suffer to be created any pledge of or lien on the Installment Payments other than the pledge and lien of the Indenture.

Prosecution and Defense of Suits. The District covenants under the Indenture that it will promptly, upon request of the Trustee, the Authority or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys’ fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

The District will defend against every action, suit or other proceeding at any time brought against the Trustee, the Authority or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the

Installment Payments or involving any rights or obligations of the Trustee or any Owner under the Indenture; provided, that the Trustee, the Authority or any Owner at its or his election may appear in and defend any such action, suit or other proceeding. The District will indemnify and hold harmless the Trustee, the Authority and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights under the Indenture or under the Bonds; provided, that such litigation shall be concluded favorably to such Owners' contentions therein.

Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with trust accounting standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Installment Payments and the proceeds of the Bonds. Such records shall be open to inspection by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each October, so long as any Bonds are Outstanding, the Trustee will furnish to the Authority and to any Owner who may so request (at the expense of such Owner) a complete statement covering the receipts, deposits and disbursements of the funds held under the Indenture for the preceding fiscal year. In addition, the Trustee shall provide the District with a monthly accounting of the funds and accounts held under the Indenture, including all unclaimed moneys for payments of principal and interest with respect to the Bonds.

Recordation and Filing. The District will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the Installment Payments under and pursuant to the Indenture, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights of the Trustee under the Indenture, and the District will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the Installment Payments as provided in the Indenture.

Continuing Disclosure. The District and the Trustee by the Indenture covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to such party. Notwithstanding any other provision of the Indenture, failure of the District or the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (or at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Owners of at least 25% aggregate principal amount of Outstanding Series 2005A Bonds, shall, but only to the extent indemnified from any liability or expense, including fees and expenses of its attorneys) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Authority, as the case may be, to comply with the foregoing obligations and the obligations under the Continuing Disclosure Agreement. "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Authority and the District covenant under the Indenture that they will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them by the Indenture.

Action on Default. If any Event of Default (as that term is defined in the Installment Purchase Agreement) shall happen, then such Event of Default shall constitute a default under the Indenture, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the District and to the Authority, to exercise the remedies provided to the Authority in the Installment Purchase Agreement; provided, that nothing contained in the Indenture shall affect or impair the right of action of any Owner to institute suit directly against the Authority to enforce payment of the obligation under such Owner's Bond.

Other Remedies of the Trustee. Upon the occurrence and during the continuance of any Event of Default under the Indenture, the Trustee, at its option, may take such action as it deems necessary or appropriate including, without limitation, any of the following remedial steps:

(a) Declare all principal of and interest on the Bonds to be due and payable immediately.

(b) Exercise any or all rights and remedies given by the Indenture or available under the Indenture or given by or available under any other instrument of any kind securing the Authority's or the District's performance under the Indenture.

(c) Take any action at law or in equity to collect the payments required under the Indenture then due, for damages or for specific performance or otherwise to enforce performance and observance of any obligations, agreement or covenant of the Authority or the District under the Indenture.

Any such action by the Trustee, however, is subject to the condition that if, at any time after such action and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all principal of and interest on the Bonds, the payment of which is overdue, with interest on such overdue principal at the rate borne by the Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee with respect to the Bonds (other than in the payment of the principal and interest due and payable solely by reason of such action) shall have been made good or cured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Authority may, rescind and annul such action and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Non-Waiver. A waiver of any default under the Indenture or breach of any obligation by the Trustee under the Indenture or by the Authority under the Installment Purchase Agreement shall not affect any subsequent default under the Indenture or any subsequent breach of an obligation by the Trustee under the Indenture or impair any rights or remedies on any such subsequent default under the Indenture or on any such subsequent breach of an obligation by the Trustee under the Indenture. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default under the Indenture shall impair any such right or remedy or shall be construed to be a waiver of any such default under the Indenture or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the District or the Authority, the Trustee, the District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or of the Installment Purchase Agreement with respect to remedies upon an Event of Default shall be deposited in a segregated account in the Installment Payment Fund and shall be applied by the Trustee (after payment of certain other amounts due and payable under the Indenture) in the following order and upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid —

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, accountants and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest on the Bonds then due, and, if the amount available shall not be sufficient to pay in full any payment or payments of interest coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether on the maturity date or by call for redemption, in the order of their due dates, with interest on the overdue principal of and interest on the Bonds to be paid at a rate equal to the rate or rates of interest then applicable to the Bonds if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Bonds on any date, together with such interest, then to the payment thereof, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved in the Indenture to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given under the Indenture or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

No Liability by the Authority to the Owners. Except as expressly provided in the Indenture, the Authority shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Installment Purchase Agreement or in the Indenture required to be observed or performed by it, or with respect to the performance by the Trustee of any obligation contained in the Indenture required to be performed by it. Notwithstanding anything contained in the Indenture, the Authority shall not be required to advance any money derived from any source of income other than the Installment Payments as provided in the Indenture for the payment of the principal, premium, if any, or interest on the Bonds or for the performance of any agreements or covenants contained in the Indenture and in the Installment Purchase Agreement. The Authority may, however, advance funds for any such purpose without incurring an indebtedness.

The Bonds are special limited obligations of the Authority and principal, premium, if any, and interest thereon are payable solely from the Installment Payments as provided in the Indenture, and the Authority is not obligated to pay such principal, premium or interest except from the Installment Payments. The Bonds are equally secured by a pledge of and charge and lien upon the Installment Payments, and the Installment Payments constitute a trust fund for the security and payment of the principal, premium, if any, or interest on the Bonds, as provided in the Indenture.

No Liability by the District to the Owners. Except for the payment when due of the Installment Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the Installment Purchase Agreement or in the Indenture required to be observed or performed by it, the District shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery, transfer, exchange or cancellation of the Bonds or the receipt, deposit or disbursement of the Installment Payments by the Trustee, or with respect to the performance by the Trustee of any obligation contained in the Indenture required to be performed by it.

No Liability by the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Installment Purchase Agreement or in the Indenture required to be observed and performed by it.

Bond Insurers to Act Instead of Owners. Notwithstanding any other provision of the Indenture, each Bond Insurer shall be deemed the Owner of the Bonds insured by the municipal bond insurance policy issued thereby for purposes of any provisions in the Indenture or the Installment Purchase Agreement requiring the consent or approval of the Owners of the Bonds with respect to rights of such Owners other than the right to receive payment of principal and interest under the Indenture, but only for so long as such Bond Insurer is in compliance with such municipal bond insurance policy, and if such Bond Insurer is in default under such municipal bond insurance policy, such Bond Insurer shall not have any rights granted to such Bond Insurer under the Indenture or under the Installment Purchase Agreement.

Employment and Duties of the Trustee. The District and the Authority by the Indenture appoint and employ the Trustee to receive, deposit and disburse the Installment Payments as provided in the Indenture, to prepare, authenticate, deliver, transfer, exchange and cancel the Bonds as provided in the Indenture, to pay the interest on and principal of the Bonds to the Owners thereof as provided in the Indenture and to perform the other obligations contained in the Indenture; all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read in the Indenture against the Trustee.

Removal and Resignation of the Trustee. The District and the Authority may at any time, provided that an Event of Default has not occurred and is continuing, remove the Trustee initially a party to the Indenture and any successor thereto by giving written notice of such removal to the Trustee and by giving notice by mail in accordance with the Indenture of such removal to all Owners of Bonds, and the Trustee initially a party to the Indenture and any successor thereto may at any time resign by giving written notice of such resignation to the District and the Authority and by giving notice by mail in accordance with the Indenture of such resignation to all Owners of Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the District and the Authority shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the District and the Authority do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank or trust company doing business and having a principal corporate trust office in Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by state or national authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the foregoing the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business; provided that such company shall be eligible under the foregoing and then such company shall be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The District shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services and reimburse the Trustee for all its advances and expenditures under the Indenture, including, but not limited to, advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations under the Indenture; provided that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established under the Indenture or under the Installment Purchase Agreement, except that upon an Event of Default the Trustee shall have a prior lien on all moneys received by the Trustee as provided in the Indenture, and the Trustee may take whatever legal actions are available to it directly against the District to recover such compensation or reimbursement.

To the extent permitted by law, the District does by the Indenture assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Property by the District, (ii) any act of negligence of the District or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Property, (iii) the

authorization of the payment of any costs or expenses of the acquisition, design, construction, improvement and installation of the Project, or (iv) the exercise of any rights or obligations of the Trustee under the Indenture; provided that no indemnification will be made for willful misconduct or negligence under the Indenture by the Trustee.

Protection of the Trustee. The Trustee shall be protected and indemnified as stated in the Indenture by the District and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions arising under the Indenture, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it in the Indenture of all rights to receive the Installment Payments under the Installment Purchase Agreement, or of the title or value of the Property, and shall not be deemed to have knowledge of any Event of Default (as that term is defined in the Installment Purchase Agreement) unless and until it shall have actual knowledge thereof or have received written notice thereof at its principal corporate trust office. All recitals, warranties or representations contained therein are statements of the District, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the District, or any other party, of any funds which the Trustee properly releases to the District or which the District may otherwise receive from time to time.

The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Indenture, any Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Indenture), or with respect to any obligation of the District or the Authority or for the sufficiency of any insurance on the Property.

Whenever in the observance or performance of its rights and obligations under the Indenture or under the Bonds the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Certification of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District or the Authority, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the District or the Authority as freely as if it were not the Trustee under the Indenture.

The Trustee shall not be answerable for the exercise of any of its rights under the Indenture or for the performance of any of its obligations under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct or negligence.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial or other liability or risk in the performance of any of its obligations under the Indenture, or in the exercise of any of its rights under the Indenture, and before taking any action under the Indenture the Trustee may require that indemnity satisfactory to it be furnished for all expenses to which it may be put and to protect it from all liability thereunder.

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for in the Indenture) in aggregate principal amount of Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Indenture or under the Installment Purchase Agreement or any other trust or power conferred upon the Trustee.

In acting as Trustee under the Indenture, the Trustee acts solely in its capacity as Trustee under the Indenture and not in its individual or personal capacity, and all persons, including without limitation the Owners, the District and the Authority, having any claims against the Trustee shall look only to the funds and accounts held by the Trustee under the Indenture for payment, except as otherwise provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Bonds.

The Trustee shall not be deemed to have knowledge of an Event of Default unless it shall have received actual notice of such Event of Default at its Principal Corporate Trust Office.

The Trustee may exercise any of its powers or duties through attorneys, agents and receivers but shall be liable for the conduct of such attorneys, agents and receivers.

The Trustee shall not be responsible for any information in any disclosure material or any official statement or other offering document prepared in connection with the Bonds.

Amendment or Supplement by Consent of Owners. The Indenture and the rights and obligations of the District and the Authority and Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding when the written consents of the Owners (or the Bond Insurers acting in their stead pursuant to the Indenture) of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest evidenced and represented by any Bond or extend the time of payment thereof or reduce the amount of principal evidenced and represented by any Bond or extend the maturity date thereof without the prior written consent of the Owner of the Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of certain amendments of the Indenture or supplements to the Indenture, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the District and the Authority and the Owners and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes –

(a) to add to the agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by the District or the Authority, other agreements, conditions, covenants and terms thereafter to be observed or performed by the District or the Authority, or to surrender any right reserved in the Indenture to or conferred in the Indenture on the District or the Authority, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the District or the Authority may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners;

(c) to provide for issuance of Additional Bonds pursuant to the Indenture; or

(d) to make any modifications or changes necessary or appropriate in the Opinion of Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Bonds.

Any Supplemental Indenture entered into pursuant to the Indenture shall be deemed not, for purposes of the foregoing, to materially adversely affect the interest of the Owners so long as (x) all Bonds are insured by a bond insurance policy, (y) the Bond Insurers shall have given their written consent to such Supplemental Indenture, and (z) the Bond Insurers shall at the time of such consent be rated in the highest rating category by S&P and Moody's.

Any Supplemental Indenture entered into pursuant to the Indenture made solely to conform the Indenture to any final Official Statement provided to investors in connection with the initial offering of any Bonds shall be deemed not to materially adversely affect the interests of the Owners.

Disqualified Bonds. Bonds held for the account of the District (but excluding Bonds held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Indenture shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in the foregoing.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of the Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged without cost to each Owner for Bonds then Outstanding at the office of the Trustee upon surrender of such Outstanding Bonds. All Bonds surrendered to the Trustee pursuant to the foregoing shall be cancelled by the Trustee and shall not be redelivered.

Amendment or Supplement by Mutual Consent. The foregoing shall not prevent any Owner from accepting any amendment or supplement as to the particular Bonds owned by him; provided, that due notation thereof is made on such Bonds.

Additional Bonds. The Authority, from time to time, may with the prior written consent of the District and shall upon the request of the District, by a Supplemental Indenture, authorize one or more series of Additional Bonds, secured by Installment Payments under the Installment Purchase Agreement, on a parity with the Outstanding Bonds. The Trustee shall authenticate the Additional Bonds of any series only upon the receipt by the Trustee of:

(a) A copy of the Supplemental Indenture authorizing such series of Additional Bonds which shall, among other provisions, specify: (i) the authorized principal amount (including the initial amounts for any Additional Bonds issued as capital appreciation bonds), designation and series of such Additional Bonds; (ii) the purpose for which such Additional Bonds are to be issued; (iii) the maturity date or dates of such Additional Bonds, provided that such maturity date or dates shall fall on a March 1; (iv) the interest payment dates (which shall fall on an Interest Payment Date) for and the interest rate or rates or the maximum rate of interest payable with respect to the Additional Bonds of such series; (v) the denominations of and the manner of dating and numbering such Additional Bonds; (vi) the redemption provisions, the dates fixed for redemption and redemption prices for such Additional Bonds; (vii) the form of such Additional Bonds; (viii) the establishment of and provisions concerning additional accounts and subaccounts, if necessary or desirable, held by the Trustee under the Indenture to provide for the payment of principal of, premium, if any, and interest on such Additional Bonds; (ix) the establishment of and provisions concerning additional accounts and subaccounts, if necessary or desirable, held by the Trustee under the Indenture so that such Additional Bonds are secured by a reserve requirement, if any; and (x) the establishment of

and provisions concerning such other funds, accounts and subaccounts as the Authority shall deem necessary or desirable for such Additional Bonds.

(b) A duly executed copy of an amendment or supplement to the Installment Purchase Agreement such that the Installment Payments payable under the Installment Purchase Agreement, as amended and supplemented, is sufficient to pay all principal of and interest on the Outstanding Bonds and Additional Bonds. If appropriate, such amendment or amendments shall contain any modifications necessary to add to the Property and the Project, financed with the proceed of such Additional Bonds.

(c) An Opinion of Counsel substantially to the effect that (i) the Supplemental Indenture and any amendments to the Installment Purchase Agreement executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Indenture and have been duly and validly authorized, executed and delivered by the Authority and the District and constitute the legally valid and binding obligations of the Authority and the District enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Bonds will not in and of itself adversely affect the exclusion for federal income tax purposes of interest on any Bonds previously issued, the interest on which is exempt from taxation at issuance.

Discharge of Bonds and Indenture. (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest on and principal of the Bonds at the times and in the manner provided in the Indenture and in the Bonds, then such Owners shall cease to be entitled to the pledge of and lien on the Installment Payments as provided in the Indenture, and all agreements and covenants of the Authority to such Owners under the Indenture shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding Bonds in integral multiples of \$5,000 shall on their maturity dates or their dates of redemption prior thereto be deemed to have been paid within the meaning of and with the effect expressed in the foregoing paragraph (a) if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such Bonds which is sufficient to pay the interest, redemption premiums, if any, and principal of such Bonds payable on such maturity dates or dates of redemption prior thereto.

Any Outstanding Bonds in integral multiples of \$5,000 shall prior to their maturity dates or their dates of redemption prior thereto be deemed to have been paid within the meaning of and with the effect expressed in the foregoing paragraph (a) if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity dates, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with the Indenture to the Owners of such Bonds of the redemption of such Bonds on such redemption dates, (2) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form), the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the interest on such Bonds on and prior to their maturity dates or their dates of redemption prior thereto, as the case may be, and the principal on such Bonds, and the redemption premiums, if applicable, on such Bonds as verified by an independent accountant, (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with the Indenture to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating their maturity dates or their dates of redemption prior thereto upon which money is to be available for the payment of the interest on and principal of such Bonds, and (4) an opinion of nationally recognized bond counsel is filed with the Trustee and the applicable Bond Insurer to the effect that the action taken pursuant to the foregoing will not in and of themselves cause the interest paid on the Bonds to be includable in gross income for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding.

(c) After the payment of the interest, redemption premiums, if any, and principal on all Outstanding Bonds as provided in the Indenture and payment of the fees and expenses of the Trustee, the Trustee, upon request of the District, shall cause an accounting for such period or periods as may be requested by the District to be prepared and

filed with the District and the Authority and shall execute and deliver to the District and the Authority all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction of the Indenture, as the case may be, and in the event of a total discharge and satisfaction of the Indenture the Trustee shall pay over or deliver to the District all money or Permitted Investments held by it pursuant to the Indenture which are not required for the payment of the interest, redemption premiums, if any, and principal on such Bonds which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Bonds.

Unclaimed Money. Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on or principal of any Bonds which remains unclaimed for two (2) years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest on and principal of such Bonds have become payable, shall be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest on and principal of such Bonds; provided that before being required to make any such payment to the District, the Trustee shall, at the expense of the District, give notice by mail in accordance with the Indenture to Owners of Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the District.

Benefits of the Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any person other than the District, the Authority, the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term contained in the Indenture required to be observed or performed by or on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in All References to Predecessor. Whenever either the District or the Authority or the Trustee or any officer, director or employee thereof is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, the Authority or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by or on behalf of the District, the Authority, or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the District or the Authority or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. No officer, director or employee of the District shall be individually or personally liable for the payment of the interest on or principal of the Bonds, but nothing contained in the Indenture shall relieve any officer, director or employee of the District from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or by the Indenture.

Acquisition of Bonds by District. Except as provided by the Indenture, all Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Notice by Mail. Any notice required to be given under the Indenture by mail to any Owners of Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of the Indenture not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Accounts and Funds. Any account or fund required to be established and maintained in the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

Investments. Any money held by the Trustee in any of the accounts or funds provided in the Indenture shall be invested as directed in writing by the District in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Indenture. The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by it under the Indenture (except for money held in the Rebate Fund). The Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with the Indenture. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments (except for interest or profits earned on deposits and investments held in the Rebate Fund) received by the Trustee shall be deposited in the Installment Payment Fund semiannually on the fifth (5th) Business Day preceding each Interest Payment Date; provided that prior to completion of the Project all investment earnings on amounts in the Construction Fund shall be deposited into the Construction Fund.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which will include details of all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may provide administrative, advisory or other services in connection with any Permitted Investment.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained in the Indenture required to be observed or performed by or on the part of the District or the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and shall in no way affect the validity of the Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under the Indenture and under all provisions of applicable law. The District, the Authority and the Trustee by the Indenture declare that they would have executed and entered into the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of the Indenture and would have authorized the execution and delivery of the Bonds pursuant to the Indenture irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

California Law. The Indenture shall be construed and governed in accordance with the laws of the State of California.

APPENDIX D
BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company, New York, New York, and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2005A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2005A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2005A Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2005A Bonds. The Series 2005A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Series 2005A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "FICC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org; nothing contained in such websites is incorporated into this Official Statement.

Purchases of the Series 2005A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005A Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005A Bonds, except in the event that use of the book-entry system for the Series 2005A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2005A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2005A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Series 2005A Bonds may wish to ascertain that the nominee holding the Series 2005A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2005A Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Series 2005A Bonds by the Authority will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Series 2005A Bonds held for the account of DTC Participants in accordance with

its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Series 2005A Bonds for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2005A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Series 2005A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Series 2005A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE AUTHORITY, THE DISTRICT OR THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

None of the Authority, the District or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2005A Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2005A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the Authority or the Trustee take any responsibility for the accuracy thereof.

None of the Authority, the Trustee or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Series 2005A Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the Trustee or the Underwriter are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2005A Bonds or an error or delay relating thereto.

APPENDIX E
SCHEDULE OF INSTALLMENT PAYMENTS

SCHEDULE OF INSTALLMENT PAYMENTS

Payment Date	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/1/2005	\$ -	\$110,148	\$ -
3/1/2006	920,000	413,055	1,443,203
9/1/2006	-	394,655	-
3/1/2007	710,000	394,655	1,499,310
9/1/2007	-	380,455	-
3/1/2008	735,000	380,455	1,495,910
9/1/2008	-	365,755	-
3/1/2009	765,000	365,755	1,496,510
9/1/2009	-	350,455	-
3/1/2010	795,000	350,455	1,495,910
9/1/2010	-	334,555	-
3/1/2011	830,000	334,555	1,499,110
9/1/2011	-	317,955	-
3/1/2012	865,000	317,955	1,500,910
9/1/2012	-	300,655	-
3/1/2013	895,000	300,655	1,496,310
9/1/2013	-	282,755	-
3/1/2014	935,000	282,755	1,500,510
9/1/2014	-	264,055	-
3/1/2015	970,000	264,055	1,498,110
9/1/2015	-	244,655	-
3/1/2016	1,010,000	244,655	1,499,310
9/1/2016	-	224,455	-
3/1/2017	1,050,000	224,455	1,498,910
9/1/2017	-	203,455	-
3/1/2018	1,090,000	203,455	1,496,910
9/1/2018	-	181,655	-
3/1/2019	1,135,000	181,655	1,498,310
9/1/2019	-	158,955	-
3/1/2020	1,180,000	158,955	1,497,910
9/1/2020	-	135,355	-
3/1/2021	1,230,000	135,355	1,500,710
9/1/2021	-	110,755	-
3/1/2022	1,275,000	110,755	1,496,510
9/1/2022	-	85,255	-
3/1/2023	1,330,000	85,255	1,500,510
9/1/2023	-	57,990	-
3/1/2024	1,380,000	57,990	1,495,980
9/1/2024	-	29,700	-
3/1/2025	<u>1,440,000</u>	<u>29,700</u>	<u>1,499,400</u>
Total	<u>\$20,540,000</u>	<u>\$9,370,253</u>	<u>\$29,910,253</u>

APPENDIX F

FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX F

FORM OF BOND COUNSEL OPINION

_____, 2005

Los Angeles County Public Works Financing Authority
Los Angeles, California

Re: \$20,540,000
Los Angeles County Public Works Financing Authority
Revenue Bonds
(Los Angeles County Flood Control District)
Series 2005A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Los Angeles County Public Works Financing Authority (the "Authority") of its \$20,540,000 aggregate principal amount of Los Angeles County Public Works Financing Authority Revenue Bonds (Los Angeles County Flood Control District) Series 2005A (the "Series 2005A Bonds"), pursuant to Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, as amended, and an Indenture, dated as of January 1, 2003, as amended and supplemented by the First Supplemental Indenture, dated June 1, 2005 (as so amended and supplemented, the "Indenture"), by and among the Authority, the Los Angeles County Flood Control District (the "District") and The Bank of New York Trust Company, N.A. (as successor to BNY Western Trust Company), as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture.

In our capacity as Bond Counsel, we have reviewed the Indenture, the Installment Purchase Agreement, dated as of January 1, 2003, as amended and supplemented by the 2005A Supplement, dated as of June 1, 2005 (as so amended and supplemented, the "Installment Purchase Agreement"), by and between the Authority and the District, and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation; and we have assumed, but did not independently verify, that the signatures on all documents and certificates that we reviewed are genuine.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Installment Purchase Agreement, the Series 2005A Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation,

defeasance of Series 2005A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2005A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. With delivery of this opinion, our engagement with respect to the Series 2005A Bonds has concluded, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Installment Purchase Agreement and the Series 2005A Tax Certificate, including (without limitation) covenants and agreement compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2005A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2005A Bonds, the Indenture, the Installment Purchase Agreement and the Series 2005A Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint exercise of powers of agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Installment Purchase Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2005A Bonds and express no opinion with respect thereto.

Based upon the foregoing, and subject to the limitations and qualifications herein specified, as of the date hereof, set forth under existing laws, we are of the opinion that:

1. The Installment Purchase Agreement and the Indenture have been duly authorized, executed and delivered by the Authority; the Installment Purchase Agreement has been duly authorized, executed and delivered by the District; and, assuming (in the case of the Indenture) due authorization, execution and delivery by the Trustee, such agreements are valid and binding obligations of the Authority and the District (as the case may be), enforceable against the Authority and the District (as the case may be) in accordance with their respective terms.

2. The Series 2005A Bonds constitute valid and binding obligations of the Authority enforceable in accordance with their terms.

3. The Series 2005A Bonds are special obligations of the Authority payable from certain installment payments to be made by the District under the Installment Purchase Agreement and certain other moneys described in the Indenture. The obligation of the District to make the payments pursuant to the Installment Purchase Agreement is limited to Revenues (as such term is defined in the Installment Purchase Agreement). Neither the faith and credit nor the taxing power of the District, the State of California or any political subdivision thereof is pledged to such payments or to the payment of the principal of or interest on the Series 2005A Bonds.

4. Assuming compliance by the Authority and the District with certain covenants in the Indenture and the Installment Purchase Agreement, and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of proceeds of the Series 2005A Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2005A Bonds is not includable in the gross income of the owners of the Series 2005A Bonds for federal income tax purposes. Failure by the Authority and the District to comply with such covenants and requirements may cause interest on the Series 2005A Bonds to be includable in gross income for federal income tax purposes retroactive to their date of issuance.

5. Interest on the Series 2005A Bonds is not treated as an item of tax preference in calculating the alternative minimum taxable income of individuals and corporations. However, interest on the Series 2005A Bonds is included as an adjustment in calculating federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

6. Interest on the Series 2005A Bonds is exempt from personal income taxes imposed by the State of California.

Other than as described herein, we have not addressed, and are not opining on, the tax consequences to any person of the investment in, or of the receipt of interest on, the Series 2005A Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

SIDLEY AUSTIN BROWN & WOOD LLP

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of July 1, 2005, is by and between LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and the LOS ANGELES COUNTY FLOOD CONTROL DISTRICT, a flood control district organized and existing under and by virtue of the laws of the State of California (the “District”).

WITNESSETH:

WHEREAS, the District has executed and delivered an Installment Purchase Agreement, dated as of January 1, 2003, by and between the Los Angeles County Public Works Financing Authority (the “Authority”) and the District, as supplemented by the 2005A Supplement to Installment Purchase Agreement, dated as of July 1, 2005, by and between the Authority and the District, pursuant to which the District has agreed to make installment payments (the “Installment Payments”);

WHEREAS, the Authority has issued its Revenue Bonds (Los Angeles County Flood Control District) Series 2005A (the “Bonds”) pursuant to the Indenture, dated as of the date hereof (the “Indenture”), by and among the Authority, the District and The Bank of New York Trust Company, N.A. (as successor to BNY Western Trust Company), as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of July 1, 2005, by and among the Authority, the District and the Trustee, which Bonds are payable solely from the Installment Payments;

WHEREAS, this Disclosure Agreement is being executed and delivered by the District and the for the benefit of the holders and beneficial owners of the Bonds and in order to assist the underwriters of the Bonds in complying with Securities Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the District pursuant to, and as described in, Sections 2 and 3 hereof.

“**Disclosure Representative**” means the Treasurer and Tax Collector of the District or his or her designee, or such other officer or employee as the District shall designate in writing to the Authority from time to time.

“Dissemination Agent” means the Treasurer of the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Authority a written acceptance of such designation.

“Listed Events” means any of the events listed in subsection (a) of Section 4 hereof.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Official Statement” means the Official Statement, dated June 30, 2005, relating to the Bonds.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means each National Repository and each State Repository.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

“Treasurer” means the Treasurer of the Authority.

Section 2. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than sixty (60) days after the District normally receives its audited financial statements from its auditors in each year but in no event later than February 1, commencing with the report for the 2004-2005 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 hereof. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 hereof; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection (f) of Section 4 hereof.

(b) Fifteen business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the Repositories, the Dissemination Agent shall contact the District and the Dissemination Agent to notify them of the date such Annual Report is required under subsection (a) of this Section.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and each State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the District and (if the Dissemination Agent is not the Treasurer) the Treasurer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 3. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) Updated information for the prior fiscal year comparable to the information contained in the table entitled "HISTORICAL AND PROJECTED DEBT SERVICE" under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Coverage."

(ii) Updated information for the prior fiscal year comparable to the information contained under the heading "APPENDIX A – LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – District Budget."

(iii) Updated information for the prior fiscal year comparable to the information contained under the heading "APPENDIX A – LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – Assessed Valuation" including the table entitled "CHANGE IN ASSESSED VALUATION."

(iv) Updated information for the prior fiscal year comparable to the information contained under the heading "APPENDIX A – LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – District Revenues – Property

Taxes” including the table entitled “FLOOD CONTROL GENERAL FUND SHARE OF COUNTY ONE PERCENT LEVY.”

(v) Updated information for the prior fiscal year comparable to the information contained under the heading “APPENDIX A – LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – District Revenues – Benefit Assessment” including the table entitled “BENEFIT ASSESSMENT LEVIES AND COLLECTIONS.”

(vi) Updated information for the prior fiscal year comparable to the information contained under the heading “APPENDIX A – LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – Financial Statements” including the table entitled “LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – Combined Statement of Revenues, Expenditures and Changes in Fund Balances.”

(vii) Updated information for the prior fiscal year comparable to the information contained under the heading “APPENDIX A – LOS ANGELES COUNTY FLOOD CONTROL DISTRICT – Outstanding Indebtedness” including the table entitled “OUTSTANDING OBLIGATIONS OF THE DISTRICT.”

(viii) Principal amount of Bonds Outstanding.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled Bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) The Dissemination Agent shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) of this Section.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) of this Section or otherwise, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) of this Section.

(e) If in response to a request under subsection (b) of this Section, the District determines that the Listed Event would not be material under applicable Federal securities law, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) of this Section.

(f) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (viii) and (ix) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under subsection (f) of Section 4 hereof.

Section 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Treasurer shall be the Dissemination Agent.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Authority may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Authority or nationally recognized bond counsel, materially impair the interests of holders.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to

enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories.

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate amount of principal of Outstanding Bonds, shall), or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of the Authority and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, attorneys and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible for the form or content of any Annual Report or any other document provided to it hereunder.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Treasurer of the Authority, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**LOS ANGELES COUNTY FLOOD
CONTROL DISTRICT**

By: _____
Chair

ATTEST:
VIOLET VARONA-LUKENS
Executive Officer-Clerk of the Board

By _____
Deputy

**LOS ANGELES COUNTY PUBLIC
WORKS FINANCING AUTHORITY**

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO
FILE ANNUAL REPORT**

Name of Issuer: Los Angeles County Flood Control District
Name of Issue: Los Angeles County Public Works Financing Authority Revenue
Bonds (Los Angeles County Flood Control District) Series
2005A
Date of Issuance: July 13, 2005

NOTICE IS HEREBY GIVEN that the Los Angeles County Flood Control District (the “District”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 12.11 of the First Supplemental Indenture, dated as of July 1, 2005, by and among The Bank of New York Trust Company, N.A., as , the Los Angeles County Public Works Financing Authority and the District. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

LOS ANGELES COUNTY PUBLIC WORKS
FINANCING AUTHORITY, on behalf of the
Los Angeles County Flood Control District

cc: Los Angeles County Flood Control District

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Assistant Secretary